# GREEN SWAN CAPITAL CORP.

Re-filed Condensed Interim Financial Statements
Three months Ended August 31, 2015

Notice To Reader

The condensed interim financial statements are refiled as the headings to the notes to the condensed interim financial statements in all pages were inadvertently mis-labeled. The current version of the condensed interim financial statements includes corrected headings to the notes to the condensed interim financial statements.

# GREEN SWAN CAPITAL CORP.

## Condensed Interim Financial Statements

Three Months ended August 31, 2015

(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, financial performance 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)**

| | August 31, 2015 | May 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 18,625 | $ 8,469 |
| Investments | 63,220 | 169,520 |
| HST receivable | - | 1,602 |
| Prepaid expenses | 12,081 | 11,268 |
| | 93,926 | 190,859 |
| **Non-current assets** | | |
| Exploration and evaluation assets (Note 4) | 496,415 | 496,415 |
| | $ 590,341 | $ 687,274 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | $ 245,742 | $ 234,097 |
| Current portion promissory note (Note 6) | 31,000 | 31,000 |
| | 276,742 | 265,097 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 7) | 2,166,164 | 2,166,164 |
| Contributed surplus | 365,399 | 365,399 |
| Deficit | (2,217,964) | (2,109,386) |
| | 313,599 | 422,177 |
| | $ 590,341 | $ 687,274 |

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

Nature of business and going concern (Note 1)

APPROVED BY THE BOARD

(s) Peter Clausi Director

(s) Brian Crawford Director

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

| | Three months ended August 31 | |
|---|---|---|
| | **2015** | 2014 |
| **Expenses** | | |
| General and administrative | **$ 19,679** | $ 33,093 |
| Share-based compensation | **-** | 20,999 |
| Professional fees | **5,500** | 28,474 |
| Filing and transfer agent fees | **2,099** | 6,453 |
| | **(27,278)** | (89,019) |
| Other income (expense) | | |
| **Consulting revenue** | **25,000** | - |
| **Gain on disposal of investments** | **22,778** | - |
| | **47,778** | - |
| **Net income (loss) and comprehensive income (loss) for the period** | **$ 20,500** | $ (89,019) |
| Income (loss) per share-basic and diluted | **$ 0.00** | $ (0.00) |
| **Weighted average number of shares outstanding** | **30,371,179** | **25,591,557** |

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)

| | Common Shares | Contributed Surplus | Deficit | Total |
|---|---|---|---|---|
| **Balance, May 31, 2014** | $ 1,899,244 | $ 344,018 | $(1,862,890) | $380,372 |
| Shares issued for cash | 33,800 | - | - | 33,800 |
| Cost of issue-cash | (1,419) | - | - | (1,419) |
| Share-based compensation | - | 20,999 | - | 20,999 |
| Loss for the period | - | - | (89,019) | (89,019) |
| **Balance, August 31, 2014** | 1,931,625 | 365,017 | (1,951,909) | 344,733 |
| Shares issued for cash | 15,000 | - | - | 15,000 |
| Cost of issue-cost | (1,200) | - | - | (1,200) |
| Cost of issue-compensation warrants | (382) | 382 | - | - |
| Shares issued for investments | 169,517 | - | - | 169,517 |
| Debt conversion | 46,518 | - | - | 46,518 |
| Shares issued as finder's fee | 5,086 | - | - | 5,086 |
| Loss for the period | - | - | (157,477) | (157,477) |
| **Balance, May 31, 2015** | 2,166,164 | 365,399 | (2,109,386) | 422,177 |
| Dividends | - | - | (129,078) | (129,078) |
| Income (loss) for the period | - | - | 20,500 | 20,500 |
| **Balance, August 31, 2014** | $2,166,164 | $ 365,399 | $ (2,217,964) | $ 313,599 |

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

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

| | Three months ended August 31 | |
|---|---|---|
| | **2015** | 2014 |
| **Cash provided by (used in)** | | |
| **OPERATING ACTIVITIES** | | |
| Net income (loss) for the period | **$ 20,500** | $ (89,019) |
| Items not affecting cash and cash equivalents | | |
| Share-based compensation | **-** | 20,999 |
| Gain on disposal of investments | **(22,778)** | - |
| Changes in non-cash working capital items | | |
| HST receivable | **1,602** | (528) |
| Prepaid expenses | **(813)** | 7,376 |
| Accounts payable and accrued liabilities | **11,645** | 4,891 |
| | **10,156** | (56,281) |
| **INVESTING ACTIVITIES** | | |
| Exploration and evaluation assets | **-** | (3,216) |
| **FINANCING ACTIVITIES** | | |
| Share offering | **-** | 33,800 |
| Cost of issue | **-** | (1,419) |
| | **-** | 32,381 |
| **Change in cash** | **10,156** | (27,116) |
| **Cash, beginning of period** | **8,469** | 65,337 |
| **Cash, end of period** | **$ 18,625** | $ 38,221 |

| | | |
|---|---|---|
| Supplemental schedule of non-cash transactions | | |
| Interest paid | $ - | $ - |
| Taxes paid | - | - |
| Dividend-in-kind paid | 129,078 | - |

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 months ended August 31, 2014 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on October 26, 2015.

The Company 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 material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. These 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.

## 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 IFRS Interpretations Committee ("IFRIC").

### Basis of Presentation

These condensed interim financial statements have been prepared on the basis of accounting policies consistent with those applied in the Company's May 31, 2015 annual financial statements except for the new accounting pronouncements adopted during the period and disclosed below.

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

**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

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, 2015. 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 is effective for annual periods beginning on or after June 1, 2018.

(ii) IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) presents new requirements for the recognition of revenue, replacing IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2017. The Company’s management has not yet assessed the impact of IFRS 15 on the financial statements.

(iii) Amendments to IFRS 11 Joint Arrangements (“IFRS 11”) provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 ‘Business Combinations’ and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance. The amendments are effective for reporting periods beginning on or after January 1, 2016 and are not expected to have a material impact on the consolidated financial statements at adoption.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

## 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 has the following levels:

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

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 is 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

**3. FINANCIAL RISK FACTORS – continued**

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 August 31, 2015, the Company had cash and cash equivalents of $18,625 (August 31, 2014 - $11,754). 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 (Note 1).

*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.

(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.

**(Expressed in Canadian Dollars)**

## 4. EXPLORATION AND EVALUATION ASSETS

| | Geneva Lake | Peggy Ryliejack SK West | Mikayla | Ashley Gold | Total |
|---|---|---|---|---|---|
| May 31, 2014 | $337,472 | $99,725 | $113,417 | $35,641 | $586,255 |
| August 31, 2014 | 337,472 | 99,725 | 113,417 | 35,641 | 586,255 |
| Acquisition costs | - | - | - | - | - |
| Deferred exploration costs | 3,738 | - | - | - | 3,738 |
| Write-downs/ disposals | - | (57,937) | | (35,641) | (93,578) |
| May 31, 2015 | 341,210 | 41,788 | 113,417 | - | 496,415 |
| August 31, 2015 | $341,210 | $ 41,788 | $113,417 | $ - | $496,415 |

### 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 2015, 2014 and 2013 fiscal years impairment in the amount of $57,937, $40,810 and $11,070 respectively were recorded with respect to mining tenures. The amount represents the carrying value of tenures not renewed.

### Mikayla

On March 2, 2012, the Company acquired a 100% interest in the Mikayla, Tat and Chess

**4. EXPLORATION AND EVALUATION ASSETS – continued**

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.

During the Q1 of the 2015 fiscal year the Company carried out no exploration and evaluation activities on the Mikayla property.

**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.

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 2015 fiscal year an impairment charge in the amount of $35,641 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.

(Expressed in Canadian Dollars)

**4. EXPLORATION AND EVALUATION ASSETS – continued**

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.

During the 2015 fiscal year, the Company carried out minimal exploration and evaluation expenditures on the Geneva Lake property.

No work was carried out during Q1 of fiscal 2016 on the Geneva Lake property.

**5. INVESTMENT**

| | **August 31, 2015** | May 31, 2015 |
|---|---|---|
| Tempus Capital Inc-common shares | **$ 63,217** | $ 169,517 |
| Zara Resources Inc.-common shares | **1** | 1 |
| Hadley Mining Inc.-common shares | **1** | 1 |
| Leo Resources Inc.-common shares | **1** | 1 |
| | **$ 63,220** | **$ 169,520** |

The investment in Tempus Capital Inc. consists of 903,114 common shares representing an 3.7% interest. Tempus Capital Inc. is a reporting issuer whose shares are not listed on a stock exchange or trading platform. There have been no adjustments to the carrying value recognized since initial recognition.

The investment in Zara Resources Inc. and Hadley Mining Inc. consists of 48,000 common shares of each Company. The investment in Leo Resources Inc. consists of 24,000 common shares. The common shares of Zara, Hadley and Leo are listed on the Canadian Securities Exchange.

**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 matures April 15, 2014.

Interest expense in the amount of $Nil (2014-$Nil) was recognized during the three months ending August 31, 2015 in relation to the promissory note payable.

Future principal payments are as follows:

| Year | Amount |
|---|---|
| 2015 | $ 31,000 |

(Expressed in Canadian Dollars)

## 7. SHARE CAPITAL

Authorized

Unlimited number of common shares

Issued

| | Number of Shares | Share Capital |
|---|---|---|
| Balance May 31, 2014 | 25,515,417 | $ 1,899,244 |
| Private placement | 375,556 | 33,800 |
| Share issue costs | | (1,419) |
| **Balance August 31, 2014** | **25,890,973** | **1,931,625** |
| Private placement | 300,000 | 15,000 |
| Share issue costs | | (1,200) |
| Debt conversion | 835,398 | 21,406 |
| Investment acquisition | 2,494,323 | 174,603 |
| Debt conversion | 850,485 | 25,112 |
| Broker warrants | | (382) |
| **Balance May 31, 2015** | **30,371,179** | **2,166,164** |
| **Balance August 31, 2015** | **30,371,179** | **$ 2,166,164** |

## 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 August 31, 2015 are summarized as follows:

| | Number | Exercise Price | Expiry Date |
|---|---|---|---|
| Debt conversion | 39,270 | $ 0.05 | December 29, 2015 |
| Private placement | 300,000 | $ 0.05 | February 25, 2016 |

(Expressed in Canadian Dollars)

## 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.

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

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Balance May 31, 2014 | 2,272,000 | 0.10 |
| Granted | 245,000 | 0.09 |
| Balance August 31, 2014 | 2,517,000 | 0.10 |
| Expired | (600,000) | 0.10 |
| Balance May 31, 2015 and August 31, 2015 | 1,917,000 | 010 |

At August 31, 2015, 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 |
|---|---|---|---|
| 540,000 | 540,000 | 0.10 | January 13, 2017 |
| 75,000 | 75,000 | 0.10 | January 13, 2017 |
| 75,000 | 75,000 | 0.15 | January 13, 2017 |
| 382,000 | 382,000 | 0.05 | February 2, 2019 |
| 600,000 | 600,000 | 0.135 | April 7, 2019 |
| 245,000 | 245,000 | 0.09 | June 1, 2019 |
| 1,917,000 | 1,917,000 | | |

The weighted average contractual life of the options outstanding at August 31, 2015 is 2.30 years.

The total number of options exercisable as at August 31, 2015 is 1,917,000 (August 31, 2014- 2,517,000).

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

(Expressed in Canadian Dollars)

**9. SHARE-BASED PAYMENTS - continued**

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.

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 model inputs for options granted during the three month period ended August 31, 2015 and 2014 include:

| Grant date | Expiry date | Share price at grant date | Exercise price | Risk-free interest rate | Expected life | Volatility factor | Dividend yield |
|---|---|---|---|---|---|---|---|
| June 2, 2014 | June 1, 2019 | $0.09 | $0.09 | 1.20% | 5 years | 176% | 0% |

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 August 31 2015 as part of share-based compensation expense was $Nil (August 31, 2014: $20,999).

As at August 31, 2015 there was $Nil (August 31, 2014- $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 August 31, 2015 as part of exploration and evaluation asset acquisition costs were $Nil (August 31, 2014: $Nil).

**(Expressed in Canadian Dollars)**

## 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 | |
|---|---|---|
| | **August 31, 2015** | **August 31, 2014** |
| Management fees (i) | $ 12,000 | $ 3,000 |
| Office rent, supplies and telephone (ii) | $ 3,000 | $ 3,000 |
| Stock-based compensation (ii) | $ - | $ 14,999 |

(i) During the three month period ended August 31, 2015 the Company paid or accrued $7,500 (2014- $3,000) in management fees to the CEO of the Company; $4,500 (2014-$Nil) to the CFO of the Company; and $Nil (2014 - $Nil) in mineral property exploration consulting costs to the VP of Exploration.

(ii) During the three month period ended August 31, 2015 the Company paid or accrued $3,000 (2014 - $3,000) for rent, supplies and administrative expenses to a private company controlled by the CFO of the Company.

As at August 31, 2015 accounts payable and accrued liabilities include $34,746 (2014 - $29,770) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

## 11. EVENTS AFTER THE END OF THE REPORTING PERIOD

On September 24, 2015, the Company sold 458,571 common shares of Tempus Capital Inc. for cash proceeds of $30,000.