QMC QUANTUM MINERALS CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the Nine Months ended May 31, 2015 and 2014

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

QMC QUANTUM MINERALS CORP.

CONTENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited financial statements of QMC Quantum Mineral Corp. for the Nine months ended May 31, 2015 and 2014 have been prepared by management and have not been the subject of a review by the Company's independent auditor.

QMC QUANTUM MINERALS CORP.
(An Exploration Stage Company)
Statements of Financial Position
(Expressed in Canadian Dollars)

	May 31, 2015 (Unaudited)	August 31, 2014 (audited)
Current		
Cash	**$ 1,176**	$ 1,981
Other Receivables – Note 3	**1,859**	99,814
Available-for-sale investments - Note 4	**100**	175
Prepaid expenses and deposits	**8,895**	3,895
Reclamation deposit	**40,000**	40,000
	48,862	145,865
Exploration and evaluation assets – Note 5	**3,378,338**	3,377,338
	$ 3,426,200	$ 3,523,203
Current		
Accounts payable and accrued liabilities – Note 7	**$ 1,522,038**	$ 1,532,541
Loans and borrowing - Note 7	**88,089**	42,089
	1,610,127	1,574,630
SHAREHOLDERS' EQUITY		
Share capital – Note 6	**3,026,964**	3,026,964
Share subscriptions	**355,200**	355,200
Contributed surplus	**504,272**	504,272
Deficit	**(2,061,295)**	(1,933,038)
Accumulated comprehensive income (loss)	**(4,900)**	(4,825)
	1,820,241	1,948,573
	$ 3,426,200	$ 3,523,203

Nature of Operations and Going Concern – Note 1

APPROVED BY THE BOARD:

"Balraj Mann" Director
Balraj Mann

"*Anthony Zelen*" Director
Anthony Zelen

The accompanying notes are an integral part of these financial statements

QMC QUANTUM MINERALS CORP.
(An Exploration Stage Company)
Statements of Net and Comprehensive Loss
For the Nine Months ended May 31, 2015 and 2014
(Expressed in Canadian Dollars)

	For the Three Months Ended May 31,		For the Nine Months Ended May 31,	
	2015	**2014**	**2015**	**2014**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
General and administrative costs				
Audit fees	**$ -**	$ -	**$ -**	$ 13,500
Accounting and legal fees	**2,255**	2,508	**7,571**	8,286
Bank charges and interest	**163**	65	**264**	194
Consulting - Note 8	**21,000**	23,580	**63,000**	73,508
Insurance	**-**	-	**9,000**	13,208
Listing and filing fees	**3,014**	-	**12,015**	6,879
Office and miscellaneous – Note 8	**4,419**	-	**11,119**	14,174
Rent – Note 8	**5,254**	5,389	**17,984**	16,445
Shareholder communications	**-**	1,268	**590**	9,447
Travel	**849**	2,006	**7,363**	7,488
	(36,954)	(34,816)	**(128,906)**	(163,129)
Other income (expense):				
Interest income	**-**	-	**649**	-
Net loss for the period	**$ (36,954)**	$ (34,816)	**$ (128,257)**	$ (163,129)
Fair value increase(decrease) on available for sale investments	**100**	-	**(75)**	-
Net comprehensive loss for the period	**$ (37,054)**	$ (34,816)	**$ (128,332)**	$ (163,129)
Basic and diluted loss per share	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of shares outstanding	**25,805,869**	25,805,869	**25,805,869**	25,805,869

The accompanying notes are an integral part of these financial statements

QMC QUANTUM MINERALS CORP.
(An Exploration Stage Company)
Statement of Changes in Shareholders' Equity
For the Nine Months Ended May 31, 2015 and 2014
(Expressed in Canadian Dollars)

	Common Shares		Share Capital	Contribute Surplus		Share Subscriptions		Deficit		Accumulated Other Comprehensiv Income (loss)		Total Shareholders' Equity
Balance, August 31, 2013	**25,805,869**		**3,026,964**	**504,272**		**355,200**	**$**	**(1,734,712)**	**$**	**(4,000)**	**$**	**2,147,724**
Fair value decrease on available for sale investments	-		-	-		-		-		(500)		(500)
Net loss for the period	-		-	-		-		(163,129)		-		(163,129)
Balance May 31, 2014	**25,805,869**	**$**	**3,026,964**	**$**	**504,272**	**$ 355,200**	**$**	**(1,897,841)**	**$**	**(4,500)**	**$**	**1,984,095**
Fair value decrease on available for sale investments	**-**		**-**	**-**		**-**		**-**		(325)		(325)
Net loss for the period	-		-	-		-		(35,197)		--		(65,197)
Balance, August 31, 2014	**25,805,869**	**$**	**3,051,964**	**$**	**504,272**	**$ 355,200**	**$**	**(1,933,038)**	**$**	**(4,825)**	**$**	**1,948,573**
Fair value increase on available for sale investments	**-**		**-**	**-**		**-**		**-**		**(75)**		**(75)**
Net loss for the period	**-**		**-**	**-**		**-**		**(128,257)**		**-**		**(128,257)**
Balance, May 31, 2015	**25,805,869**	**$**	**3,051,964**	**$**	**504,272**	**$ 355,200**	**$**	**(2,061,295)**	**$**	**(4,900)**	**$**	**1,820,241**

The accompanying notes are an integral part of these financial statements

QMC QUANTUM MINERALS CORP.
(An Exploration Stage Company)
Statements of Cash Flows
For the Nine Months ended May 31, 2015 and 2014
(Expressed in Canadian Dollars)

	For the Three Months Ended May 31,		For the Nine Months Ended May 31,	
	2015	**2014**	**2015**	**2014**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Operating Activities				
Net loss for the period	**$ (36,954)**	$ (34,816)	**$ (128,257)**	$ (163,129)
Changes in non-cash working capital balances:				
Other receivables	**(55,652)**	-	**97,955**	86,896
Prepaid expenses and deposits	**(5,000)**	(15,000)	**(5,000)**	(15,000)
Accounts payable and accrued liabilities	**(70,706)**	12,678	**(10,503)**	93,970
Cash provided by (used for) operating activities	**(57,008)**	(2,322)	**(45,805)**	165,866
Investing Activities				
Increase (decrease) in exploration and evaluation assets	**(1,000)**	(1,172)	**(1,000)**	(2,695)
Decrease in exploration advance	**-**	-	**-**	-
Cash provided by (used in) investing activities	**(1,000)**	(1,172)	**(1,000)**	(2,695)
Financing Activities				
Loan advances (repayments)	**56,089**	35,000	**46,000**	-
Share subscriptions	**-**	-	**-**	-
	56,089	35,000	**46,000**	-
Increase (decrease) in cash during the period	**(1,919)**	(3,310)	**(805)**	42
Cash and cash equivalents, beginning of the period	**3,095**	3,657	**1,981**	305
Cash and cash equivalents, end of the period	**$ 1,176**	$ 347	**$ 1,176**	$ 347

The accompanying notes are an integral part of these financial statements

Note 1 Nature of Operations

The Company was incorporated on November 7, 2003 under the laws of the Province of British Columbia and the Company commenced business operations on December 5, 2005 and changed its name on May 31, 2010 to QMC Quantum Minerals Corp. The Company commenced trading on the TSX Venture Exchange on February 28, 2011.

The Company is in the process of exploring and evaluating resource properties. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each resource property. The carrying amounts of resource properties are based on costs incurred to date, and do not necessarily represent present or future values.

The address of the Company's corporate office and principal place of business is Suite 600, 666 Burrard Street, British Columbia, Canada V6C 2X8.

Going Concern

The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as deferred mineral interest costs is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of its properties.

While the Company's financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. For the period ended May 31, 2015, the Company reported a net loss of $128,257 (2014 - $163,129) and as at that date had an accumulated deficit of $2,061,295 (August 31, 2014: $1,933,038; May 31, 2014: $1,897,841). As of May 31, 2015, the Company has working capital deficit of $1,558,097 (August 31, 2014: $1,428,765; May 31, 2014: working capital deficit of $1,385,873). The Company does not have sufficient funds available to bring its mineral properties to production, if possible, which would allow it to be self-sustaining. The Company will need additional financing to continue exploring, and if successful develop its properties to bring it to the production stage, While in the past the Company has been successful in obtaining funding from equity financings, option agreements, loans or through other arrangements, there is no assurance that these initiatives will be successful in the future which indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

Note 2 <u>Significant Accounting Policies</u>

a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended August 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of July 30, 2015, the date the Board of Directors approved the financial statements.

b) <u>Basis of Measurement</u>

These condensed interim financial statements have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information and financial instruments which are measured at fair value.

c) <u>Critical Accounting Estimates, Judgements and Uncertainties</u>

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based payments

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted and warrants issued. Under this model, the Company must estimate the term, volatility and if applicable, the forfeiture rate of options granted and warrants issued.

Exploration and Evaluation Assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditure are unlikely, the amount capitalized is written off to profit or loss in the same period.

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.

Note 2 Significant Accounting Policies – continued

c) Critical Accounting Estimates, Judgements and Uncertainties – continued

Impairment of Non-Financial Assets

The Company reviews and evaluates its property, including exploration and evaluation assets, and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset.

Impairment losses reducing the carrying value to the recoverable amount are recognized in profit or loss. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Valuation of Shares Issued in Non-Cash Transactions

Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up.

Recognition of Deferred Tax Assets

The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

d) Functional and Presentation Currency

The Company's functional currency is the Canadian Dollar ("CAN"). The financial statements are presented in CAN which is the Company's presentation currency, unless otherwise noted.

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short-term, highly liquid investments with original maturities of three months or less that is readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Note 2 Significant Accounting Policies – continued

f) Reclamation Deposit

Cash and other short-term deposits which are required as a part of ownership of legal rights to explore a property are classified separately as reclamation deposits.

g) Income Taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

h) Exploration and Evaluation Assets

Exploration and evaluation expenditures are capitalized once the legal right to explore a property has been acquired. Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized until the commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. To the extent that the expenditures are spent to establish ore reserves within the rights to explore, the Company will consider those costs as intangible assets in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the intangible asset.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of the project are deemed to be impaired. As a result, those exploration and expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

Management reviews the facts and circumstances suggesting if the carrying amount of the exploration and evaluation assets exceeds their recoverable amount on a regular basis. If the facts and circumstances suggest the carrying value exceeds the recoverable amount, the Company will perform an impairment test on the property in accordance with the provisions of IAS 36.

Note 2 Significant Accounting Policies – continued

h) Exploration and Evaluation Assets

Exploration stage assets and development stage assets are considered separate CGUs for impairment testing purposes.

The amount shown for exploration and evaluation assets does not necessarily represent present or future values. Recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

i) Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that an asset maybe impaired. If any indication exists, the Company estimates the asset's recoverable amount which is the higher of its fair value less costs to sell and its value-in-use. For the purpose of estimating recoverable amounts, the impairment test is carried out on the asset's CGU, which is the lowest level for which there are separately identifiable cash flows. A CGU may include certain aggregated exploration and evaluation assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount with the impairment loss recognized in the Statement of Net and Comprehensive Loss.

A previously recognized impairment loss is reversed when there has been a change in the assumptions used to determine the asset's recoverable amount when the impairment loss was initially recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been recognized, net of depletion, depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Any reversal of previously recognized impairment losses is recognized in the Statement of Net and Comprehensive Loss.

j) Asset Retirement Obligation

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

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the income statement in the period incurred.

The Company does not have an asset retirement obligation at May 31, 2015 and August 31, 2014.

Note 2 Significant Accounting Policies – continued

k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event, and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. The Company does not have any decommissioning liabilities.

l) Earnings (loss) per share

Basic earnings/loss per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Diluted loss per share is not separately presented, as the effect of securities exercisable into common shares would reduce the amount presented as loss per share.

m) Financial Assets

Financial assets are classified into one of four categories:

- fair value through profit or loss ("**FVTPL**");
- held-to-maturity ("**HTM**");
- available for sale ("**AFS**"); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Transaction costs are expensed as incurred.

Note 2 Significant Accounting Policies – continued

m) Financial Assets - continued

HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. They are subsequently measured at amortized cost.

AFS financial assets

Short-term investments and other assets held by the Company are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity.

When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment's revaluation reserve is included in profit or loss for the period

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences on amortized cost of the asset is recognized in profit or loss, while other changes are recognized in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value, including transaction costs and subsequently are carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Fair value hierarchy

Measurement of the fair value of financial instruments is made under a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices, unadjusted, in active markets for identical assets or liabilities;

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

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

Note 2 Significant Accounting Policies – continued

m) Financial Assets - continued

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

De-recognition of financial assets

A financial asset is derecognized when:

- the contractual right to the asset’s cash flows expire; or
- the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

Note 2 Significant Accounting Policies – continued

n) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

De-recognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

o) Share Capital

(i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

(ii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis on relative fair values as follows: the fair value of common shares is based on the market close on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

(iii) All costs related to issuances of share capital are charged against the proceeds received from related share capital.

p) Flow-Through Shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as another liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, are recognized as a recovery of deferred income taxes in net income.

Note 2 Significant Accounting Policies – continued

q) Share-based Payments

The cost of incentive share options and other equity-settled share-based compensation and payment arrangements is recorded based on the estimated fair-value at the grant date and charged to earnings over the vesting period. Where incentive share options are subject to vesting, each vesting tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by a charge to earnings, with a corresponding increase to contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

r) Recent Accounting Announcements

New and amended standards adopted by the Company

The following new or amended standards have been adopted in these condensed interim financial statements for the period beginning September 1, 2014.

- Amendments to IAS 32 - Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. There was no impact to the Company arising from the adoption of this standard.

- Amendments to IAS 36 – Impairment of Assets, clarifies the recoverable amount disclosures for non-financial assets, including additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount was based on fair value less costs of disposal. There was no impact to the Company arising from the adoption of this standard.

s) **Accounting Standards Issued But Not Yet Effective**

The Company has not applied the following new, revised and amended standards that have been issued but are not yet effective for the August 31, 2015 reporting period:

- New standard IFRS 9, Financial Instruments, classification and measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit and loss. This standard is effective for years beginning on or after January 1, 2018.

The Company is currently assessing the impact that these standards will have on the Company's financial statements. The Company plans to adopt these standards as soon as they become effective for the Company's reporting period.

Expressed in Canadian Dollars

Note 3 Other Receivables

		May 31, 2015		August 31, 2013
HST / GST recoverable	**$**	**1,859**	$	5,727
METC		**-**		94,087
	$	**1,859**	$	99,814

The Company qualifies for a British Columbia Mining Exploration Tax Credit ("METC") as it has incurred qualified mineral exploration expenditures for determining the existence, location, extent or quality of a mineral resource in the province of British Columbia. The tax credit is calculated as 30% (for the area in which the Company operates) of qualified mineral exploration expenditures incurred during the year. At May 31, 2015, the METC receivable is the amount of $nil (August 31, 2014: $94,087), which may change pursuant to an audit by the taxation authorities. Any changes will be reflected in future periods.

Note 4 Available-for-Sale Investments

Marketable securities consist of 200,000 common shares of Cassius Ventures Ltd. received pursuant to an option agreement (note 5) and fair value at $0.10 per share based on the market price on the date of receipt. During the year ended August 31, 2011, the Company disposed of 150,000 common shares with a carrying value of $15,000. Shares of Cassius Ventures Ltd. were consolidated on April 22, 2014, on 10 for 1 basis.

The 5,000 shares remaining have a market value of $100 as at May 31, 2015 (August 31, 2014 - $175).

Expressed in Canadian Dollars

Note 5 **Exploration and Evaluation Assets**

	Rocky Lake	Carrot River	Rocky Namew and Namew Lake Properties	Cinder Lake	Mugaha Property	Athap Property	Total
Balance, August 31, 2012	$ 985,545	$ 716,179	$ 1,364,095	$ 87,774	$ 49,613	$ 8,162	$3,211,368
Acquisition costs – option payments - cash	80,000	-	-	-	-	-	80,000
Acquisition costs – option payments – shares	30,000						30,000
Acquisition costs – cash-in-lieu payments	-	-	75,175				75,175
Camp costs	1,736	-	-	-	19,924	-	21,660
Drilling	29,402	-	(98,921)		64,606		(4,913)
Project management – Note 6	6,000	-	6,000	-	5,000	-	17,000
Assaying	6,740	617	-	-	15,505	-	22,862
Geological consulting	19,948	-	6,818	-	15,175	-	41,941
Staking costs	(877)	-	-	-	-	-	(877)
Survey and mapping	-	-	2,650	-	-	-	2,650
Trenching	-	-	-	-	168,847	-	168,847
Others	17,780	-	-	-	(1,047)	-	16,733
Refund of cash-in-lieu payments	-	-	(125,150)	-	-	-	(125,150)
	$ 1,176,274	**$ 716,796**	**$ 1,230,667**	**$ 87,774**	**$ 337,623**	**$ 8,162**	**$ 3,557,296**
Less: write-off of mineral properties	-	-	-	(87,774)	-	(8,162)	(95,936)
Less: METC	-	-	-	-	(94,087)	-	(94,087)
Balance August 31, 2013	**$ 1,176,274**	**$ 716,796**	**$ 1,230,667**	**$ -**	**$ 243,536**	**$ -**	**$3,367,273**
Others	-	-	2,695	-	-	-	2,695
Balance, May 31, 2014	**$ 1,176,274**	**$ 716,796**	**$ 1,233,362**	**$ -**	**$ 243,536**	**$ -**	**$3,369,968**
Acquisition costs – option payments - cash	-	-	-	-	-	-	-
Camp costs	594	-	-	-	5,289	-	5,883
Assaying	3,215	-	587	-	-	-	3,802
Drilling	-	-	-	-	(5,194)	-	(5,194)
Geological consulting	(1,700)	-	(1,700)	-	(9,445)	-	(12,845)
Staking costs	500	-	8,410	-	800	-	9,710
Survey and mapping	1,585	-	1,325	-	3,104	-	6,014
Balance, August 31, 2014	**$ 1,180,468**	**$ 716,796**	**$ 1,241,984**	**$ -**	**$ 238,090**	**$ -**	**$3,377,338**
Staking costs	-	-	1,000	-	-	-	1,000
Balance, May 31, 2015	**$ 1,180,468**	**$ 716,796**	**$ 1,242,984**	**$ -**	**$ 238,090**	**$ -**	**$3,378,338**

Expressed in Canadian Dollars

Note 5 Exploration and Evaluation Assets – continued

Rocky Lake Property

On October 16, 2008 the Company entered into an amended and restated property option agreement (the "Rocky Lake Agreement") (replacing an agreement dated for reference April 5, 2006) with 4920776 Manitoba Ltd. ("4920776 Manitoba"), pursuant to which the Company acquired an option to acquire, subject to a net smelter return, a 100% interest in certain mining claims known as the Rocky Lake property located in Manitoba (the "Rocky Lake Property"). To exercise the option under the Rocky Lake Agreement, the Company agreed to pay an aggregate of $242,500 and issue an aggregate of 450,000 Common Shares (or make payments of an aggregate of $195,000 in lieu of issuing 450,000 Common Shares) of the Company payable over a four year period as set out in the table below.

Date For Completion	Cash Payment	Number of Shares To Be Issued(1)
Upon execution of the Agreement	$7,500 (paid)	--
On or before April 16, 2009	$15,000 (paid)	--
On or before October 16, 2009	$25,000 (paid)	--
On or before October 16, 2010	$50,000 (paid)	150,000(1)
On or before October 15, 2011	$65,000 (paid)	150,000(2) (issued)
On or before October 16, 2012	$80,000 (paid)	150,000(3) (issued)
Total	$242,500	450,000

(1) Alternatively to the issuance of the 150,000 Shares, making an additional payment of $50,000. The Company paid the additional amount of $50,000 on October 15, 2010.

(2) The Company issued 150,000 common shares valued at $26,250 during the three months ended November 30, 2011.

(3) The Company issued 150,000 common shares valued at $30,000 during the Nine months ended February 28, 2013.

As at May 31, 2015, $353,750 (August 31, 2014 - $353,750) has been paid in Option Payments as an additional $5,000 was paid on December 5, 2005 based on the original option agreement, which includes the fair market value of share-based payments.

On October 16, 2012 the Company made the final payment of $80,000 and 150,000 shares thereby earning a 100% interest in the Rock 1 to 21 Claims and Jaln Claim. The claims were transferred and registered in the Company's name on November 22, 2012.

The earned 100% interest in the Rocky Lake Property is subject to a 2.0% net smelter returns royalty (the "Rocky Lake NSR").

The Company has the right to purchase 1.0% of the Rocky Lake NSR for $1,000,000, which right may only be exercised during a five year period commencing on the later of the exercise of the Rocky Lake option and the date a bankable feasibility study is prepared and delivered to the Company. By agreement dated October 16, 2008, the Company assigned an additional 0.5% NS Royalty to a director of the Company.

Rock claims 14 to 21 expired on June 25, 2013 and there is no write down associated with the expiry of these claims. Rock claims 1 to 13 are in good standing until June 2018 and Jaln Claim until January 2018.

Expressed in Canadian Dollars

Note 5 **Exploration and Evaluation Assets** – continued

Carrot River Property

On November 25, 2011 the Company purchased the Carrot River property located in Manitoba (the “Carrot River Property”) for a final payment of $5,000.00. under the terms of an October 16, 2008, amended and restated property option agreement (replacing a property option agreement dated December 5, 2005) with Mr. James Dawson (the “Carrot River Agreement”) pursuant to which the Company acquired an option to acquire a 100% interest in certain mineral claims known as the Carrot River property located in Manitoba (the “Carrot River Property”). Pursuant to the Carrot River Agreement, the Company holds an option to acquire a 100% interest in the Carrot River Property subject to a net smelter return. To exercise the option under the Carrot River Agreement, the Company agreed to pay an aggregate of $242,500 and issue an aggregate of 450,000 Common Shares of the Company (or make payments of an aggregate of $195,000 in lieu of issuing 450,000 Common Shares) payable over a four year period as set out in the table below.

Date For Completion	Cash Payment	Number of Shares To Be Issued(1)
Upon execution of the Agreement	$7,500 (paid)	--
On or before April 16, 2009	$15,000 (paid)	--
On or before October 16, 2009	$25,000 (paid)	--
On or before October 16, 2010	$50,000 (paid)	150,000 (1)
On or before October 15, 2011	$65,000 (2)	150,000 (2)
On or before October 16, 2012	$80,000 (2)	150,000 (2)
Total	$242,500	450,000

(1) Alternatively to the issuance of the 150,000 Shares, making an additional payment of $50,000. The Company delivered 150,000 shares of Cassius Ventures Ltd.

(2) The Company did not make the payment on October 15, 2011 and purchased the property for a final payment of $5,000 on November 25, 2011.

As at May 31, 2015 $152,500 (August 31, 2014 - $152,500) has been paid in option payments as an additional $5,000 was paid on December 5, 2005 based on the original option agreement. By agreement dated October 16, 2008, the Company assigned a 0.5% NS Royalty to a director of the Company.

Expressed in Canadian Dollars

Note 5 Exploration and Evaluation Assets – continued

Rocky-Namew and Namew Lake Properties

The Company entered into two property option agreements dated October 31, 2008 and amended October 13, 2010, with Balraj Mann, President, Chief Executive Officer, and a director of the Company (the "Mann Option Agreements") pursuant to which the Company was granted an option to acquire, subject to a 2.5% net smelter return (the "Rocky-Namew NSR"), a 100% interest in certain mining claims known as the Rocky- Namew property located in Manitoba (the "Rocky-Namew Property"); and an option to acquire, subject to a 2.5% net smelter return (the "Namew Lake NSR"), a 100% interest in certain mining claims known as the Namew Lake property located in Manitoba (the "Namew Lake Property"). Mr. Mann had acquired the mining claims with respect to the Rocky-Namew Property and the Namew Lake Property prior to him becoming a director or an officer of the Company. Prior to October 31, 2008, the initial date of the Mann Option Agreements, the Company had no interest in either the Rocky-Namew Property or the Namew Lake Property.

To exercise the options under each of the Mann Option Agreements, the Company agreed to pay an aggregate of $242,500, and issue an aggregate of 450,000 Common Shares over a two year period in respect of each Mann Option Agreement as set out in the table below.

	NAMEW-LAKE PROPERTY		**ROCKY-NAMEW PROPERTY**	
Date For Completion	**Cash Payment**	**Number of Shares To be Issued(1)**	**Cash Payment**	**Number of Shares To be Issued(1)**
Upon the Listing Date (1)	$47,500 (paid)	--	$47,500 (paid)	--
On the 6 month Anniversary of the Listing Date	$50,000 (paid)	150,000 (issued)	$50,000 (paid)	150,000 (issued)
On the first anniversary of the Listing Date	$65,000 (paid)	150,000 (issued)	$65,000 (paid)	150,000 (issued)
On the second anniversary of the Listing Date	$80,000 (3)	150,000 (2)(3)	$80,000 (3)	150,000 (2)(3)
Total	$242,500	450,000	$242,500	450,000

(1) The Company commenced trading on the TSX Venture Exchange on February 28, 2011.
(2) Alternatively to the issuance of the 150,000 Shares, making an additional payment of $80,000.
(3) The Company is in negotiation over an extension of the payments.

Upon completion of all the payments, share issuances and work program requirements set out above, the Company will have exercised its option to earn a 100% interest in the Rocky-Namew Property, subject to the Rocky-Namew NSR and a 100% interest in the Namew Lake Property, subject to the Namew Lake NSR. The Company has the right to purchase 1.0% of each of the Rocky-Namew NSR and the Namew Lake NSR in consideration of the payment of $1,000,000 each, which right may only be exercised during a five year period commencing on the later of the exercise of the Rocky-Namew Option or the Namew Lake Option, as applicable, and the date a bankable feasibility study is prepared and delivered to the Company.

The Company, by staking, added Mineral Exploration License 981A for 11,123 hectares, increased the Property total to 35,814 hectares. The license was issued on November 8, 2011 and expired on February 28, 2014. On June 25, 2013, license MEL359A expired and the Company re-staked it as license MEL 1020A to continue to be part of the option agreement. The license expired on August 15, 2014. There is no write down associated with the expiry of these licenses. In March 2014 MEL's 358A, 360A and 361A expired the Company re-staked them as by MEL's 1028A, 1029A and 1030A which were issued on May 15, 2014 and continue to be part of the option agreement.

Note 5 Exploration and Evaluation Assets – continued

Cinder Lake Property

On August 10, 2011, the Company entered into a property option agreement with 4920776 Manitoba Ltd. pursuant to which the Company acquired an option to acquire a 100% interest in certain mineral claims known as the Cinder Lake property located in Manitoba.

The property consists of MEL 427A totaling 5,000 hectares located in north central Manitoba. The property has been optioned to explore for rare earth elements (REEs) it has no previous exploration for REE other than work conducted by Manitoba Geological Survey (MGS, which has comprised a field study in 2008 and regional scale multimedia geochemical and mineralogical surveys in 2000 and 2001. In 1992, Inco conducted a reconnaissance geological survey over the area, which included the MEL, for base metals. Samples from the southern tip of Wickstrom Island within the MEL returned up to 2300 ppm lanthanum, 1300 ppm neodymium, 140 ppm samarium and 44.3 ppm europium. (Inco, MGS Assessment Report 72612). The south eastern part of the Cinder Lake complex hosts a wide range of rocks showing diverse textures and compositions. High resolution aeromagnetic data of the area has outlined the possible shape and size of the CLC. In the south eastern part of the lake, linear magnetic highs coincide with exposures of syenitic pegmatite that appear to occupy the outer shell of a concentrically structured intrusive body. This oval shaped magnetic feature is approximately 10km long and 5km wide.

The tectonic setting, petrography and size of the CLC are similar to the Maoniuping complex in China the second largest REE deposit in the world (A Chakhmouradian, Ph.D, DGS, MGS 2008).

The Company, by staking, acquired Mineral Exploration License 1005A for 5,602 hectares which is adjacent to the Cinder lake property on the North and West sides. The license was issued on October 2, 2012.

The company has been unable to renegotiate the terms of the agreement and consequently has let it expire along with mineral exploration license 1005A. Option payments and costs of $87,774 incurred on the property have been written off.

Expressed in Canadian Dollars

Note 5 Exploration and Evaluation Assets – continued

Mugaha Property

On February 27, 2012, the Company entered into a property option agreement with MacKenzie Minerals Ltd. (the "Mugaha Agreement") pursuant to which the Company acquired an option to acquire a 100% interest in certain mineral claims known as the Mugaha Property located in MacKenzie British Columbia. Pursuant to the Mugaha Agreement, the Company holds an option to acquire a 100% interest in the Mugaha Property subject to a net smelter return. To exercise the option under the Mugaha Agreement, the Company agreed to pay an aggregate of $619,000 and issue an aggregate of 1,000,000 Common Shares of the Company payable over a four year period as set out in the table below.

Date For Completion	Cash Payment	Number of Shares To Be Issued
Upon execution of the Agreement	-	-
On or before February 27, 2013 (1)	$100,000	200,000
On or before February 27, 2014	$100,000	200,000
On or before February 27, 2015	$200,000	300,000
On or before February 27, 2016	$200,000	300,000
Total	$619,000	1,000,000

Subject to a 2% NSR of which the Company has the right to purchase one half for $1,000,000 at any time within a five year period commencing on the later of the exercise of the option in the Agreement and the date a bankable feasibility study is prepared and delivered to the Company. The Company has the right to accelerate the payments to reduce the time it will take to earn the 100% interest in the Property.

(1) The Company is in negotiation over an extension of the payment and terms.

Expressed in Canadian Dollars

Note 6 Share Capital

a) Authorized: Unlimited common shares without par value.

b) Issued: see Changes in Shareholders' Equity

c) Share Purchase Warrants

As at May 31, 2015, the Company had no share purchase warrants outstanding (August 31 2014 – nil).

d) Stock Options

The Company has a share option plan that provides for the issuance of options to its directors, officers and employees. The maximum number of outstanding options is 10% of the issued and outstanding common shares at any point in time. The exercise price of each option equals the market price of the Company's shares on the date of the grant. The maximum term of the options is five years. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model.

Option activity was as follows:

	Number of Options	Weighted Average Exercise Price
Balance at August 31, 2012	3,746,800	$ 0.22
Granted	-	-
Exercised	-	-
Expired – Agent	(1,246,800)	$ 0.20
Balance at August 31, 2013 and May 31, 2014	**2,500,000**	$ 0.22
Granted	-	-
Exercised	-	-
Expired – Agent	-	-
Balance at August 31, 2014 and May 31, 2015	**2,500,000**	$ 0.22

There were no stock options issued for the Nine month period ended May 31, 2015, also, no options issued during the years ended August 31, 2014 and 2013.

At May 31, 2015, the following stock options were outstanding and exercisable:

Number of Options	Price	Expiring
1,200,000	$0.20	February 28, 2016
1,300,000	$0.25	March 19, 2017
2,500,000		

Expressed in Canadian Dollars

Note 7 Related Party Transactions and Balances

The Company incurred the following fees and expenses charged by directors of the Company or by entities controlled by them for the period ended February 28, 2015.

		2015		2014
Consulting fees	**$**	**63,000**	$	63,000
Rent		**9,000**		9,000
Office		**9,000**		9,000
Accounting		**4,500**		-

These transactions are measured at the exchange amount which was the amount established and agreed to by the related parties. As at May 31, 2015, accounts payable and accrued liabilities included $497,283 (August 31, 2014 - $637,100) owing to a company with a common director and officer of the Company for consulting services, office and rent. As well, at May 31, 2015, accounts payable and accrued liabilities included $4,500 (August 31, 2014 - $nil) owing to an officer of the Company for accounting services.

As at May 31, 2015, loans payable in the amount of $81,089 (August 31, 2014 - $77,089) were due to a director and to a company with a common director and officer of the Company for monies advanced for mineral properties expenditures. As at May 31, 2015, loans payable also included $7,000 (August 31, 2014 - $nil) due to an officer of the Company. The amounts are unsecured, non-interest bearing and are due on demand.

Note 8 Financial Instruments and Risk Management

As at May 31, 2015, the carrying value of the Company's financial instruments approximates their fair value. Cash and short term investments are recorded at fair value and the Company's other financial instruments are recorded at amortized cost, which approximates fair value due to their short term nature. The Company's financial instruments are classified into the following categories:

Level 1 – quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie. As prices) or indirectly (ie. Derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data.

At May 31, 2015, the Company's financial instruments which are measured at fair value on a recurring basis were cash and available-for-sale investments. These financial instruments were classified as "Level 2" financial instruments.

Expressed in Canadian Dollars

Note 8 <u>Financial Instruments and Risk Management - continued</u>

The Company's financial instruments are exposed to credit risk, liquidity risk and market risks.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's credit risk to its financial asset is summarized below:

		May 31, 2015		August 31, 2014
Cash and cash equivalents	$	**1,176**	$	1,981
Available-for-sale investments		**100**		175
Other receivables		**1.859**		99,814

The credit risk of cash, available-for-sale investments, and accounts receivable is assessed as nominal as the counter party is major Canadian financial institutions. The credit risk of accounts receivable is assessed as low as the majority is due from the Government of Canada.

The carrying amount of these financial assets is their maximum exposure to credit risk.

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. The Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

As of May 31, 2015, the Company does not have sufficient cash and highly liquid investment on hand to meet current liabilities and its expected administrative requirements for the coming year. The Company has cash of $1,176 (August 31, 2014 - $1,981; May 31, 2014 - $347), highly liquid investments of $100 (August 31, 2014 - $150; May 31, 2014 - $500), other receivables $1,859 (August 31, 2014 - $99,814; May 31, 2014 - $94,087) and total liabilities of $1,610,127 (August 31, 2014 - $1,574,630; May 31, 2014 - $1,535,807).

The liabilities mature as follow:

- Accounts payable and accrued liabilities of $1,610,127 are due within the next twelve months;
- Loans and borrowing of $88,089 has no specific terms of repayment.

To execute its planned exploration program for the next twelve months, the Company will need to raise additional funds through the issuance of equity or debt instruments or the sale of assets. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and cash equivalents, short term investments and expected exercise of stock options and share purchase warrants.

Management has assessed liquidity risk as low.

Note 8 <u>Financial Instruments and Risk Management – continued</u>

c) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

d) Currency Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

The Company has operations only in Canada and is not subject to currency risk associated with its operations.

e) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has limited exposure to interest rate risk as its interest bearing debt instruments are short-term in nature. A 1% change in interest rates would not have a material change on the net and comprehensive loss of the Company.

f) Environmental Risk

The Company is not subject to environmental risks associated with its operations.

g) Commodity Price Risk

The Company is subject to commodity price risk for the sale of gold and silver. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of commodities by various central banks, financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Company's revenues, if any, are expected to be in large part derived from the extraction of mineral products. As such, the effect of these factors on the price in future product sales, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

Note 9 <u>Capital Disclosures</u>

The Company’s objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company’s existing properties, and to acquire, explore, and develop other precious and base metal deposits.

- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.

- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

Note 9 Capital Disclosures – continued

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets, especially with respect to exploration results on properties in which the Company has an interest.

In order to facilitate the management of capital and development of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. The Company's investment policy is to hold cash in interest bearing accounts at a major Canadian banking institution to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company is not exposed to any externally imposed capital requirements.

Notwithstanding the risks described in Note 1, the Company seeks to continue to raise funds, from time to time, to continue meeting its capital management objectives.