PISTOL BAY MINING INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended

November 30, 2014

Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Section 4.3(3)(a) of the National Instrument 51-102, Continuous Disclosure Obligations, provides that if an auditor has not performed a review of the condensed interim financial statements, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's external auditor, Manning Elliott LLP, have not performed a review of these condensed interim financial statements of Pistol Bay Mining Inc. for the three month period ended August 31, 2014.

February 02, 2015

PISTOL BAY MINING INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

	November 30, 2014 - $ -	May 31, 2014 - $ -
ASSETS		
CURRENT ASSETS		
Cash	1,236	23
Taxes recoverable	1,484	304
Marketable securities (Note 4)	-	22,500
Due from related parties (Note 10)	3,957	-
Prepaid expenses and deposits (Note 10)	38,525	111,525
	45,202	134,352
PROPERTY AND EQUIPMENT (Note 5)	3,548	13,083
	48,750	147,435
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Notes 7 and 14)	796,905	729,950
Due to related parties (Note 10)	31,248	16,913
	828,153	746,863
SHAREHOLDERS' EQUITY (DEFICIENCY)		
SHARE CAPITAL (Note 8)	21,057,812	21,011,372
RESERVES (Note 9)	994,096	1,301,075
ACCUMULATED OTHER COMPREHENSIVE LOSS	-	(12,500)
DEFICIT	(22,831,311)	(22,899,375)
	(779,403)	(599,428)
	48,750	147,435

NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY (Note 1)
COMMITMENTS (Note 6 and 14)
SUBSEQUENT EVENTS (Note 17)

APPROVED BY THE BOARD OF DIRECTORS ON FEBRUARY 02, 2015

ON BEHALF OF THE BOARD
"Charles Desjardins" Director
"Dave Bissoondatt" Director

See Accompanying Notes

PISTOL BAY MINING INC.

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

	Six Months Ended		Three Months Ended	
	November 30, 2014	**November 30, 2013**	**November 30, 2014**	**November 30, 2013**
	- $ -	**- $ -**	**- $ -**	**- $ -**
EXPENSES				
Amortization	9,535	10,096	4,768	5,048
Business development and shareholder communications	4,102	37,861	2,391	2,237
Consulting fees	32,784	106,982	17,250	45,055
Insurance	2,953	5,962	1,504	2,425
Management fees (Note 10)	22,500	19,375	11,250	11,250
Office services and miscellaneous	20,526	59,562	7,885	21,458
Professional fees	18,900	45,371	9,450	24,501
Rent	10,963	38,366	4,739	15,565
Share-based payments (Notes 8 and 9)	-	34,852	-	34,852
Transfer agent and filing fees	7,772	12,954	6,843	11,772
Wages and benefits	1,743	60,923	671	10,341
	131,778	432,304	66,751	184,504
OTHER INCOME (EXPENSES)				
CRA penalties (Note 15)	(88,213)	-	(88,213)	-
Gain on disposition of property (Note 6)	20,000	-	-	-
Impairment provision for exploration and evaluation interests (Note 6)	-	(307,285)	-	(307,285)
Loss on disposition of marketable securities (Note 4)	(22,988)	-	(22,988)	-
Part XII taxes and interest related to flow-through shares (Note 14)	(15,936)	-	(7,968)	-
	(107,137)	(307,285)	(119,169)	(307,285)
NET LOSS FOR THE PERIOD	**(238,915)**	**(739,589)**	**(185,920)**	**(491,789)**
OTHER COMPREHENSIVE GAIN (LOSS) ITEMS				
Unrealized gain (loss) on marketable securities (Note 4)	12,500	7,278	25,000	(12,540)
COMPREHENSIVE LOSS FOR THE PERIOD	**(226,415)**	**(732,311)**	**(160,920)**	**(504,329)**
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.05)	$ (0.22)	$ (0.04)	$ (0.14)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	4,670,107	3,424,171	4,670,107	3,424,171

See Accompanying Notes

PISTOL BAY MINING INC.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

	Share Capital		Reserves		Accumulated other comprehensive gain (loss)		
	Number of shares issued	Amount	Warrant reserve	Share based payment reserve	Unrealized marketable security gain (loss)	Deficit	Total
		$	$	$	$	$	$
Balance, May 31, 2013	**2,904,767**	**20,490,100**	**569,924**	**1,485,381**	**(1,836)**	**(21,873,934)**	**669,635**
Comprehensive loss:							
Loss for the period	-	-	-	-	-	(739,589)	(739,589)
Unrealized gain (loss) from marketable securities	-	-	-	-	7,278	-	7,278
Total comprehensive loss for the period	2,904,767	20,490,100	569,924	1,485,381	5,442	(22,613,523)	(62,676)
Private placements	472,000	141,600	-	-	-	-	141,600
Shares issued for exploration and evaluation properties	300,000	82,500	-	-	-	-	82,500
Share issuances costs	-	(13,560)	-	-	-	-	(13,560)
Fair value of agents' warrants granted	-	(15,216)	15,216	-	-	-	-
Fair value of options granted	-	-	-	34,852	-	-	34,852
Fair value of options expired	-	-	-	(771,978)	-	771,978	-
Obligation to issue shares	-	12,000	-	-	-	-	12,000
Balance, November 30, 2013	**3,676,767**	**20,697,424**	**585,140**	**748,255**	**5,442**	**(21,841,545)**	**194,716**
Balance, May 31, 2014	**4,670,107**	**21,011,372**	**580,716**	**720,359**	**(12,500)**	**(22,899,375)**	**(599,428)**
Comprehensive loss:							
Loss for the period	-	-	-	-	-	(238,915)	(238,915)
Unrealized gain (loss) from marketable securities	-	-	-	-	12,500	-	12,500
Total comprehensive loss for the period	4,670,107	21,011,372	580,716	720,359	-	(23,138,290)	(825,843)
Fair value of options expired	-	-	-	(67,710)	-	67,710	-
Fair value of options cancelled	-	-	-	(239,269)	-	239,269	-
Obligation to issue shares	-	46,440	-	-	-	-	46,440
Balance, November 30, 2014	**4,670,107**	**21,057,812**	**580,716**	**413,380**	**-**	**(22,831,311)**	**(779,403)**

See Accompanying Notes

PISTOL BAY MINING INC.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

	Six Months Ended	
	November 30, 2014	**November 30, 2013**
	- $ -	**- $ -**
CASH FLOW USED FOR OPERATING ACTIVITIES		
Net loss	(238,915)	(739,588)
Adjustments for non-cash items:		
Amortization	9,535	10,096
Flow-through assessment	(15,936)	16,800
Impairment provision for exploration and evaluation properties	-	307,285
	(245,316)	(405,407)
Changes in non-cash working capital:		
Net change in non-cash working capital accounts	189,712	198,901
Net cash flow used in operating activities	(55,604)	(206,506)
INVESTING ACTIVITIES		
Exploration and evaluation assets	-	60,000
Net cash flow provided by investing activities	-	60,000
FINANCING ACTIVITIES		
Receipt of amounts due from related parties	10,377	5,830
Obligation to issue shares	46,440	-
Proceeds from the issuance of common shares, net of share issuance costs	-	140,040
Net cash flows provided by (used in) financing activities	56,817	145,870
INCREASE (DECREASE) IN CASH	1,213	(636)
CASH, BEGINNING OF THE PERIOD	23	581
CASH (CASH DEFICIT), END OF THE PERIOD	$ 1,236	$ (55)

ADDITIONAL CASH FLOW INFORMATION (Note 11)

See Accompanying Notes

PISTOL BAY MINING INC.
SCHEDULE OF EXPLORATION AND EVALUATION ASSETS
FOR THE YEAR ENDED MAY 31, 2014 AND SIX MONTHS ENDED NOVEMBER 30, 2014
(EXPRESSED IN CANADIAN DOLLARS)

	Princeton Property, BC	Roaring River Property, Ontario	Summit Lake A&B, British Columbia	Summit Lake D, British Columbia	Portland Graphite, Ontario	Total
	- $ -	- $ -	- $ -	- $ -	- $ -	- $ -
BALANCE OF COSTS,						
Acquisition costs	165,100	100,750	217,000	36,250	496,500	1,015,600
Deferred exploration costs	147,197	169,241	76,564	28,106	11,392	432,500
Total proceeds received from optionees	-	-	(170,000)	(25,000)	-	(195,000)
Cumulative impairment charge	(312,297)	(269,991)	(123,564)	(39,356)	(507,892)	(1,253,100)
BALANCE MAY 31, 2014	-	-	-	-	-	-
ACQUISITION COSTS:						
Total acquisition costs	-	-	-	-	-	-
EXPLORATION COSTS:						
Total exploration costs	-	-	-	-	-	-
Total acquisition costs	165,100	100,750	217,000	36,250	496,500	1,015,600
Total deferred exploration costs	147,197	169,241	76,564	28,106	11,392	432,500
Total proceeds received from optionees	-	-	(170,000)	(25,000)	-	(195,000)
Total cumulative impairment charge	(312,297)	(269,991)	(123,564)	(39,356)	(507,892)	(1,253,100)
BALANCE NOVEMBER 30, 2014	-	-	-	-	-	-

See Accompanying Notes

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Pistol Bay Mining Inc. (the “Company”) was incorporated as 490879 British Columbia Ltd. on February 20, 1995 in the Province of British Columbia. On September 10, 1996, the Company changed its name to Solitaire Minerals Corp. On November 2, 2012, the Company changed its name to Pistol Bay Mining Inc. The Company’s head office and registered address is: 805 – 867 Hamilton Street, Vancouver BC, V6B 6B7, Canada.

The Company’s shares are listed for trading on the TSX Venture Exchange (the “Exchange”). . On October 9, 2014, the Company’s Board of Directors has approved, subject to the approval of the Exchange, a consolidation of the Company’s common shares on the basis of one post-consolidated share for every five pre-consolidated shares. All current and comparative share capital amounts have been restated to account for the 1 to 5 common share consolidation.

The Company is engaged in the exploration and development of mineral resources, currently focusing on projects in British Columbia and Saskatchewan. At this time, the Company does not own any operating mines and has no operating income from mineral production. Funding for operations is raised primarily through public and private share offerings. It is not known whether the Company’s mineral properties contain reserves that are economically recoverable. The recoverability of amounts recorded by the Company for exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves, the ability to raise funding for continued exploration and development, the completion of property option expenditures and acquisition requirements, or from proceeds from disposition.

These condensed interim financial statements (“financial statement”) have been prepared with the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to meet its obligations and maintain its current operations through the ensuing twelve month period and thereafter is contingent upon successful completion of additional financing arrangements and ultimately upon the discovery of proven reserves and generating profitable operations.

Management expects to be successful in arranging sufficient funding to meet operating commitments for the ensuing year. However, the Company's future capital requirements will depend on many factors, including the costs of exploring and developing its resource properties, operating costs, the current capital market environment and global market conditions. As at November 30, 2014, the Company has a working capital deficiency of $782,951 (May 31, 2014 - $612,511) and a cumulative deficit of $22,831,311 (May 31, 2014 - $22,899,375). Consequently there is significant doubt about the Company’s ability to continue as a going concern. For significant expenditures and resource property development, the Company will depend almost exclusively on outside capital. Such outside capital will include the issuance of additional equity shares. There can be no assurance that capital will be available, as necessary, to meet the Company’s operating commitments and further exploration and development plans. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. The Company’s future capital requirements will depend on many factors, including the costs of exploring and developing its resource properties, operating costs, the current capital market environment and global market conditions. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, and ultimately generate profitable operations in the future. The Company has no assurance that it will be successful in its efforts. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected.

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY (CONTINUED)

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION

Statement of compliance

The financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting.

The financial statements of the Company should be read in conjunction with the Company's 2014 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared using accounting policies consistent with those used in the Company's 2014 annual financial statements except for income tax expense which is recognized and disclosed for the full financial year in the audited annual financial statements.

Approval of the financial statements

The financial statements of the Company for the six months ended November 30, 2014, were reviewed by the Audit Committee, and approved and authorized for issue on February 02, 2015 by the Board of Directors of the Company.

Basis of Preparation

The financial statements of the Company have been prepared on the historical cost basis, except for certain financial instruments which are stated at their fair values. The Company's functional and presentation currency is Canadian dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

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

Significant Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statement are discussed below:

1) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions (continued)

Significant Accounting Judgments (continued)

2) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure capitalized requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

3) Impairment

The assessment of indications of impairment of exploration and evaluation assets and related determination of the net realizable value and write-down of the assets, where applicable.

4) Financial Instruments

The determination of categories of financial assets and financial liabilities identified as financial instruments, which involves judgments or assessments made by management.

5) Deferred Income Taxes

The determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets.

6) Provision

The recognition of provisions for restoration, rehabilitation and environmental obligations.

7) Going Concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

Significant Accounting Estimates and Assumptions

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. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

1) Estimated Useful Lives of Assets

The estimation of the useful lives of equipment was based on historical and industry experience.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments, estimates and assumptions (continued)

Significant Accounting Estimates and Assumptions (continued)

2) Share Based Payments

Equity-settled share options are recognized as an expense based on their fair value at the date of grant. The fair value of share options is estimated through the use of the valuation model – Black-Schloes, which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life. Using different input estimates or models would produce different fair values, and result in the recognition of a higher or lower share-based payments.

3) Exploration and Evaluation Expenditures

The estimated value of the exploration and evaluation costs which are capitalized in the statement of financial position.

New Accounting Standards Adopted

The Company has adopted the following accounting standards effective May 1, 2013. The adoption of these accounting standards had no significant impact on the financial statements. These standards are:

- IAS 1 (Amendment): This standard is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future.
- IFRS 7 (Amendment): This standard is amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities.
- IFRS 10: New standard to establish principles for the presentation and preparation of consolidated financial statements.
- IFRS 11: New standard to account for the rights and obligations in accordance with a joint agreement.
- IFRS 12: New standard for the disclosure of interest in other entities not within the scope of IFRS 9 / IAS 39.
- IFRS 13: New standard on the measurement and disclosure of fair value.
- IAS 27 (Amendment): As a result of the issue of IFRS 10, IFRS 11 and IFRS 12. IAS 27 deals solely with separate financial statements.
- IAS 28 (Amendment): New standard issued that supersedes IAS 28 (2003) to prescribe the application of the equity method to investments in associates and joint ventures.

New Accounting Standards, Amendments and Interpretations Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) beginning after January 1, 2014 or later years. None of these are expected to have a significant effect on the financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

- IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014.
- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.
- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

4. MARKETABLE SECURITIES

The Company has designated its marketable securities as available for sale financial instruments.

	November 30, 2014			May 31, 2014		
	Fair Value	Cost	Unrealized loss	Fair Value	Cost	Unrealized loss
Vega Mining Inc.	-	-	-	22,500	35,000	12,500
	$ -	$ -	$ -	$ 22,500	$ 35,000	$ 12,500

Pursuant to an option agreement on the Company's interest in the Submit A and D in northwestern British Columbia, Canada with Vega Mining Inc. ("Vega"), the Company received 500,000 shares of Vega to earn up to a 70% interest in the Summit A and D properties on May 21, 2014. During the six months ended November 30, 2014, the Company sold 500,000 shares of Vega and realized $22,988 losses. As at November 30, 2014, the fair market value of the marketable securities was $Nil (May 31, 2014 - $22,500) based on the closing bid price of shares on the TSX Venture Exchange.

5. PROPERTY AND EQUIPMENT

	November 30, 2014			**May 31, 2014**		
	Cost	**Accumulated Amortization**	**Net**	**Cost**	**Accumulated Amortization**	**Net**
	-$-	**-$-**	**-$-**	**-$-**	**-$-**	**-$-**
Computer	41,370	39,481	1,889	41,370	39,040	2,330
Leasehold improvement	132,818	131,159	1,659	132,818	122,065	10,753
	174,188	170,640	3,548	174,188	161,105	13,083

During the year ended May 31, 2014, the Company recorded a gain of $2,547 upon disposition of furniture and equipment.

6. EXPLORATION AND EVALUATION ASSETS

a) Princeton Property, British Columbia

In 2009, the Company acquired a 100% interest in ten mineral claims located in Princeton, British Columbia, of which seven were forfeited as at May 31, 2014. The Company determined that it will no longer pursue exploration activities on the project as a result of market constraints and a lack of economic feasibility of the project. Accordingly, the Company recorded an impairment charge of $124,313 (2013: $129,386) during the year ended May 31, 2014 against the carrying value of the property.

b) Roaring River Property, Quebec

In 2011, the Company entered into an option agreement to acquire up to 100% interest in certain mineral claims located to the north of Thunder Bay in Ontario.

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) Roaring River Property, Quebec (continued)

Pursuant to the terms of the option agreement and subsequent agreements, the Company was required to pay a cumulative amount of $115,000 in cash, issue 397,500 common shares, and incur $1,750,000 exploration expenditures over a three year period as follows:

- Pay $25,000 (paid) upon signing of the agreement and issue 7,500 common shares to the vendor upon Exchange approval on the original option agreement.
- Pay $15,000 (paid) upon Exchange approval of the amended option agreement.
- Issue 90,000 common shares of the Company with five business days from the date of Exchange approval on the amended option agreement.
- Pay $30,000 and issue 120,000 common shares to the vendor and incur $400,000 exploration expenditures by November 14, 2013.
- Pay $45,000, issue 180,000 common shares to the vendor and incur further $600,000 exploration expenditures by November 14, 2014.
- Incur further $750,000 exploration expenditures by November 14, 2015.

During the year ended May 31, 2014, management decided not to pursue this property as a result of market constraints and economic feasibility of the project, and the option agreement was terminated. An impairment charge of $269,991 was recorded against the carrying value of the property.

c) Summit Lake Project, British Columbia

<u>Summit “A” and “B” properties</u>

As at May 31, 2014, the Company holds a 100% interest in six claims in the Summit “A” and Summit “B” properties located in northwestern British Columbia, Canada.

The Company entered into an option agreement with Revolver Resources Inc. (“Revolver”), which granted an option for Revolver to earn a 60% interest in the Summit “B” property by completing $2,500,000 in exploration expenditures, making $500,000 in cash payments to the Company and issuing 4,000,000 common shares to the Company over a three year period commencing May 17, 2013. In accordance with the option agreement, Revolver made cash payments totaling $100,000 and issued 2,000,000 common shares to the Company. However, Revolver defaulted on a payment due May 17, 2014, and the option agreement was effectively terminated.

On February 26, 2014, the Company entered into an option agreement with Vega Mining Inc. (“Vega”) whereby Vega may earn a 70% interest in the Summit A and D properties. Pursuant to the terms of the option agreement, Vega will pay a cumulative amount of $110,000 cash and issue 3,500,000 common shares over a three year period as follows:

- $15,000 cash (paid) on the effective date of February 26, 2014;
- 500,000 common shares (issued) upon Exchange approval;
- An additional cash payment of $20,000 and 500,000 common shares on or before the date which is six months from Exchange approval;
- An additional cash payment of $35,000 and 1,000,000 common shares on or before the second year anniversary date of the Exchange approval; and

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

c) Summit Lake Project, British Columbia (Continued)

Summit “A” and “B” properties (continued)

- An additional cash payment of $40,000 and 1,500,000 common shares on or before the third year anniversary date of the Exchange approval.

During the year ended May 31, 2014, management decided not to pursue this property as a result of market constraints and economic feasibility of the project, and the property was written off entirely. An impairment charge of $123,564, was recorded against the property.

Summit “C” property

In 2010, the Company acquired a 100% interest in 13 claims, all of which were forfeited during the year ended May 31, 2013. Accordingly, the Company recorded an impairment charge of $108,513 against the carrying value of the property during the year ended May 31, 2013.

Summit “D” property

As at May 31, 2014, the Company held a 100% interest in 16 claims located in the Stewart area of British Columbia.

On February 26, 2014, the Company entered into an option agreement with Vega, whereby Vega may earn a 70% interest in the Summit A and D properties (see Summit “A” and “B” properties).

During the year ended May 31, 2014, management decided not to pursue this property as a result of market constraints and economic feasibility of the project, and the property was written off entirely. An impairment charge of $39,356, was recorded against the property.

Summit West property

The Company acquired a 100% interest in three claims, all of which were forfeited during the year ended May 31, 2013. Accordingly, the Company recorded an impairment charge of $172,437, against the carrying value of the property during the year ended May 31, 2013.

d) Portland Graphite Property, Ontario

In 2013, the Company entered into an option agreement with Zimtu Capital Corp. (“Zimtu”) and MPH Consulting Inc. (“MPH”), to acquire a 100% interest in an advanced stage Portland Graphite property in southeastern Ontario.

Pursuant to the terms of the option agreement and subsequent amendments, the Company is required to pay a cumulative amount of $150,000 and issue 1,100,000 common shares over a two year period to Zimtu. and MPH as follow:

- 400,000 shares on the date of Exchange approval (issued).
- 300,000 shares by September 20, 2013 (issued).
- 400,000 shares by March 20, 2015.
- $150,000 in cash by March 20, 2014.

The Company is also required to assume the obligations of Zimtu and MPH for the underlying property option agreements with the optionors as described below.

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

d) Portland Graphite Property, Ontario (Continued)

Zimtu Capital Corp. and MPH Consulting Limited., ("the Optionees") entered into an Option Agreement with John E. Riley and Steven J. Riley ("The First Optionor") dated March 5, 2012 (the "Option 1 Property Agreement") as well as another Option Agreement with Our Getaway Inc. ("The Second Optionor") dated June 1, 2012 (the "Option 2 Property Agreement", and together with the Option 1 Property Agreement, the "Property Option Agreements"), whereby the Optionors each granted an exclusive option to the Optionees to acquire up to an undivided 100% of the title and interest in and to the Properties, by paying certain consideration on the terms and conditions therein provided. In March 2014, the First Optionor agreed, in exchange for 60,000 common shares of the Company, to extend the due date for a $60,000 payment from March 4, 2014 until May 4, 2014.

The cash payments required to the original property Optionors were as follows:

- $60,000 due under the Option 1 Property Agreement to the First Optionor on or before March 5, 2013 (Paid);
- $60,000 is due under the Option 2 Property Agreement to the Second Optionor on or before June 1, 2013 (Paid);
- $60,000 due under the Option 1 Property Agreement to the First Optionor on or before May 4, 2014;
- $60,000 is due under the Option 2 Property Agreement to the Second Optionor on or before June 1, 2014.

If the Company determines that the project is viable, it has an option to extend the Option Agreement for additional three years by making additional cash payments totaling $720,000 commencing March 2015.

During the year ended May 31, 2014, management decided not to pursue this property and the property was written off entirely. An impairment charge of $507,892 was recorded against the property.

e) Athabasca Basin, Saskatchewan

As at May 31, 2014, the Company holds a 45% interest in three mineral claims located in the eastern Athabasca Basin of Saskatchewan. The claims are subject to a 2.0% Net Smelter Royalty (“NSR”).

The Company has an option agreement with Rio Tinto plc (“Rio Tinto”) for these claims whereby Rio Tinto can increase its aggregate interest to 100% by exercising the following two options:

- Increase its aggregate interest in the property to 75% by paying the Company $150,000 no later than October 19, 2012 (received) and incurring aggregate exploration expenditures of $2,000,000 no later than December 31, 2014.

- Increase its aggregate interest in the property to 100% by making a cash payment of $5,000,000 to the Company within five years of the above.

In the event Rio Tinto exercises both the options, the Company shall receive a 5% net profit interest royalty (5% of income from mining operations after deduction of all capital expenditures and operating expenditures on or for the benefit of these claims), and the parties shall use their reasonable commercial efforts to settle, execute and deliver a formal royalty deed to determine all matters pertaining to this 5% net profit interest royalty.

As at May 31, 2014 and 2013, the Company has capitalized no costs related to these claims. All costs capitalized in the past were written down during the years ended May 31, 2012 and 2013.

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

e) Athabasca Basin, Saskatchewan (Continued)

During six months ended November 30, 2014, the Company received $20,000 for the sale of the C3 property in the Athabasca Basin, Saskatchewan.

f) Wilson Lake Iron Property, Quebec

During the year ended May 31, 2013, the Company terminated an option to acquire up to a 100% interest in certain mineral claims located in the Labarador Trough region of Northern Quebec. Accordingly, during the year ended May 31, 2013, the Company recorded an impairment charge of $78,600 against the carrying value of the property.

7. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	November 30, 2014	May 31, 2014
Accounts payables	$ 217,308	$ 254,538
Accrued liabilites	34,262	23,286
Flow through tax liabilities	457,122	452,126
CRA assessed penalties	88,213	-
	$ 796,905	$ 729,950

8. SHARE CAPITAL

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

On October 9, 2014, the Company's Board of Directors has approved a consolidation of the Company's common shares on the basis of one post-consolidated share for every five pre-consolidated shares. All current and comparative share capital amounts have been restated to account for the 1 to 5 common share consolidation.

During six months ended November 30, 2014, the Company received $46,440, pursuant to the private placement announced on October 9, 2014.

<u>During the year ended May 31, 2014:</u>

i. On June 27, 2013, the Company closed a non-brokered private placement of 472,000 units at a price of $0.30 per unit for total proceeds of $141,600. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of $0.50 per share for a period of 18 months.

   In connection with the private placement, the Company incurred finders' fees of $13,560 and issued 45,200 agent warrants to acquire 45,200 units at $0.30 per unit until June 27, 2014. Each unit consists of one common share and one warrant exercisable at $0.50 until December 27, 2014.

ii. On September 20, 2013, the Company issued 300,000 common shares (valued at $82,500) towards its exploration and evaluation of Portland Graphite property.

8. SHARE CAPITAL (CONTINUED)

iii. On January 23, 2014, the Company closed a non-brokered private placement of 800,040 units at a price of $0.30 per unit for total proceeds of $240,013. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of $0.50 per share for a period of 18 months.

In connection with the private placement, the Company incurred finders' fees of $7,600 and issued 25,334 agent warrants. Each agent warrant is convertible into share units of the Company at an exercise price of $0.30 until expiration on July 23, 2015. Each unit comprises one share and one warrant exercisable at $0.50 per share until July 23, 2015.

iv. On January 20, 2014, the Company issued 38,300 common shares (valued at $11,490) for agent warrants exercised at a price of $0.30 per share.

v. On January 20, 2014, the Company issued 10,000 common shares (valued at $3,000) for options exercised at a price of $0.30 per share.

vi. On February 18, 2014, the Company issued 40,000 common shares (valued at $12,000) for options exercised at a price of $0.30 per share.

vii. On March 19, 2014, the Company issued 60,000 common shares (valued at $24,000) to extend the due date for a $60,000 payment from March 4, 2014 to May 4, 2014 for the Portland Graphite Property.

viii. On April 4, 2014, the Company issued 45,000 common shares (valued at $11,250) for options exercised at a price of $0.25 per unit.

Share Options

Under the Company's share option plan, the Company may grant options to employees, consultants and directors up to 10% of the issued and outstanding share capital at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares and the maximum term of the options will be 5 years or such longer term as permitted by the Exchange.

Share options granted to directors, employees and consultants, other than employees or consultants engaged in Investor Relations activities, will vest fully on the date of grant. Share options granted to employees or consultants engaged in Investor Relations activities will vest in stages over a minimum period of twelve months with no more than one-quarter of the share options vesting in any three month period.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. The pricing models adopted by management do not necessarily provide a consistent single measure of the fair value of the Company's share options and other share-based transactions.

<u>During the six months ended November 30, 2014:</u>

i. On August 20, 2014, 5,750 share options expired unexercised.

ii. During the six months ended November 30, 2014, 303,200 share options were cancelled. The cancellation of the 303,200 share options resulted in the transfer of $239,269 share-based payment reserve to deficit.

8. SHARE CAPITAL (CONTINUED)

Share Options (Continued)

<u>During the year ended May 31, 2014:</u>

i. During the year ended May 31, 2014, 13,400 share options expired unexercised, and 63,500 share options were cancelled or forfeited.

ii. During the year ended May 31, 2014, 50,000 share options were exercised at a price of $0.30 per unit, and 45,000 share options were exercised at a price of $0.25 per unit for total proceeds of $26,250.

iii. On September 5, 2013, the Company granted 100,000 share options to its directors, officers, and consultants, which are exercisable for a period of five years, at a price of $0.30 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, volatility 252%, risk-free rate 1.95%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $34,852, which has been expensed with a corresponding credit to share-based payment reserve. The share price factored into the Black-Scholes model was $0.35 per share.

iv. On January 23, 2014, the Company granted 70,000 share options to its directors, officers, and consultants, which were exercisable for a period of five years, at a price of $0.525 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, volatility 237%, risk-free rate 1.59%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $38,211, which has been expensed with a corresponding credit to share-based payment reserve. The share price factored into the Black-Scholes model was $0.55 per share.

v. On January 23, 2014, the Company granted 60,000 share options to a consultant, which would have vested over a period of 12 months. These options were cancelled in March 2014. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the cancellation date using the Black-Scholes pricing model with estimated, volatility 237%, risk-free rate 1.51%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $23,761, which has been expensed with a corresponding credit to share-based payment reserve.

vi. On February 24, 2014, the Company granted 45,000 share options to its director, and consultant, which were exercisable for a period of five years, at a price of $0.25 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, volatility 238%, risk-free rate 1.70%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $11,165, which has been expensed with a corresponding credit to share-based payment reserve. The share price factored into the Black-Scholes model was $0.25 per share.

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

8. SHARE CAPITAL (CONTINUED)

Share Options (Continued)

vii. On April 8, 2014, the Company granted 115,000 share options to its directors, officers, employees and consultants, which were exercisable for a period of five years, at a price of $0.275 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated, volatility 226%, risk-free rate 1.72%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be $34,138, which has been expensed with a corresponding credit to share-based payment reserve. The share price factored into the Black-Scholes model was $0.30 per share.

A summary of share options outstanding is as follows:

	Options [(1)]	Weighted Average Exercise Price $ [(1)]	Weighted Average Years to Expiry
Balance at May 31, 2013	242,100	2.70	4.06
Granted	390,000		
Exercised	(95,000)		
Forfeited	(63,500)		
Expired	(13,400)		
Balance at May 31, 2014	460,200	1.20	3.85
Expired	(5,750)		
Cancelled	(303,200)		
Balance at November 30, 2014	151,250	1.18	3.26

As at November 30, 2014, the Company had share purchase options outstanding to directors, officers, employees and consultants as follows:

Outstanding and Exercisable [(1)]	Exercise Price $ [(1)]	Expiry Date
4,250	$10.00	May 26, 2015
7,000	$10.00	January 7, 2016
40,000	$0.50	January 2, 2018
15,000	$0.70	March 20, 2018
50,000	$0.53	January 23, 2019
35,000	$0.28	April 8, 2019
151,250	1.18	

[(1)] The number of options and the exercise price per share has been retroactively adjusted to reflect the 1-for-5 share consolidation effective October 9, 2014.

8. SHARE CAPITAL (CONTINUED)

Warrants

The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its Agents' warrants granted with the assumptions. Typically share issuance cost for agents are calculated using the fair value of the goods or services received.

<u>During the six months ended November 30, 2014:</u>

i. On July 23, 2014, 800,040 warrants and 25,334 agent warrants expired unexercised.

ii. On August 13, 2014, 55,080 warrants and 3,060 agent warrants expired unexercised.

iii. On September 12, 2014, 591,000 warrants expired unexercised.

iv. On December 11, 2014, 808,000 warrants and 65,100 agent warrants expired unexercised.

v. On December 27, 2014, 472,000 warrants and 45,200 agent warrants expired unexercised.

<u>During the year ended May 31, 2014:</u>

i. On June 27, 2013, the Company granted 45,200 warrants to the agents involved in the Company's private placement convertible into units at an exercise price of $0.30 until expiry June 27, 2014. Each unit consists of one common share and one full warrant with each full warrant exercisable into one common share at a price of $0.50 per share until December 27, 2014. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options received. The warrants have an estimated fair value of $15,216, which has been included in warrant reserve. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 1.5 year, volatility 333%, risk-free rate 1.20%, dividend yield 0%. The share price factored into the Black-Scholes model was $0.35 per share.

ii. On January 23, 2014, the Company granted 25,334 warrants to the agents involved in the Company's private placement convertible into units at an exercise price of $0.30 until expiry July 23, 2015. Each unit consists of one common share and one full warrant with each full warrant exercisable into one common share at a price of $0.50 per share until July 23, 2015. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options received. The warrants have an estimated fair value of $12,361, which has been included in warrant reserve. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 1.5 year, volatility 303%, risk-free rate 1.59%, dividend yield 0%. The share price factored into the Black-Scholes model was $0.55 per share.

iii. On January 20, 2014, 38,300 share warrants were exercised at a price of $0.30 per unit, and the Company granted 38,300 warrants to the agent involved in exercising the warrants at an exercise price of $0.30 until expiry December 11, 2014.

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

8. SHARE CAPITAL (CONTINUED)

Warrants (continued)

A summary of changes in share purchase warrants outstanding is as follows:

	Warrants outstanding [1]	Weighted average exercise price -$- [1]	Weighted average number of year to expiry
Balance at May 31, 2013	1,735,540	2.35	1.32
Granted	1,272,040		
Granted - agents' warrants	108,834		
Exercised	(38,300)		
Expired	(213,300)		
Balance at May 31, 2014	2,864,814	0.85	0.37
Expired	(2,864,814)		
Balance at November 30, 2014	-	-	-

During the six months ended November 30, 2014, all share purchase warrants outstanding were expired unexercised.

[1] The number of options and the exercise price per share has been retroactively adjusted to reflect the 1-for-5 share consolidation effective October 9, 2014.

9. RESERVES

Share based payment reserve

The share option reserve records items recognized as share-based payments expense until such time that the share options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire or are forfeit, the corresponding amount previously recorded is transferred from share-based payments reserve to deficit.

	-$-
Balance, May 31, 2013	1,485,381
Granted	142,127
Exercised	(28,591)
Fair value of share options cancelled and forfeited	(53,572)
Fair value of share options expired	(824,986)
Balance, May 31, 2014	720,359
Fair value of share options expired	(67,710)
Fair value of share options cancelled and forfeited	(239,269)
Balance, November 30, 2014	413,380

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

9. RESERVES (CONTINUED)

Warrant reserve

The warrant reserve records items recognized as warrants until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount previously recorded remains in warrant reserves.

	-$-
Balance, May 31, 2013	569,924
Agent warrants granted	27,577
Agent warrants exercised	(16,785)
Balance, May 31, 2014 & November 30, 2014	580,716

At June 1, 2011, management made the determination that estimating the value of the common share is a more reliable basis for measuring the components. Previously, the Company had measured the fair value of the warrant using the Black-Scholes option pricing model. Under the revised valuation approach, management does not expect to record a value to the warrant in most equity issuances as unit private placements are commonly priced at market or at a permitted discount to market. The portion of the warrant reserve relating to past equity issuances of $3,353,488 was reclassified to share capital to establish consistency in the methodology. As at November 30, 2014, the remaining $580,716 warrant reserve represents the fair value of the warrants granted to brokers as share issuance costs in the previous years.

10. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured. The amount advanced to the director(s) of the Company is for business purposes, such as travel and accommodation and is included in prepaid expenses. Repayment terms, if any, are determined at the time of the advance.

Due from related parties:

	November 30, 2014 - $ -	May 31, 2014 - $ -
Amount due from a company with directors in common	3,957	-
Prepaid expenses advanced to a director (included in prepaid)	38,525	38,525
	42,481	38,525

Due to related parties:

	November 30, 2014 - $ -	May 31, 2014 - $ -
Amount due to companies with directors in common	7,047	8,070
Amount due to a director	24,200	8,843
	31,247	16,913

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

10. RELATED PARTY TRANSACTIONS (CONTINUED)

During the six months ended November 30, 2014 and 2013, the Company incurred the following amounts through transactions with directors and a company controlled by common directors:

	November 30, 2014 **- $ -**	November 30, 2013 **- $ -**
Management fees	22,500	19,375

Key Management Compensation:

Key management includes directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management is as follows:

- During the six months ended November 30, 2014, the Company paid and accrued to the CFO of the Company $22,500 (2013 - $19,375) in management fees.

11. ADDITIONAL CASH FLOW INFORMATION

During the six months ended November 30, 2014 and 2013, the Company incurred non-cash financing and investing activities as follows:

	For the six months ended	
	November 30, 2014	November 30, 2013
Non-cash financing activities:		
Fair value of share options cancelled	(239,269)	-
Fair value of share options expired	(67,710)	(771,978)
Fair value of agent warrants granted	-	15,216
Cash paid for income taxes	-	-
Cash paid for interest	-	-

12. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company's objectives when managing capital are to (i) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to pursue the development of its mineral properties; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and receivables.

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

13. FINANCIAL INSTRUMENTS AND RISKS

Fair Values

The following table outlines the Company's financial instruments measured at fair value by level with the fair value hierarchy described in Note 3. Assets and liabilities are classified based on the lowest level of input that is significant to the fair measurement.

As at November 30, 2014 and May 31, 2014, the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
November 30, 2014				
Marketable securities	-	-	-	-
Total	-	-	-	-
May 31, 2014				
Marketable securities	22,500	-	-	22,500
Total	22,500	-	-	22,500

The Company's marketable securities are valued using quoted market prices in active markets, and therefore are classified as Level 1. Management determines the fair value of the marketable securities using the closing bid price of the shares on the Exchange at each reporting date.

Financial Instrument Risks

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

a) Credit risk

The Company is exposed to credit concentration risk by holding cash and cash equivalents. This risk is minimized by holding the investments in large Canadian financial institutions. The Company has no accounts receivable exposure, and its various refundable credits are due from Canadian Government agencies.

b) Interest rate risk

The Company is exposed to minimal interest rate risk. Fluctuations in market interest rates do not have a significant impact on the Company's operations.

c) Market risk

The Company is exposed to market risk for fluctuating values of its publicly traded marketable securities and other company investments. The Company has no control over these fluctuations and does not hedge its investments.

13. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. As at the year ended May 31, 2014, The Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As at November 30, 2014, the Company had cash of $1,236 (May 31, 2014 - $23) and net working capital deficit of $782,951 (May 31, 2014 - $612,511), and due to the net working capital deficit, the Company cannot settle accounts payable of $796,905 (May 31, 2014 - $729,950) which fall due for payment within twelve months of the statement of financial position date.

e) Currency risk

Currency risk is the risk to the Company's expenses that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. At November 30, 2014 the Company's cash is held in Canadian dollars and accordingly the Company's exposure to foreign currency risks on cash balances held in foreign currencies is not expected to be significant.

14. COMMITMENTS

Lease commitments

On August 15, 2012, the Company together with other three related companies entered into a joint tenancy for office premises from May 1, 2013 to August 31, 2019. Under this agreement, the Company will be expected to make the lease payments (excluding operating costs) as follows:

Year	Lease Payment -$-
2015	27,602
2016	28,874
2017	29,914
2018	30,955
2019	31,995
2020	8,064
Total	157,404

Flow-through shares tax liabilities

The Company entered into Flow-through Share Subscription Agreements in the calendar year ended December 31, 2010 whereby it was committed to incur on or before December 31, 2011 a total of $1,154,819 of qualifying Canadian Exploration Expenses ("CEE") as described in the Income Tax Act of Canada. As at November 30, 2014, the Company had unfulfilled Canadian Exploration Expenditure obligations of $301,125 that needed to be fulfilled by December, 2012. As the Company did not fulfill the expenditure obligation, Canada Revenue Agency ("CRA") assessed penalties in the amount of $36,072. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment. An estimated amount totaling $130,000 has been accrued related to the indemnification on the unfulfilled commitments. The outcome of the amount of actual claims and penalties, if any, is contingent on future assessments of CRA. During the six months ended November 30, 2014, the Company also accrued interest of $7,800 on the flow through liabilities.

14. COMMITMENTS (CONTINUED)

Flow-through shares tax liabilities (continued)

The Company entered into Flow-through Share Subscription Agreements in the calendar year ended December 31, 2011 whereby it was committed to incur on or before December 31, 2012 a total of $347,900 of qualifying Canadian Exploration Expenses ("CEE") as described in the Income Tax Act of Canada. As at November 30, 2014, the Company had unfulfilled Canadian Exploration Expenditure obligations of $347,500 that needed to be fulfilled by December 31, 2012. CRA has assessed a penalty in the amount of $37,935 related to Part XII.6 tax penalties on the unfulfilled commitments. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment. An estimated amount totaling $150,000 has been accrued related to the indemnification on the unfulfilled commitments. The amount was reduced to $135,600 with additional expenditures of $32,000 claimed by the Company during the year ended May 31, 2014. The outcome of the amount of penalties, if any, is contingent on future assessments of CRA. During the six months ended November 30, 2014, the Company also accrued interest of $8,136 on the flow through liabilities.

15. LEGAL PROCEEDINGS

On August 15, 2014, the Company was informed by Perry & Company who acts as solicitors for U.T.M. Exploration Services Ltd. ("UTM") that Revolver Resources Inc. (Revolver) owes UTM $196,108 (inclusive of interest) for unpaid exploration costs. In May 2013 The Company entered into an option agreement with Revolver. UTM performed exploration services at the Summit B property of the Company as per instructions of Revolver. The Company did not have a contract with UTM with respect to these expenses. UTM placed a lien on the Company's claims at the Summit B property and threatened litigation in the event Revolver fails to make payment for the outstanding amount.

During the six months ended November 30, 2014, CRA assessed penalties of $88,213 pursuant to subsection 224(4) of the Income Tax Act.

16. SEGMENTED INFORMATION

The Company currently operates in a single reportable operating segment: the acquisition, exploration and development of mineral properties in Canada. All of the Company's assets and expenditures are located in Canada. Since the Company does not have any revenue producing activities, there is no segment information by revenues.

17. SUBSEQUENT EVENTS

1. On January 29, 2015, 125,000 share options were exercised at a price of $0.06 per share.

2. On January 27, 2015, 75,000 share options were exercised at a price of $0.06 per share.

3. On January 8, 2015, the Company granted 200,000 share options to its directors, officers, consultants, and employees to purchase in the aggregate of 200,000 common shares in the capital of the Company, subject to regulatory approval, at an exercise price of $0.06 until expiry January 8, 2020.