# MAGNUM GOLDCORP INC.
**(FORMERLY MAGNUM CAPITAL CORP.)**

## Interim Financial Statements
## (Unaudited - Prepared by Management)

## For the six months ended November 30, 2014
## (Expressed in Canadian dollars)

**Contact Information:**

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# MAGNUM GOLDCORP INC.
# (FORMERLY MAGNUM CAPITAL CORP.)

## Dated January 19, 2015

### Management's Comments on Unaudited Interim Financial Statements

The accompanying unaudited interim financial statements of Magnum Goldcorp Inc. (formerly Magnum Capital Corp.) for the six months ended November 30, 2014 and 2013 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the six month period ended November 30, 2014.

**MAGNUM GOLDCORP INC.**
**(FORMERLY MAGNUM CAPITAL CORP.)**
Interim Statements of Financial Position
As at November 30, 2014 and May 31, 2014
(Unaudited – Expressed in Canadian Dollars)

| | November 30, 2014 | May 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 46,250 | $ 410,476 |
| Accounts receivable | 11,831 | 27,192 |
| Prepaid expenses (Note 5) | 13,331 | 13,467 |
| | 71,412 | 451,135 |
| **Exploration advances** | - | 8,400 |
| **Exploration and evaluation assets** (Note 4) | 394,704 | 133,303 |
| | $ 466,116 | $ 592,838 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (Note 5) | $ 37,560 | $ 20,755 |
| Flow-through premium (Note 11) | 153,250 | 153,250 |
| | 190,810 | 174,005 |
| **Shareholders' equity** | | |
| Capital stock (Note 6) | 638,414 | 638,414 |
| Reserves (Note 7) | 189,648 | 189,648 |
| Deficit | (552,756) | (409,229) |
| | 275,306 | 418,833 |
| | $ 466,116 | $ 592,838 |

Nature of operations and going concern (Note 1)

**On behalf of the Board:**

*"Douglas L. Mason"* Director *"Sead Hamzagic"* Director

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

**MAGNUM GOLDCORP INC.**
**(FORMERLY MAGNUM CAPITAL CORP.)**
Interim Statements of Comprehensive Loss
Six months ended November 30, 2014 and 2013
(Unaudited – Expressed in Canadian Dollars)

| | Three month period ended November 30, 2014 | Three month period ended November 30, 2013 | Six month period ended November 30, 2014 | Six month period ended November 30, 2013 |
|---|---|---|---|---|
| **GENERAL AND ADMINISTRATIVE EXPENSES** | | | | |
| Consulting fees (Note 5) | $ 26,616 | $ 7,500 | $ 51,116 | $ 7,500 |
| Office and miscellaneous | 5,636 | 193 | 11,292 | 899 |
| Professional fees (Note 5) | 12,493 | 47,326 | 27,103 | 58,351 |
| Regulatory and transfer agent fees | 8,645 | 7,306 | 17,728 | 19,181 |
| Rent (Note 5) | 10,645 | 1,500 | 19,516 | 3,000 |
| Wages and benefits (Note 5) | 10,262 | - | 16,819 | - |
| | (74,297) | (63,825) | (143,574) | (88,931) |
| **OTHER ITEMS** | | | | |
| Interest income | 40 | - | 47 | - |
| **Loss and comprehensive loss for the period** | $ (74,257) | $ (63,825) | $ (143,527) | $ (88,931) |
| **Basic and diluted loss per common share** | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.01) |
| **Weighted average number of common shares outstanding** | 11,120,000 | 6,858,681 | 11,120,000 | 6,175,628 |

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

**MAGNUM GOLDCORP INC.**
**(FORMERLY MAGNUM CAPITAL CORP.)**
Interim Statement of Changes in Shareholders' Equity
(Unaudited – Expressed in Canadian Dollars)

| | Number of Common Shares | Amount | Deficit | Share-based payment reserve | Total Shareholders' Equity |
|---|---|---|---|---|---|
| **Authorized Capital:** | | | | | |
| Unlimited number of common shares without par value | | | | | |
| Unlimited number of preferred shares without par value | | | | | |
| **Balance, May 31, 2013** | **5,500,000** | **$ 361,414** | **$ (205,836)** | **$ 61,898** | **$ 217,476** |
| Private placements (Note 6) | 5,620,000 | 434,250 | - | 127,750 | 562,000 |
| Share issue costs (Note 6) | - | (4,000) | - | - | (4,000) |
| Loss for the period | - | - | (88,931) | - | (88,931) |
| **Balance, November 30, 2013** | **11,120,000** | **791,664** | **(294,767)** | **189,648** | **686,545** |
| Liability to renounce exploration expenditures | - | (153,250) | - | - | (153,250) |
| Loss for the period | - | - | (114,462) | - | (114,462) |
| **Balance, May 31, 2014** | **11,120,000** | **638,414** | **(409,229)** | **189,648** | **418,833** |
| Loss for the period | - | - | (143,527) | - | (143,527) |
| **Balance, November 30, 2014** | **11,120,000** | **$ 638,414** | **$ (552,756)** | **$ 189,648** | **$ 275,306** |

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

**MAGNUM GOLDCORP INC.**
**(FORMERLY MAGNUM CAPITAL CORP.)**
Interim Statements of Cash Flows
Six months ended November 30, 2014 and 2013
(Unaudited – Expressed in Canadian Dollars)

| | Three month period ended November 30, 2014 | Three month period ended November 30, 2013 | Six month period ended November 30, 2014 | Six month period ended November 30, 2013 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Loss for the period | $ (74,257) | $ (63,825) | $ (143,527) | $ (88,931) |
| Changes in non-cash working capital items | | | | |
| Accounts receivable | 21,162 | (3,694) | 15,361 | (4,937) |
| Prepaid expenses | 2,357 | 775 | 136 | 2,075 |
| Accounts payable and accrued liabilities | 7,960 | 45,139 | 16,805 | 42,003 |
| Net cash flows used in operating activities | (42,778) | (21,605) | (111,225) | (49,790) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Exploration and evaluation assets | (173,350) | (120,000) | (261,401) | (120,000) |
| Exploration advances | 8,400 | - | 8,400 | - |
| Net cash flows used in investing activities | (164,950) | (120,000) | (253,001) | (120,000) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds on issuance of shares | - | 562,000 | - | 562,000 |
| Share issue costs | - | (4,000) | - | (4,000) |
| Net cash flows used in investing activities | - | 558,000 | - | 558,000 |
| **Change in cash during the period** | (207,728) | 416,395 | (364,226) | 388,210 |
| **Cash, beginning of period** | 253,978 | 181,774 | 410,476 | 209,959 |
| **Cash, end of period** | $ 46,250 | $ 598,169 | $ 46,250 | $ 598,169 |
| **Supplemental disclosures:** | | | | |
| Cash paid during the period for interest | $ - | $ - | $ - | $ - |
| Cash paid during the period for income taxes | $ - | $ - | $ - | $ - |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

### Nature of operations

Magnum Goldcorp Inc. (the "Company") was incorporated under the Alberta Business Corporations Act on April 4, 2011 and, effective July 25, 2014, continued into the Province of British Columbia under the provisions of the Business Corporations Act (British Columbia). The Company was a Capital Pool Company ("CPC"), as such term is defined in Policy 2.4 of the TSX Venture Exchange until November 11, 2013.

On November 8, 2013, the Company changed its name to Magnum Goldcorp Inc. under the Alberta Business Corporations Act and since that time has traded under the symbol "MGI" on the TSX Venture Exchange (formerly Magnum Capital Corp "MGK").

The Company is engaged in the acquisition and exploration of mineral resource properties.

### Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Management believes the Company will be successful at securing additional funding so that its capital resources will be sufficient to carry its operations through the next twelve months and intends to continue the programs on its exploration and evaluation assets. However, there are several conditions that cast significant doubt on the Company's ability to continue as a going concern, including that the Company has incurred significant operating losses in the past years including a loss of $203,393 for the year ended May 31, 2014. It is currently financed but unable to self-finance operations in the long term, has working capital deficit of $119,398 (May 31, 2014 – working capital of $277,130), has a deficit of $557,756 (May 31, 2014 - $409,229), has limited resources, no source of operating cash flows and no assurances that sufficient funding will be available to conduct further exploration and development of its exploration and evaluation assets. The recoverability of amounts shown for exploration and evaluation assets is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production or proceeds from disposition of exploration and evaluation assets. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. Management is actively engaged in the review and due diligence on new projects, is seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets.

## 2. BASIS OF PREPARATION

**Statement of compliance**

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

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of November 30, 2014. The Board of Directors approved the financial statements for issue on January 19, 2015.

**Basis of measurement**

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value or amortized cost, as explained in the accounting policies set out in Note 3. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

**Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the depreciation of equipment, impairment of assets, valuation of share-based payments and recognition of deferred tax amounts.

Significant accounting judgements:

a) **Recoverability of asset carrying values**
The Company assesses its exploration and evaluation assets for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, at each reporting period. The assessment of any impairment of property and equipment and exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions, timing of cash flows, the useful lives of assets and their related salvage values.

## 2. BASIS OF PREPARATION (Continued)

**b) Income taxes**

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The following is a list of significant accounting policies used by the Company.

### (a) Cash and cash equivalents

Cash and cash equivalents includes highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### (b) Financial instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

**Financial assets**

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. Regular way purchases and sales of fair value through profit or loss financial assets are accounted for at trade date rather than settlement date. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity dates. They are initially recognized at fair value and subsequently carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are initially recognized at fair value and subsequently are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(b) Financial instruments** (Continued)

**Financial assets** (Continued)

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income, within equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

Transactions costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

**Financial liabilities**

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities* - This category includes amounts due to related parties and accounts payable and accrued liabilities, both of which are initially recognized at fair value, net of transaction costs, and are subsequently stated at amortized cost.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) 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 (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(c) Exploration and evaluation assets**

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs upon obtaining the legal right to explore relating to the acquisition of, exploration for and evaluation of mineral claims and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a exploration and evaluation asset is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs are reclassified as mining assets and will be charged to operations on a unit-of-production method based on proven and probable reserves.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment at each financial position reporting date. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

**(d) Impairment**

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Impairment (Continued)

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### (e) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Valuation of equity units issued in private placements:
The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to common shares issued in the private placements at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded in shareholders' equity.

Flow-through shares:
The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital.

Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration and expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Share based payment transactions

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the year during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is accrued and charged either to operations or exploration and evaluation assets, with the offset credit to share-based payments reserve, over the vesting period. If and when the stock options are exercised, the applicable amounts from share-based payments reserve are transferred to capital stock.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

### (g) Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

### (h) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Income taxes (Continued)

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it will not be recognized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### (i) Restoration and rehabilitation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of an exploration and evaluation asset interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. As at November 30, 2014 the Company does not have any significant restoration obligations.

### (j) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as interest expense.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) New accounting standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of November 30, 2014 and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

**Effective for annual periods beginning on or after January 1, 2018**

- IFRS 9, *Financial Instruments* - Classification and Measurement

  IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: 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 or loss.

## 4. EXPLORATION AND EVALUATION ASSETS

### Realization of assets

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

### Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of the exploration and the development of a mineral property, the potential for production on the property may be diminished or negated.

(Unaudited – Expressed in Canadian Dollars)

## 4. EXPLORATION AND EVALUATION ASSETS (Continued)

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

The Company has entered into agreements to acquire, explore and develop certain mineral properties located in various regions of Canada. Numerous aboriginal groups are claiming inextinguishable aboriginal title to the lands and resources in these regions, which may include one or more of the mineral claims beneficially owned by the Company. The extent to which any successful aboriginal claim would materially affect the ability of the Company to exploit its mineral properties is not determinable at this time.

The Company's expenditures on exploration and evaluation assets are as follows:

| | LH & Willa |
|---|---|
| **Balance, May 31, 2013** | $ - |
| Deferred costs: | |
| Additions during the year: | |
| Option payments | 100,000 |
| Reports | 20,000 |
| Storage | 337 |
| Geological and labour | 12,966 |
| Net additions for the year | 133,303 |
| **Balance, May 31, 2014** | $ 133,303 |
| Deferred costs: | |
| Additions during the period: | |
| Accommodations | 3,396 |
| Assays | 6,395 |
| Drilling | 124,989 |
| Environmental | 5,393 |
| Equipment rental | 6,215 |
| Field office expenses | 2,866 |
| Geological and labour | 67,525 |
| Permits | 140 |
| Storage | 2,032 |
| Surveying | 38,963 |
| Transportation | 341 |
| Travel | 3,146 |
| Net additions for the period | 261,401 |
| **Balance, November 30, 2014** | $ 394,704 |

(Unaudited – Expressed in Canadian Dollars)

## 4. EXPLORATION AND EVALUATION ASSETS (Continued)

***LH and Willa Property***

By way of background, International Bethlehem Mining Corp. ("IBC") acquired 19 crown-granted mineral claims near Silverton in the Slocan Mining Division, British Columbia (the "LH Property"). The vendors retained a 1% net smelter return ("NSR") royalty. Once royalties of $350,000 have been paid, the NSR royalty will reduce to 0.5%. IBC has the option to purchase the entire NSR royalty at any time up until December 31, 2015 from the vendors for $1,200,000. IBC also acquired 4 mineral claims near Silverton in the Slocan Mining Division, British Columbia (the "Willa Property"). The vendors retained a 1% net smelter return ("NSR") royalty. Once royalties of $500,000 have been paid, the NSR royalty will reduce to 0.5%. IBC has the option to purchase the entire NSR royalty at any time up until July 15, 2015 from the vendors for $3,000,000. The LH Property and the Willa Property are adjacent properties.

The Company entered into an Option Agreement, dated September 6, 2012 (the "Option Agreement") with IBC, pursuant to which the Company was granted an option to acquire a 51% interest in IBC's "LH" and "Willa" gold exploration properties (collectively the "Property"). Under the Option Agreement, the Company agreed to pay IBC $100,000 (paid) following the date (November 12, 2013) when the Exchange accepted the Option Agreement (the "Effective Date"). Additionally, the Company is required to incur expenditures on the Property totaling $500,000 ($250,000 by the first anniversary of the Effective Date (completed) and an additional $250,000 by the second anniversary of the Effective Date), with approximately $300,000 having been incurred by the Company to date. As well, the Company will be required to issue 3,000,000 shares to IBC (1,000,000 shares by the first anniversary of the Effective Date (issued); an additional 1,000,000 shares by the second anniversary of the Effective Date; and an additional 1,000,000 shares upon the Property receiving a bankable feasibility report on or before 10 years after the Option has been earned in). As a condition to the Company performing its obligations under the Option Agreement, IBC was required to incur between $100,000 to $150,000 in exploration expenditures on the Property (completed). The Company and IBC have certain directors in common.

## 5. RELATED PARTY TRANSACTIONS

The following is a list of related party transactions that have occurred during the period ended November 30, 2014:

a) Included in prepaid expenses at November 30, 2014 is $10,000 (May 31, 2014 - $10,000) as a security deposit paid to Waterfront Communications Inc. (a company with certain former directors in common), to cover shared payroll and expense recoveries.

b) As at November 30, 2014, accounts payable and accrued liabilities included $10,675 (May 31, 2014 - $nil) owing to companies controlled by certain directors.

c) The Company paid the following amounts to companies controlled by directors or companies having certain common directors during the period ended November 30, 2014:

| | November 30, 2014 | November 30, 2013 |
|---|---|---|
| Consulting fees | $ 45,000 | $ 7,500 |
| Professional fees | $ 15,000 | $ 2,500 |
| Rent | $ 19,516 | $ - |

(Unaudited – Expressed in Canadian Dollars)

## 5. RELATED PARTY TRANSACTIONS (Continued)

Key management compensation to the CEO, President, CFO and Directors include the following:

| | November 30, 2014 | November 30, 2013 |
|---|---|---|
| Consulting fees | $ 45,000 | $ 7,500 |
| Professional fees | $ 15,000 | $ 2,500 |

d) The Company reimbursed Waterfront Communications Inc. (a company with certain former directors in common) on a cost basis, to cover shared administrative and geological payroll costs in the amount of $45,619 (2013 - $Nil) and shared expenses in the amount of $11,778 (2013 - $6,549).

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties. Amounts due to (from) related parties are unsecured and have no stated terms of repayment and/or interest.

## 6. CAPITAL STOCK

a) Authorized share capital

Unlimited common shares with no par value
Unlimited preferred shares with no par value

b) Issued share capital

The Company completed the following share transactions:

- On November 8, 2013, the Company closed a non-brokered private placement and raised $562,000 by issuing 2,555,000 units (the “Units”) at an issue price of $0.10 per Unit and 3,065,000 flow through shares (“FT Shares”) at $0.10 per FT Share. Each Unit is comprised of one common share and one share purchase warrant, with each warrant entitling the holder to acquire one common share for a period of two years at an exercise price of $0.10. In connection with this private placement, the Company paid a finder’s fee in the amount of $4,000.

c) Shares in escrow or pooling agreements:

There are 1,500,000 shares presently subject to escrow restrictions. Originally 2,500,000 shares were subject to escrow restrictions, however, in accordance with TSX Venture Exchange Policy 2.4, 10% of the escrow shares (250,000 shares) were released as of November 12, 2013, immediately following the issuance of the Final Exchange Bulletin announcing final acceptance of the Qualifying Transaction, with 15% releases (375,000 shares) every six months thereafter.

(Unaudited – Expressed in Canadian Dollars)

## 7. STOCK OPTIONS AND WARRANTS

The Company has a rolling stock option plan, whereby it is allowed to issue options of up to 10% of the Company's issued and outstanding common shares at any given time. Under the plan, options can be granted for a maximum term of ten years and vesting of stock options is at the discretion of the Board of Directors at the time options are granted.

**Stock Options and Agent's Options**

| | Number of Agent's Options | Number of Stock Options | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, May 31, 2013 | 300,000 | 450,000 | $ 0 .10 |
| Expired | (300,000) | - | 0 .10 |
| Balance, May 31, 2014 and November 30, 2014 | - | 450,000 | $ 0 .10 |

The following options were exercisable and outstanding at November 30, 2014:

| | Expiry Date | Number of Options | Weighted Average Exercise Price |
|---|---|---|---|
| **Stock Options** | October 26, 2021 | 450,000 | $ 0.10 |

**Warrants**

Warrant transactions are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| **Outstanding,** May 31, 2013 | **-** | $ - |
| Issued | 2,555,000 | $ 0.10 |
| **Outstanding,** May 31, 2014 and November 30, 2014 | 2,555,000 | $ 0.10 |

The following warrants were exercisable and outstanding at:

| Expiry Date | Exercise Price | November 30, 2014 | May 31, 2014 |
|---|---|---|---|
| November 8, 2015 | $ 0.10 | 2,555,000 | 2,555,000 |
| | | **2,555,000** | **2,555,000** |

(Unaudited – Expressed in Canadian Dollars)

## 8. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26% to income before income taxes. The reasons for the differences for the year ended May 31, 2014 are as follows:

| | | May 31, 2014 |
|---|---|---|
| Loss before tax | $ | (203,393) |
| Statutory income tax rate | | 26.00% |
| Expected income tax recovery | $ | (52,882) |
| Non-deductible temporary differences | | - |
| Effect of tax rate changes | | (2,075) |
| Tax benefits not recognized | | 54,957 |
| | $ | - |

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met.

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts for the year ended May 31, 2014:

| | | May 31, 2014 |
|---|---|---|
| Non-capital losses | $ | 102,391 |
| Share issue costs | | 5,488 |
| Resource properties | | (79,690) |
| Unrecognized deferred tax assets | | (28,189) |
| Net deferred tax assets | $ | - |

As at May 31, 2014, the Company had the following unrecognized unused non-capital tax losses:

| | | |
|---|---|---|
| 2031 | $ | 4,000 |
| 2032 | | 93,000 |
| 2033 | | 83,000 |
| 2034 | | 213,000 |
| Total | $ | 393,000 |

## 9. CAPITAL MANAGEMENT

The Company manages its common shares and stock options as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

There have been no changes to the Company's approach to capital management during the period ended November 30, 2014. The Company is not subject to externally imposed capital requirements.

## 10. FINANCIAL INSTRUMENTS

**Fair value**

The Company classifies its cash as loans and receivables; accounts payable and accrued liabilities as other financial liabilities.

The carrying values of accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and trade accounts receivable.

The Company's credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to cash is remote as it maintains accounts with highly-rated financial institutions.

(Unaudited – Expressed in Canadian Dollars)

**10. FINANCIAL INSTRUMENTS** (Continued)

**Credit risk** (Continued)

The Company's concentration of credit risk and maximum exposure thereto is as follows:

| | November 30, 2014 | May 31, 2014 |
|---|---|---|
| Cash | $ 46,250 | $ 410,476 |
| Accounts receivable | 11,831 | 27,192 |
| | $ 58,081 | $ 437,668 |

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At November 30, 2014, the Company had accounts payable and accrued liabilities of $37,560 (May 31, 2014 - $20,755) and a Flow-through premium liability of $153,250 (May 31, 2014 - $153,250).

Based on the current funds held as at November 30, 2014, the Company has sufficient working capital to cover its current liabilities.

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

| | Accounts Payable and Accrued Liabilities | Due to Related Parties | Total |
|---|---|---|---|
| **November 30, 2014** | | | |
| Due date: | | | |
| 0 to 90 days | $ 26,885 | $ 10,675 | $ 37,560 |
| **May 31, 2014** | | | |
| Due date: | | | |
| 0 to 90 days | $ 17,539 | $ 3,216 | $ 20,755 |

**Market risk**

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

**10. FINANCIAL INSTRUMENTS** (Continued)

**Market risk** (Continued)

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash consists of cash held in bank accounts and a security deposit of $15,000 (May 31, 2014 - $nil) at the prime rate minus 1.95% (May 31, 2014 - N/A) held as per instructions on the Safekeeping Agreement from the Ministry of Energy and Mines. Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

Future cash flows from interest income on cash will not be affected by interest rate fluctuations. Given the balance of the cash, any fluctuations in the interest rate would lead to an immaterial change in the profit or loss.

(ii) Foreign currency risk

The Company is not exposed to foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its investments, as they are carried at fair values based on quoted market prices, and investments, as they are carried at fair values based on quoted market prices.

The Company is not exposed to significant other price risk.

**11. COMMITMENTS**

**Flow-through premium liability**

On November 8, 2013, the Company issued 3,065,000 flow-through common shares pursuant to a non-brokered private placement for gross proceeds of $306,500 and recorded a deferred liability for the premium of $153,250 based on the price of common shares which were offered at the same time. The Company is committed to incur a total of $306,500 of qualifying Canadian Exploration Expenses ("CEE") on or before December 31, 2014 as described in the Income Tax Act of Canada. To November 30, 2014, the Company incurred $271,745 of qualifying CEE and had a remaining commitment of $34,255. The Company incurred in excess of the $34,255 of qualifying CEE in December 2014 and has therefore fully satisfied the $306,500 commitment.