KHALKOS EXPLORATION INC.
TSX-V: KAS

Interim Financial Statements (unaudited)

NOVEMBER 30, 2014

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The attached interim financial statements have been prepared by Khalkos Exploration Inc. and its external auditors have not reviewed these financial statements.

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KHALKOS EXPLORATION INC.
Interim Financial Statement of Financial Position (unaudited)

(in Canadian dollars)

	Notes	**November 30, 2014**	February 28, 2014
		$	$
ASSETS			
Current			
Cash		8 182	49 399
Listed shares		108 333	83 333
Good and services tax receivable		6 678	7 649
Tax credit receivable		14 629	14 629
Prepaid expenses		2 030	9 400
		139 852	164 410
Non current			
Exploration and evaluation assets	5	1 751 676	1 618 945
Total assets		1 891 528	1 783 355
LIABILITIES			
Current			
Trade and other payables		173 813	287 600
Total liabilities		173 813	287 600
EQUITY			
Share capital	6.1	4 481 655	4 012 519
Contributed surplus		517 708	448 895
Deficit		(3 281 648)	(2 965 659)
Total equity		1 717 715	1 495 755
Total liabilities and equity		1 891 528	1 783 355

Going concern assumption (see Note 2).

The accompanying notes are an integral part of the interim financial statements.

These financial statements were approved and authorized for issue by the Board of Directors on January 22, 2015.

(signed) Robert Gagnon
Robert Gagnon, CEO

(signed) Dominique Doucet
Dominique Doucet, Director

KHALKOS EXPLORATION INC.
Interim Statement of Comprehensive Loss (unaudited)

(in Canadian dollars)

	Notes	Three-month period ended November 30, 2014	Three-month period ended November 30, 2013	Nine-month period ended November 30, 2014	Nine-month period ended November 30, 2013
		$	$	**$**	$
EXPENSES					
Salaries and employee benefits expenses	7.1	42 929	10 156	102 173	59 837
Publicity, travel and promotion		17 726	-	20 183	35
Trustees, registration and shareholder relations		11 717	11 304	35 988	22 015
Professional fees		4 539	1 960	63 799	41 686
Rent expenses		2 818	3 260	9 609	10 582
Insurances		1 371	1 472	4 144	4 714
Office expenses		633	1 243	2 236	2 199
Bank charges		6	23	73	141
Income taxes of section XII.6		-	-	71	-
Exploration expenses		398	553	1 135	1 103
Write-off of exploration and evaluation assets		-	892	-	8 168
OPERATIONAL LOSS		82 137	30 862	239 409	150 481
OTHER REVENUES AND EXPENSES					
Finance costs		(319)	(7 174)	(38 543)	(15 653)
Finance income		-	-	-	50
		(319)	(7 174)	(38 543)	(15 603)
NET LOSS AND COMPREHENSIVE LOSS		(82 456)	(38 036)	(277 952)	(166 084)
NET LOSS PER SHARE - basic and diluted		(0,003)	(0,002)	(0,009)	(0,008)

The accompanying notes are an integral part of the interim financial statements.

KHALKOS EXPLORATION INC.
Interim Statement of Changes in Equity (unaudited)

(in Canadian dollars)

	Notes	Share capital	Contributed surplus	Deficit	Total Equity
		$	$	$	$
As at March 1st, 2013		3 619 344	352 292	(2 536 035)	1 435 601
Net loss and comprehensive loss		-	-	(166 084)	(166 084)
Share-based payments	7.2	-	25 638	-	25 638
Issuance costs of shares		-	-	(36 385)	(36 385)
Issuance of shares and warrants	6.1	220 320	55 080	-	275 400
Shares issued for the acquisition of mining rights	6.1	90 000	-	-	90 000
As at November 30, 2013		3 929 664	433 010	(2 738 504)	1 624 170
As at March 1st, 2014		4 012 519	448 895	(2 965 659)	1 495 755
Net loss and comprehensive loss		-	-	(277 952)	(277 952)
Share-based payments	7.2	-	68 813	-	68 813
Issuance costs of shares		-	-	(38 037)	(38 037)
Issuance of shares and warrants	6.1	210 200	-	-	210 200
Shares issued for debt settlement	6.1	236 289	-	-	236 289
Exercise of warrants	6.2	2 647	-	-	2 647
Shares issued for the acquisition of mining rights	6.1	20 000	-	-	20 000
As at November 30, 2014		4 481 655	517 708	(3 281 648)	1 717 715

The accompanying notes are an integral part of the interim financial statements.

KHALKOS EXPLORATION INC.
Interim Table of Cash Flows

(in Canadian dollars)

	Nine-month period ended November 30, 2014	2013
	$	$
OPERATIONAL ACTIVITIES		
Net loss	(277 952)	(166 085)
Adjustments		
Share-based payments	68 786	24 879
Change in fair value of listed shares	(25 000)	-
Loss on debt settlement	52 508	-
Write-off of exploration and evaluation assets	-	8 168
Changes in working capital items		
Goods and services tax receivable	971	32 648
Prepaid expenses	7 370	(447)
Trade and other payables	(4 940)	(91 164)
Cash flows from operational activities	(178 257)	(192 000)
INVESTING ACTIVITIES		
Tax credits received	-	25 503
Additions to exploration and evaluation assets	(37 770)	(10 123)
Cash flows from investing activities	(37 770)	15 380
FINANCING ACTIVITIES		
Issuance of shares and warrants	210 200	275 400
Exercise of brokers' warrants	2 647	-
Issuance costs of shares	(38 037)	(36 386)
Cash flows from financing activities	174 810	239 014
NET CHANGE IN CASH	(41 217)	62 394
CASH, AT BEGINNING OF THE PERIOD	49 399	15 320
CASH, AT THE END OF THE PERIOD	8 182	77 714
Cash operations		
Paid interest	11 034	-
Received interest	-	50

The accompanying notes are an integral part of the interim financial statements.

1. NATURE OF OPERATIONS

Khalkos Exploration Inc. ("Khalkos" or "the Company") is an exploration company and its activities are located in Canada.

The Company is incorporated under the Canada Business Corporations Act. The address of the Company's registred office and its principal place of business is 1000, St-Antoine West Street, Suite 415, Montreal, Quebec, Canada. The Company's shares are listed on the TSX Venture Exchange.

2. GOING CONCERN ASSUMPTIONS

These interim financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. As at November 30, 2014, the Company has a deficit of $3,281,648 ($2,965,659 on February 28, 2014). These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependant upon its ability to raise additional financing to further explore its mineral properties and continued support of suppliers and creditors. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amount of assets, liabilities, revenues and expenses presented in the interim financial statements and the classification used in the interim financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

3. BASIS OF PRESENTATION

These interim financial statements, on November 30, 2014, of the Company, were prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB) under International Accounting Standards (IAS) 34 - Interim Financial Reporting. These interim financial statements were prepared using the same basis of presentation, accounting policies and methods of computations outlined in Note 4, SUMMARY OF ACCOUNTING POLICIES, as described in our annual financial statements on February 28, 2014, as well as the IFRS effect as of January 22, 2015, the date the Board of Directors approved these financial statements. These interim financial statements do not include all of the notes required in the annual financial statements.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the interim financial statement, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the interim financial statements.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likehood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, the assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (cont'd)

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are provided below. Actual results may be substantially different.

Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgement and a number of estimates and assumptions in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditures is capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

For the nine-month period ended November 30, 2014, no impairment loss of exploration and evaluation assets have been recognized ($8,168 as at November 30, 2013). No reversal of impairment losses has been recognized for the reporting periods.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

Tax credits receivable

The calculation of the Company's refundable tax credit on qualified exploration expenditures incurred and refundable tax credit involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit, exploration and evaluation assets and income tax expense in future periods.

(in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

Mining rights

	February 28, 2014	Additions	Write-off	Disposition/ acquisition	November 30, 2014
	$	$	$	$	$
(a) Murdoch	425 459	-	-	-	425 459
(b) Tilly	410 382	-	-	-	410 382
(c) Nanuq	30 104	-	-	-	30 104
(d) Poissons Blancs	16 636	-	-	(16 636)	-
(e) Villebon	123 449	-	-	257 238	380 687
	1 006 030	-	-	240 602	1 246 632

Exploration and evaluation expenses

	February 28, 2014	Additions	Write-off	Disposition/ acquisition	November 30, 2014
	$	$	$	$	$
(a) Murdoch	841	-	-	-	841
(b) Tilly	18 160	-	-	-	18 160
(c) Nanuq	209 306	613	-	-	209 919
(d) Poissons Blancs	220 034	567	-	(220 601)	-
(e) Villebon	164 574	111 550	-	-	276 124
	612 915	112 730	-	(220 601)	505 044
TOTAL	1 618 945	112 730	-	20 000	1 751 676

(a) Murdoch

The Murdoch copper-nickel property is located 150 km south of Kuujjuaq and 230 km north of Schefferville (Qc). The property consists of 70 claims covering approximately 40 square km.

(b) Tilly

Located 30 km west of the LG-4 complex located in the James Bay area (Qc). The property covers 32 claims for 17 square km.

The property is host to a major polymetallic hydrothermal system Mo-Cu (Ag-Au-Bi) into an Archean tonalitic complex.

(c) Nanuq

The property consists of 25 claims, including a small block of six claims non-adjacent to the main block. The property is located in Nunavik, around 40 km south of Salluit, Quebec and has a potential in copper and gold.

(d) Poissons Blancs

In November 2012, the Company signed an agreement letter giving Khalkos the option to fully acquire the Poissons Blancs property, host of the nickel-copper-cobalt deposit. Khalkos must issue 2,600,000 shares to the seller over a period of six years. As of today, 200,000 shares were issued for a value of $10,500. On November 7, 2014, Khalkos acquired the Villebon East property (included in the Villebon property) by issuing 200,000 shares to the sellers and by transferring the option acquisition of the Poissons Blancs property to a third party.

(in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

(e) Villebon

The Villebon property, located in the Villebon Township, is located 47 south-east of the city Val-d'Or, in Abitibi, Quebec. The property consists of 56 non-contiguous claims in two blocks (49 and 7) covering 2,440 hectares and contains gold-bearing quartz veins of several metres in thickness. Khalkos wholly acquired the property by issuing 1,800,000 shares, for a value of $90,000, and a cash payment of $20,000 to the sellers for the first block, and by transfering its option acquisition of the Poissons Blancs property and issuing of 200,000 shares for a value of $20,000, for the second block.

6. EQUITY

6.1 Share capital

The share capital of the Company consists of an unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

	Number of shares Nine-month period ended November 30,	
	2014	2013
Shares issued at the beginning of the period	26 658 499	18 152 576
Acquisition of mining rights (a) (b) (c)	200 000	1 900 000
Private placement (d) (e)	1 286 664	1 840 000
Flow-through private placement (d) (e)	1 662 500	3 668 000
Reimbursement of a debt (f)	2 625 438	-
Exercise of brokers' warrants (g)	52 940	-
Shares issued at the end of the period	32 486 041	25 560 576

Pursuant to the prospectus, dated December 7, 2011, 4,257,568 shares already held by Sirios were subject to escrow provisions during the Initial Public Offering of the Company. Sirios received 10% of the escrowed shares when the Company began trading on the Stock Exchange; thereafter, 15% of these shares will be released every 6 months. As at November 30, 2014, 3,618,933 shares were released (2,980,298 on February 28, 2014).

(a) On April 4, 2013, the Company issued 1,800,000 shares, with a market value of $90,000, to acquire the Villebon property.

(b) On November 22, 2013, the Company issued 100,000 shares, with a market value of $6,000, to acquire part of the Poissons Blancs property.

(c) On November 7, 2014, the Company issued 200,000 shares, with a market value of $20,000, to acquire the East portion of the Villebon property.

(d) On October 18, 2013, the Company completed the closing of a private placement. A total amount of $275,400 was subscribed. It was composed of 1,840,000 units at $0.05, each comprised of one common share and one warrant for an amount of $92,000. In addition, 3,668,000 flow-through units were subscribed, for an amount of $183,400, each comprised of one flow-through share and one-half warrant. A total of 5,508,000 shares were issued (1,840,000 common shares and 3,668,000 flow-through shares) as well as 3,674,000 warrants. Each warrant entitles its holder to subscribe for one common share at $0.10 per share for a period of 24 months after the closing date. There was a hold period of four months on all securities issued under this financing.

An amount of $55,080, related to warrants, was recorded as an increase on contributed surplus.

A total of 350,800 warrants were issued to a finder. Each warrant entitles its holder to subscribe for one common share at $0.05 per share for a period of 24 months after the closing date.

(in Canadian dollars)

6.1 Share capital (cont'd)

(e) On May 28, 2014, the Company completed the closing of a private placement. A total amount of $210,200 was subscribed and was composed of 1,286,664 units at $0.06 each including one common share and one-half warrant for a total amount of $77,200. In addition, 1,662,500 flow-through shares were issued at $0.08 for a total amount of $133,000. In total, 2,949,167 shares were issued as well as 643,333 warrants. Each warrant entitled its holder to subscribe to one common share at $0.10 per share for a period of twelve months after the closing date. There was a hold period of four months and one day on all securities issued under this financing

Finder's fees of $11,300 were settled in cash.

(f) On July 2, 2014, the Company issued 2,625,438 common shares at $0.07 per share, to Sirios Resources Inc., to settle a debt of $183,781 with this company. The shares are subject to a holding period of four months and a day.

(g) On August 20, 2014, 52,940 warrants were exercised, at a price of $0.05 per share.

6.2 Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of ordinary shares, as follows:

	November 30, 2014	
	Number of warrants	Weighted average exercise price
		$
Balance, at beginning of the period	5 122 723	0,10
Issued	643 333	0,10
Exercised	(52 940)	(0,05)
Balance, at the end of the period	5 713 116	0,10

During the period, the Company issued 643,333 warrants through a private placement. No amount was recorded in contributed surplus.

During the period, 52,940 warrants were exercised at a price of $0.05 per share.

The number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

	November 30, 2014	
Expiration date	Number of warrants	Exercise price
		$
May 28, 2015	643 333	0,10
October 18, 2015	3 674 000	0,10
October 18, 2015	297 860	0,05
December 13, 2015	1 097 923	0,12
	5 713 116	0,10

(in Canadian dollars)

7. EMPLOYEE REMUNERATION

7.1 Employee benefits expense

Employee benefits expense recognized for employee benefits are analyzed below:

	Three-month period ended November 30,		Nine-month period ended November 30,	
	2014	2013	2014	2013
	$	$	$	$
Salaries and benefits	10 174	6 681	33 901	47 443
Share-based payments	32 755	3 475	68 813	25 638
	42 929	10 156	102 714	73 081
Less: salaries and share-based payments capitalized in Exploration and evaluation assets	-	-	(540)	(13 244)
Employee benefits expense	42 929	10 156	102 174	59 837

7.2 Share-based payments

The Company has a share-based payments plan for directors, officers, key employees and service suppliers. The most important terms of the plan are as follows:

i) the maximum number of shares that may be issued under the plan is limited to 10% of the issued shares at the time of the grant of the options;

ii) the maximum number of shares that can be reserved for a beneficiary, during any 12 months, is limited to 5% of issued and outstanding shares;

iii) the maximum number of shares that can be reserved for a consultant during any 12 months period is limited to 2% of issued and outstanding shares;

iv) the maximum number of shares that can be reserved for a supplier of investor's relation services during any 12 months period is limited to 2% of issued and outstanding shares; moreover, the options granted may be exercised by steps over a period of 12 months after the grant, at the rate of 25% per quarter;

v) the options granted to directors, officers, employees or consultants may be exercised by steps over a period of 18 months at the rate of 15% per quarter and 10% at the day of the grant.

The options' term cannot exceed five years. The options exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the time of grant.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

(in Canadian dollars)

7.2 Share-based payments (cont'd)

The Company's share options are as follows for the period presented:

	November 30, 2014	
	Number of options	Weighted average exercise price
		$
Outstanding, at the beginning of the period	1 800 000	0,16
Granted	1 700 000	0,10
Cancelled	(300 000)	(0,18)
Outstanding, at the end of the period	3 200 000	0,13
Exercisable, at the end of the period	2 015 000	0,14

On April 7, 2014, the Board of Directors of the Company granted 800,000 stock options under its Stock Option Incentive Plan to a director, officer and employees at an exercise price of $0.10 per share. The options expire five (5) years from the date of grant, and are vested quarterly over an 18-month period.

On August 26, 2014, the Board of Directors of the Company granted 700,000 stock options under its Stock Option Incentive Plan to directors and a consultant at an exercise price of $0.10 per share. The options expire five (5) years from the date of grant, and are vested quarterly over an 18-month period.

On October 28, 2014, the Board of Directors of the Company granted 200,000 stock options under its Stock Option Incentive Plan to a consultant at an exercise price of $0.12 per share. The options expire five (5) years from the date of grant, and are vested quarterly over an 18-month period.

The weighted average fair value of stock options granted is $0.08 each ($0.03 for the year ended February 28, 2014) and was estimated using the Black-Scholes model and based on the following weighted average assumptions:

	2014
Average share price at the date of issuing	$0.09
Risk-free interest average rate	1.09%
Expected average life	5 years
Expected weighted volatility	136%
Expected dividend yield	0%
Average exercise price at the date of issuing	$0.10

The table below summarizes the information related to share options as at November 30, 2014:

	Outstnding options	
Range of exercise price	Number of options	Remaining life (years)
From $0 to $0.15	2 500 000	4,08
From $0.16 to $0.30	700 000	2,14
	3 200 000	

The underlying expected volatility was determined by reference to historical data of similar companies' share over a period of 60 months. No special features inherent to the options granted were incorporated into measurement of fair value.

(in Canadian dollars)

7.2 Share-based payments (cont'd)

In total, $68,812 of share-based payments (all of which related to equity-settled share-based payment transactions) were recorded ($68,786 in profit or loss as employee benefits expenses and $26 capitalized in exploration and evaluation assets) for the nine-month period ended November 30, 2014 ($24,879 in profit or loss as employee benefits expenses and $760 capitalized in exploration and evaluation assets for the nine-month period ended November 30, 2013) and credited to contributed surplus.

8. FAIR VALUE MEASUREMENT

8.1 Fair value measurement of financial instruments

Financial assets and liabilities measured at fair value in the interim statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the assets or liabilities.

The fair value of the listed shares have been estimated by reference of their quoted prices at the reporting date.

Shares, in listed shares measured at fair value in the interim statement of financial position on November 30, 2014 and February 28, 2014, are classified in Level 1.

8.2 Financial instruments measured at amortized cost for which the fair value is disclosed

The carrying value of cash, trade and other payables is considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

9. FINANCE COSTS

Finance costs can be analyzed as follows for the reporting periods presented:

	Nine-month period ended November 30,	
	2014	2013
	$	$
Interests on accounts payable from a company having a significant influence	(10 802)	(14 238)
Interests on other payables	(233)	(1 415)
Change in fair value of listed shares	25 000	-
Loss from reimbursment of a debt	(52 508)	-
	(38 543)	(15 653)

(in Canadian dollars)

10. LOSS PER SHARE

In calculating the diluted loss per share, dilutive potential common shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be anti-dilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Note 6.2 and 7.2.

	Three-month period ended November 30,		Nine-month period ended November 30,	
	2014	2013	2014	2013
Net loss	(82 455) $	(38 036) $	(277 952) $	(166 085) $
Weighted average number of shares	32 338 788	22 626 774	30 152 365	20 837 492
Basic and diluted loss per share	(0,003) $	(0,002) $	(0,009) $	(0,010) $

11. RELATED PARTY TRANSACTIONS

The Company's related parties includes associated companies and its key management personnel, as described below. Unless otherwise stated, none of the transactions incorporated special terms and conditions and guarantees were given or received. Outstanding balances are usually settled in cash.

11.1 Transactions with key management personnel

The Company's key management personnel are the President, the Chief Financial Officer and members of the Board of Directors.

	Three-month period ended November 30,		Nine-month period ended November 30,	
	2014	2013	2014	2013
	$	$	$	$
Salaries and benefits	4 293	-	5 698	16 322
Share-based payments	24 301	3 070	54 713	22 826
Total remuneration	28 594	3 070	60 411	39 148

11.2 Transactions with related companies

As at November 30, 2014 Sirios Resources Inc. ("Sirios"), a related mining company with a significant influence, holds 8,019,369 common shares (5,393,931 on February 28, 2014) of the Company, corresponding to 24.69% (20.23% on February 28, 2014) of the share capital. As at November 30, 2014, trade and other payables include an amount of $41,651 ($160,478 on February 28, 2014) with this company. This amount bears a 1.5% monthly interest on the unpaid balance.

During the period, a company whose main shareholder is a director of the Company, carried out work on behalf of Khalkos on a property, for a total of $59,100 ($39,400 on February 28, 2014). These transactions occured in the normal business course of operations and were billed at cost, which is the consideration established and agreed to by the parties.

12. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

- To ensure the Company's ability to continue as a going concern;
- To increase the value of the assets of the business; and
- To provide an adequate return to shareholders.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flows, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity.

12. CAPITAL MANAGEMENT POLICIES AND PROCEDURES (cont'd)

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which an amount should be used for exploration work. See all details in Notes 6.1 and 13.

The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

13. CONTINGENCIES AND COMMITMENTS

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placement;
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities could have a negative tax impact for investors.

During the period ended November 30, 2014, the Company received an amount of $133,000 ($183,400 for the period ended November 30, 2013) from flow-through placement for which the Company will renounce tax deduction on December 31, 2014. Management is required to fulfill its commitments within the stipulated deadline of one year from the renounciation date.

The product of unspent funding related to flow-through financings totals $55,407 ($35,509 on February 28, 2014). According to the fiscal legislation imposed restrictions, the Company has to dedicate these funds to the exploration of Canadian mining.

14. SUBSEQUENT EVENT

On December 23, 2014, the Company completed the closing of a private placement. A total amount of $500,000 was subscribed and was composed of 1,666,662 units at $0.12 each including one common share and one-half warrant for a total amount of $200,000. In addition, 1,999,998 flow-through shares were issued at $0.15 for a total amount of $300,000. In total, 3,666,660 shares were issued as well as 833,331 warrants. Each warrant entitled its holder to subscribe to one common share at $0.15 per share for a period of eighteen months after the closing date. There is a hold period of four months and one day on all securities issued under this financing. Directors of the Company participated in the placement for an amount of $73,030.

An amount of $33,333, related to warrants, was recorded as an increase to contributed surplus. An amount of $100,000, related to the liability component, was recorded in other liabilities, in the statement of financial position.

Also, the Company paid a finder's fee in cash of $22,510 for this placement and issued 79,800 finders' warrants entitling the holder to purchase one common share at a price of $0.15 per share for a period of 12 months following the issuance of the warrant.