GREEN SWAN CAPITAL CORP.

Condensed Interim Financial Statements

Three and Six Months ended November 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

Notice of No Auditor Review of Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

GREEN SWAN CAPITAL CORP.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements of Green Swan Capital Corp. were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim financial statements and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

/s/ Brian Crawford
Brian Crawford, Chief Financial Officer

/s/ Peter M. Clausi
Peter M. Clausi, Chief Executive Officer

GREEN SWAN CAPITAL CORP.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	November 30, 2014	May 31, 2014
ASSETS		
Current		
Cash	$ 20,273	$ 65,337
Sundry receivables	4,680	4,743
Prepaid expenses	3,378	15,059
	28,331	85,139
Non-current assets		
Exploration and evaluation assets (Note 4)	512,033	583,039
Investment (Note 5)	3	3
	$ 540,367	$ 668,181
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 271,544	$ 256,809
Current portion promissory note (Note 6)	31,000	31,000
	302,544	287,809
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	1,931,625	1,899,204
Contributed surplus	365,017	344,018
Deficit	(2,058,819)	(1,862,890)
	237,823	380,372
	$ 540,367	$ 668,181

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Nature of business and going concern (Note 1)
Commitments and contingencies (Note 11)
Events after the reporting period (Note 12)

APPROVED BY THE BOARD

(s) Peter Clausi Director

(s) Brian Crawford Director

GREEN SWAN CAPITAL CORP.
Condensed Interim, Statements of Net Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended November 30		Six months ended November 30	
	2014	2013	**2014**	2013
Expenses				
Office and general	**$ 22,542**	$23,423	**$ 55,635**	$ 49,404
Share-based compensation	**-**	-	**20,999**	-
Professional fees	**4,613**	4,244	**33,087**	12,728
Filing and transfer agent fees	**3,795**	1,845	**10,248**	6,654
	30,950	29,512	**119,969**	68,786
Other expense				
Write-down of exploration and evaluation assets	**75,960**	-	**75,960**	-
Write-down of investment	**-**	205	**-**	205
	75,960	205	**75,960**	205
Loss before income taxes	**106,910**	29,512	**195,929**	68,786
Deferred tax benefit	**-**	(1,700)	**-**	(7,363)
Net loss and comprehensive loss for the period	**$ 106,910**	$ 27,812	**$195,929**	$ 61,423
Loss per share-basic and diluted	**$ (0.00)**	(0.00)	**$ (0.01)**	(0.00)
Weighted average number of shares outstanding	**25,890,973**	19,897,417	**25,792,467**	19,897,417

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

GREEN SWAN CAPITAL CORP.
Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares	Common Shares Issued and Fully Paid	Contributed Surplus	Deficit	Total
Balance, May 31, 2013	19,897,417	$ 1,634,662	$ 215,780	$ (1,533,167)	$ 317,275
Loss for the period		-	-	(61,628)	(61,628)
Balance, November 30, 2013	19,897,417	1,634,662	215,780	(1,594,795)	255,647
Shares issued for cash	4,300,000	215,000	-	-	215,000
Cost of issue-cash		(12,320)	-	-	(12,320)
Cost of issue-compensation warrants		(7,881)	7,881		-
Share based compensation		-	124,240	-	124,240
Debt conversion		60,000	-	-	60,000
Options exercised		5,900	-	-	5,900
Transfer from contributed surplus on exercise of options		3,883	(3,883)	-	-
Loss for the period		-		(268,095)	(268,095)
Balance, May 31, 2014	25,515,417	1,899,244	344,018	(1,862,890)	380,372
Shares issued for cash	375,556	33,800	-	-	33,800
Share issue costs-cash		(1,419)	-	-	(1,419)
Share based compensation		-	20,999		20,999
Loss for the period				(195,929)	(195,929)
Balance, November 30, 2014	25,890,973	$ 1,931,625	$ 365,017	$ (2,058,819)	$ 237,823

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

GREEN SWAN CAPITAL CORP.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six Months Ended November 30 2014	2013
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net loss for the period	**$ (195,929)**	$ (61,628)
Items not affecting cash and cash equivalents		
Deferred income tax	**-**	(7,393)
Share-based compensation	**20,999**	-
Non-cash interest on promissory note payable	**-**	1,204
Write-down of investments	**-**	205
Write-down of exploration and evaluation assets	**75,960**	-
Dividends	**-**	(625)
Changes in non-cash working capital items		
Sundry receivables	**63**	(3,681)
Prepaid expenses	**11,681**	8,615
Accounts payable and accrued liabilities	**14,735**	99,071
Net cash used in operating activities	**(72,491)**	35,798
INVESTING ACTIVITIES		
Exploration and evaluation assets	**(4,954)**	(56,400)
Net cash used in investing activities	**(4,954)**	(56,400)
FINANCING ACTIVITIES		
Share offering	**33,800**	-
Cost of issue	**(1,419)**	-
Net cash used in financing activities	**32,381**	-
Change in cash	**(45,064)**	(20,602)
Cash, beginning of period	**65,337**	21,772
Cash, end of period	**$ 20,273**	$ 1,170

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

1. NATURE OF BUSINESS AND GOING CONCERN

Green Swan Capital Corp. (the "Company"), was incorporated under the Canada Business Corporations Act on April 28, 2008.

The Company's shares are listed on the TSX Venture Exchange. The head office, principal address and records office of the Company are located at 855 Brant Street, Burlington, Ontario, Canada L7R 2J6.

The condensed interim financial statements of the Company for the three and six months ended November 30, 2014 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 21, 2015.

The Company is a development stage company and is primarily engaged in the business of acquiring, exploring and dealing in mineral properties in Canada. There has been no determination whether properties held contain economically recoverable mineral resources.

The Company needs equity capital and financing for its working capital and for the costs of exploration and development of its properties. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These unaudited condensed interim financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is not aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

These unaudited condensed interim financial statements have been prepared on the basis of accounting policies consistent with those applied in the Company's May 31, 2014 annual financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

The preparation of condensed interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the applications of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

The condensed interim financial statements have been prepared on a historical cost basis.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after June 1, 2013. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following will be adopted when they become effective:

(i) IFRS 9 Financial instruments (“IFRS 9”) is a partial replacement of IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after June 1, 2018.

3. FINANCIAL RISK FACTORS

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk). Risk management is carried out by the Company’s management team with guidance from the Audit Committee and Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Fair value

The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of financial position, have been prioritized into three levels to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

3. FINANCIAL RISK FACTORS - continued

b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and

c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The Company's financial instruments include cash and cash equivalents, accounts payable and accrued liabilities and promissory note payable. The carrying values of these financial instruments approximate their fair value due to their short-term maturity.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with a reputable Canadian chartered bank. Management believes that the credit risk concentration with respect to financial instruments included is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at November 30, 2014, the Company had cash and cash equivalents of $20,273 (May 31, 2014 - $65,337). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Market risk

(a) Interest rate risk

The Company has a cash balance and no interest-bearing debt. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

(Expressed in Canadian Dollars)

3. FINANCIAL RISK FACTORS - continued

(c) Equity price risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the business in which the investment is held.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as they relate to gold to determine the appropriate course of action to be taken.

4. EXPLORATION AND EVALUATION ASSETS

	Geneva Lake	Peggy Ryliejack SK West	Mikayla	Ashley Gold	Total
May 31, 2013	$260,995	$113,829	$ 105,233	$77,908	$ 557,965
Acquisition costs	791	-	-	-	791
Deferred exploration costs	6,170	26,707	5,598	17,134	55,609
November 30, 2013	267,956	140,536	110,831	95,042	614,365
Acquisition costs	-	-	-	-	-
Deferred exploration costs	66,300	-	2,586	-	68,886
Write-downs/ disposals		(40,810)		(59,402)	(100,212)
May 31, 2014	334,256	99,725	113,417	35,641	583,039
Deferred exploration costs	4,954	-	-	-	4,954
Write-downs/disposals	-	(57,937)	-	(18,023)	(75,960)
November 30, 2014	$ 339,210	$41,788	$113,417	$17,618	$512,033

4. EXPLORATION AND EVALUATION ASSETS - continued

Peggy, Ryliejack, and SK West

On January 31, 2012, the Company acquired a 100% interest in the Peggy, Ryliejack and SK West properties. Pursuant to the purchase agreement, the Company made cash payment of $7,500 and issued 500,000 common shares at a deemed price of $0.15 per common share and 100,000 share purchase warrants exercisable at $0.15 per common share of the Company in favour of the vendor.

The fair value of the share purchase warrants has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.20%, dividend yield of 0%, volatility of 100%, and expected life of one year.

The property is subject to a 2.5% net smelter return royalty of which the Company can purchase a 50% interest at any time for $1,000,000.

During the 2014 and 2013 fiscal years impairment in the amount of $40,810 and $11,070 respectively were recorded with respect to three mining tenures and two mining tenures respectively.

During the period ended November 30, 2014 impairment in the amount of $57,937 was recorded with respect to mining tenures allowed to lapse.

Mikayla

On March 2, 2012, the Company acquired a 100% interest in the Mikayla, Tat and Chess properties. Pursuant to the purchase agreement, the Company made cash payment in the amount of $9,294 and issued 150,000 common shares at a deemed price of $0.20 per common share.

The properties are subject to a 2.5% net smelter return royalty of which the Company can purchase a 50% interest at any time for $1,000,000.

During the 2013 fiscal year the Company determined that it would not renew the tenures comprising the Tat and Chess properties when they became due for renewal subsequent to the year end and consequently wrote down the carrying value of the properties. Consequently impairment in the amount of $34,365 was recognized for these tenures.

AshleyGold

On March 20, 2012, the Company acquired a 100% interest in the AshleyGold property. As consideration, the Company issued 225,000 common shares at a deemed price of $0.25 per common share and 50,000 share purchase warrants exercisable at $0.35 per common share in favour of the vendor.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued

The fair value of the share purchase warrants has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.20%, dividend yield of 0%, volatility of 100%, and expected life of one year

The property is subject to a 2.5% net smelter return royalty of which the Company can purchase a 50% interest at any time for $1,000,000.

During the 2014 fiscal year an impairment charge in the amount of $59,402 (2013-$2,223) was recorded with respect to mining tenures allowed to lapse.

During the period ended November 30, 2014, an impairment charge in the amount of $18,023 was recorded with respect to mining tenures allowed to lapse.

Geneva Lake

On November 12, 2012, the Company acquired a 100% interest in the Geneva Lake property. As consideration, the Company issued 200,000 common shares at a deemed price of $0.10 per common share and 200,000 share purchase warrants exercisable at $0.20 per common share in favour of the vendor.

The fair value of the share purchase warrants has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.20%, dividend yield of 0%, volatility of 100%, and expected life of two years.

The property is subject to a 2.0% net smelter return royalty of which the Company can purchase a 50% interest at any time for $500,000.

5. INVESTMENT

	November 30, 2014	May 31, 2014
Leo Resources Inc.	**$ 625**	625
Hadley Mining Inc.	**192**	192
Winston Resources Inc.-warrants	**-**	1
Zara Resources Inc.	**192**	192
	1,009	1,010
Write-down	**(1,006)**	(1,007)
	$ 3	$ 3

(Expressed in Canadian Dollars)

5. INVESTMENT - continued

During the 2013 fiscal year, the Company sold its Riverbank and Broke Back mineral properties and received as partial consideration 400,000 share purchase warrants of Winston Resources Inc. ("Winston") with an exercise price of $0.50 per common share and a twenty-four month term. The Company received as contingent consideration 1,200,000 Winston common shares at a deemed price of $0.25 per common share. The Company was to have expended $235,000 on the Claims, prior to December 14, 2012, and would have received up to an additional 734,000 Winston common shares. In the event the expenditures were not made prior to December 14, 2012, the 1,200,000 Winston common shares would be returned to Winston for cancellation. The
Company did not incur the required expenditures and tendered the 1,200,000 Winston common shares to Winston for cancellation.

The fair value of the share purchase warrants has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.20%, dividend yield of 0%, volatility of 100%, and expected life of two years.

Prior to the tendering of the Winston share to Winston for cancellation, Winston incorporated two wholly-owned subsidiary companies, Zara Resources Inc. ("Zara") and Hadley Mining Inc. ("Hadley") and funded the subsidiary companies with cash. Shares of the subsidiary companies were paid in the form of dividends to the shareholders of Winston.

The Company received 48,000 common shares of each of Zara and Hadley both of whose shares trade on the Canadian National Stock Exchange, and valued the shares at the cash per share at the date of issue of the shares.

Zara incorporated a subsidiary company, Leo Resources Inc. ("Leo"), and distributed the shares of Leo as a dividend to the shareholders of Zara resulting in the Company receiving 24,000 common shares of Leo whose share trade on the Canadian National Stock Exchange. The Company valued the shares of Leo at fair value at inception.

The carrying value of the Winston warrants has been written off as the warrants expired during the period. The investment in Hadley, Zara, and Leo were written down to a nominal amount during the 2014 fiscal year to reflect the fair value of the shares.

6. PROMISSORY NOTE PAYABLE

In connection with a discontinued qualifying transaction, the Company incurred significant legal fees which have been converted to a non-interest bearing promissory note. The promissory note is unsecured, payable in monthly instalments of $2,000 and matured April 15, 2014.

Interest expense in the amount of $Nil (2013-$533) was recognized during the three months ending November 30, 2014 in relation to the promissory note payable.

Future principal payments are as follows:

Year	Amount
2014	$ 31,000

(Expressed in Canadian Dollars)

7. SHARE CAPITAL

Authorized
Unlimited number of common shares
Issued

	Number of Shares		Share Capital
Balance May 31, 2013	19,897,417	$	1,634,662
Balance November 30, 2013	**19,897,417**	**$**	**1,634,662**
Private placement	4,300,000		215,000
Share issue costs	-		(12,320)
Broker warrants	-		(7,881)
Options exercised	118,000		5,900
Transferred from contributed surplus on exercise of options	-		3,883
Debt conversion	1,200,000		60,000
Balance May 31, 2014	**25,515,417**	**$**	**1,899,244**
Private placement	375,556		33,800
Share issue costs	-		(1,419)
Balance November 30, 2014	**25,890,973**	**$**	**1,931,625**

8. WARRANTS

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrant transactions and the number of share purchase warrants outstanding as at November 30, 2014 are summarized as follows:

	Number	Exercise Price	Expiry Date
Private placement	4,524,000	$ 0.075	April 1, 2015
Private placement	375,556	$ 0.12	June 18, 2015

9. SHARE-BASED PAYMENTS

The Company has established a stock option plan whereby the Board of Directors may grant options to directors, officers and consultants to purchase common shares of the Company. The stock option plan is a rolling plan and the maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Each stock option granted is for a term not exceeding five years unless otherwise specified.

(Expressed in Canadian Dollars)

9. SHARE-BASED PAYMENTS – continued

The following table summarizes the continuity of the Company's stock options:

	Number of Options	Weighted Average Exercise Price
Balance November 30, 2013	1,569,900	0.11
Expired	(654,900)	0.10
Exercised	(118,000)	0.05
Granted	1,475,000	0.09
Balance May 31, 2014	2,272,000	0.10
Expired	(150,000)	0.10
Granted	245,000	0.09
Balance November 30, 2014	2,367,000	0.10

At November 30, 2014, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
665,000	665,000	0.10	January 13, 2017
75,000	75,000	0.10	January 13, 2017
75,000	75,000	0.15	January 13, 2017
582,000	582,000	0.05	February 2, 2019
725,000	725,000	0.135	April 7, 2019
245,000	245,000	0.09	June 1, 2019
2,367,000	2,367,000		

The weighted average contractual life of the options outstanding at November 30, 2014 is 3.09 years.

The total number of options exercisable as at November 30, 2014 is 2,367,000 (November 30, 2013 - 1,569,900).

Options Issued to Employees

Options issued to employees are measured at fair value at the grant date using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, expected forfeitures and the risk free interest rate for the term of the option.

(Expressed in Canadian Dollars)

9. SHARE-BASED PAYMENTS – continued

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate of return is the yield on a zero-coupon Canadian Treasury bill of a tem consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these 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.

Total expenses arising from the share-based payment transactions recognized during the three months ended November 30, 2014 as part of share-based compensation expense was $nil (November 30, 2013: $nil).

As at November 30, 2014 there was $nil (November 30, 2013 - $nil) of total unrecognized compensation cost related to unvested share-based compensation.

Total expenses arising from the share-based payment transactions that were capitalized during the three months ending November 30, 2014 as part of exploration and evaluation asset acquisition costs were $nil (November 30, 2013: $nil).

10. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

The Company had the following transactions in the normal course of operations with related parties:

	Three months ended	
	November 30, 2014	**November 30, 2013**
Management fees (i)	$ 9,000	$ 15,000
Office rent, supplies and consulting (ii)	$ 3,000	$ 3,700

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (continued)

(i) The Company paid or accrued $5,500 (2013 - $7,500) in management fees to the President of the Company and $4,500 (2013 - $7,500) to the CFO of the Company;

(ii) The Company paid $3,000 (2013 - $3,700) for rent, supplies and administrative expenses to a private company controlled by a director and officer of the Company.

Included in accounts payable and accrued liabilities are amounts of $6,944 (2013 - $99,832) due to related parties at November 30, 2014.

11. COMMITMENTS AND CONTINGENCIES

Flow-through Shares

On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. Other liabilities include the liability portion (the premium) of the flow-through shares issued for the amount of the premium on flow-through funds that at November 30, 2012 have not been used to incur qualifying exploration expenditures. The following is a continuity schedule of the liability portion of the flow-through shares issuances.

Expenditure commitment on flow-through shares issued		437,460
Settlement of flow-through share liability on incurring expenditures		(378,251)
Balance November 30, 2013	$	59,209
Settlement of flow-through share liability on incurring expenditures		(59,209)
Balance November 30, 2014	$	-

As at November 30, 2014, the Company has fulfilled all of its commitment to incur exploration expenditures in relation to flow-through share financing in 2012.

12. EVENTS AFTER THE REPORTING PERIOD

On December 24, 2014, the Company acquired common shares representing a 10% interest from certain shareholder of Tempus Capital Inc. a non-listed reporting issuer. As consideration for the acquisition, the Company will issue 2,600,244 common shares at $0.07 per share. The transaction is subject to regulatory approval.

12. EVENTS AFTER THE REPORTING PERIOD - continued

On December 29, 2014, the Company issued 174,870 common shares at $0.05 per share to satisfy debt of $8,743.