

STOCKPORT EXPLORATION INC.

Unaudited Condensed Interim Consolidated Financial Statements

July 31, 2014

September 11, 2014

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim consolidated financial statements of **Stockport Exploration Inc.** are the responsibility of management and have been approved by the Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The unaudited condensed interim consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's unaudited condensed interim consolidated financial statements and recommended their approval by the Board of Directors.

These unaudited condensed interim consolidated financial statements have not been reviewed by the external auditors of the Company.

(signed) "*James Megann*"
President and Chief Executive Officer
Halifax, Nova Scotia

(signed) "*Robert Randall*"
Chief Financial Officer
Halifax, Nova Scotia

STOCKPORT EXPLORATION INC.
Unaudited Condensed Interim Consolidated Statements of Financial Position
As at July 31, 2014 and October 31, 2013

(expressed in Canadian dollars)

	July 31, 2014	October 31, 2013
	\$	\$
ASSETS		
Current assets		
Cash	658,174	325,610
Restricted cash (note 11)	-	897,897
Sales taxes recoverable	19,659	25,530
Prepaid expenses and deposits	18,542	8,871
	<u>696,375</u>	<u>1,257,908</u>
Marketable securities	8,500	7,000
Property and equipment (note 6)	16,213	21,262
Resource properties (note 7)	9,197,035	8,893,845
	<u>9,918,123</u>	<u>10,180,015</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	746,209	922,324
Convertible debentures (note 11)	1,788,578	967,127
	2,534,787	1,889,451
SHAREHOLDERS' EQUITY	7,383,336	8,290,564
	<u>9,918,123</u>	<u>10,180,015</u>

Nature of operations (note 1)

Going concern (note 2)

Contingency (note 15)

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

Approved on behalf of the Board of Directors

(s) Wade K. Dawe
Wade K. Dawe

(s) Carl Sheppard
Carl Sheppard

STOCKPORT EXPLORATION INC.
Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss
For the three and nine-month periods ended July 31, 2014 and 2013

(expressed in Canadian dollars)

	For the Three-Months Ended July 31,		For the Nine-Months Ended July 31,	
	2014	2013	2014	2013
	\$	\$	\$	\$
EXPENSES				
Amortization	600	857	1,781	3,700
Banking fees	832	190	2,214	770
General and administrative	6,572	20,748	20,791	44,772
Investor relations and marketing	1,585	2,780	2,120	8,956
Listing and regulatory costs	12,845	15,877	40,005	37,248
Management salaries and services	68,093	65,112	203,369	207,028
Professional services	9,013	10,559	19,906	27,471
Share-based compensation	17,389	42,368	51,834	133,729
Travel	1,463	6,049	8,352	27,394
LOSS FROM OPERATIONS	118,392	164,540	350,372	491,068
OTHER EXPENSES (INCOME)				
Interest	(54,128)	(68)	(54,388)	(68)
Finance expense (note 11)	792,451	-	821,451	-
Gain on settlement of accounts payable	-	-	(133,460)	-
Loss on disposal of equipment	-	6,707	-	6,707
Foreign exchange	23,707	12,919	(10,138)	9,133
NET LOSS FOR THE PERIODS	880,422	184,098	973,837	506,840
Unrealized (gain) loss on available-for-sale securities	(1,500)	1,000	(1,500)	3,000
COMPREHENSIVE LOSS FOR THE PERIODS	878,922	185,098	972,337	509,840
LOSS PER SHARE - BASIC AND DILUTED	\$ 0.011	\$ 0.002	\$ 0.012	\$ 0.007
Weighted Average Number of Common Shares Outstanding				
Basic	80,450,220	80,330,500	80,407,682	77,627,352

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

STOCKPORT EXPLORATION INC.
Unaudited Condensed Interim Consolidated Statements of Changes in Equity
For the periods ended July 31, 2014 and 2013 and October 31, 2013

(expressed in Canadian dollars)

	Number of Shares	Share Capital \$	Equity portion of convertible debentures \$	Warrants \$	Contributed Surplus \$	Accumulated Other Comprehensive Income (Loss) \$	Deficit \$	Total \$
Balance at November 1, 2012	74,781,934	21,802,576	-	318,508	4,003,162	(3,000)	(17,981,321)	8,139,925
Net loss for the period	-	-	-	-	-	-	(506,840)	(506,840)
Unrealized loss on marketable securities	-	-	-	-	-	(3,000)	-	(3,000)
Shares issued pursuant to private placement	5,197,160	519,716	-	-	-	-	-	519,716
Share issue costs	-	(50,043)	-	-	-	-	-	(50,043)
Shares issued as finders' fee	351,406	35,141	-	-	-	-	-	35,141
Share-based compensation	-	-	-	-	145,253	-	-	145,253
Balance at July 31, 2013	80,330,500	22,307,390	-	318,508	4,148,415	(6,000)	(18,488,161)	8,280,152
Net loss for the period	-	-	-	-	-	-	(77,242)	(77,242)
Unrealized gain on marketable securities	-	-	-	-	-	1,000	-	1,000
Warrants issued in connection with convertible debentures	-	-	-	30,000	-	-	-	30,000
Equity portion of convertible debentures	-	-	75,000	-	-	-	-	75,000
Expiry of warrants, net of tax impact	-	-	-	(318,508)	273,508	-	-	(45,000)
Share-based compensation	-	-	-	-	26,654	-	-	26,654
Balance at October 31, 2013	80,330,500	22,307,390	75,000	30,000	4,448,577	(5,000)	(18,565,403)	8,290,564
Net loss for the period	-	-	-	-	-	-	(973,837)	(973,837)
Unrealized gain on marketable securities	-	-	-	-	-	1,500	-	1,500
Shares issued as finders' fee	119,720	11,972	-	-	-	-	-	11,972
Commencement of Phase II (note 11)	-	-	(75,000)	-	75,000	-	-	-
Share-based compensation	-	-	-	-	53,137	-	-	53,137
Balance at July 31, 2014	80,450,220	22,319,362	-	30,000	4,576,714	(3,500)	(19,539,240)	7,383,336

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

STOCKPORT EXPLORATION INC.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the nine-month periods ended July 31, 2014 and 2013

(expressed in Canadian dollars)

	For the Nine-Months Ended July 31,	
	2014	2013
	\$	\$
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net loss for the periods	(973,837)	(506,840)
Charges to income not involving cash		
Amortization	1,781	3,700
Finance expense	821,451	-
Share-based compensation	51,834	133,729
Loss on disposal of equipment	-	6,707
Gain on settlement of accounts payable	(133,460)	-
	<u>(232,231)</u>	<u>(362,704)</u>
Net change in non-cash working capital balances related to operations		
Decrease (increase) in sales taxes recoverable	1,037	9,591
Decrease (increase) in prepaid expenses and deposits	(9,671)	19,462
Increase (decrease) in accounts payable and accrued liabilities	(93,004)	(2,695)
	<u>(333,869)</u>	<u>(336,346)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Common shares issued for cash, net of issuance costs	-	504,814
Restricted cash received	897,897	-
	<u>897,897</u>	<u>504,814</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Resource property interests and options, net	(236,298)	(391,068)
Sales taxes recoverable related to resource property interests	4,834	2,968
Purchases of property and equipment	-	-
	<u>(231,464)</u>	<u>(388,100)</u>
NET CHANGE IN CASH	332,564	(219,632)
CASH, beginning of periods	325,610	347,403
CASH, end of periods	<u>658,174</u>	<u>127,771</u>
Non-cash financing activities		
Shares issued as finders' fee	<u>11,972</u>	<u>35,141</u>

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

STOCKPORT EXPLORATION INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
For the periods ended July 31, 2014 and 2013

(expressed in Canadian dollars unless otherwise noted)

1. Nature of operations

These unaudited condensed interim consolidated financial statements include the accounts of Stockport Exploration Inc. (the “Company”) and its wholly-owned subsidiaries, 6321593 Canada Inc., Stockport Exploration of Kenya Limited (formerly “Linear Metals Corporation of Kenya Limited”), and Minera Zapoteca, S.A. de C.V.

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues. The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, obtaining necessary financing and permitting to complete the development, and future profitable production or proceeds from the disposition thereof. The Company is incorporated and domiciled in Canada, and its head office is located at 1969 Upper Water Street, Suite 2001, Halifax, Nova Scotia, Canada.

2. Basis of Presentation and Going Concern

Going Concern

These unaudited condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

For the nine-month period ended July 31, 2014, the Company incurred a net loss of approximately \$1.0 million (year-ended October 31, 2013 - \$0.6 million) and had an accumulated deficit of approximately \$19.5 million as at July 31, 2014 (year-ended October 31, 2013 - \$18.6 million). The Company has no income or cash flow from operations and at July 31, 2014, had a negative working capital balance of approximately \$50,000 (year-ended October 31, 2013 - negative working capital balance of \$0.6 million). In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. Such material uncertainties cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

The Company’s ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or the sale of properties. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

STOCKPORT EXPLORATION INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

For the periods ended July 31, 2014 and 2013

Statement of Compliance

The Company prepares its unaudited condensed interim consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of Chartered Professional Accountants of Canada – Part 1 (“CPA Canada Handbook”), which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements for the year-ended October 31, 2013.

The policies applied in these unaudited condensed interim consolidated financial statements are based on the IFRS as of September 11, 2014, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year-ended October 31, 2014 could result in the restatement of these unaudited condensed interim consolidated financial statements.

Basis of Presentation

The condensed interim consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments recorded at fair value. Items included in the financial statements of each of the Company’s subsidiaries are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The Company’s functional currency is the Canadian dollar. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is also the presentation currency of the Company.

Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

STOCKPORT EXPLORATION INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

For the periods ended July 31, 2014 and 2013

3. Significant Accounting Policies

These financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year-ended October 31, 2013. Refer to note 3, *Significant Accounting Policies*, of the Company's annual consolidated financial statements for the year-ended October 31, 2013 for information on the accounting policies as well as new accounting standards not yet effective.

4. Financial Instruments

The Company recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net income (loss) or comprehensive income (loss).

If a financial instrument is measured at fair value, changes in its fair value shall usually be recognized in net income (loss) in the period in which the change occurs, with some exceptions, such as for cash flow hedges and available-for-sale investments. For investments designated as being available-for-sale, changes in the fair value shall be recorded directly in Shareholders' Equity in a separate account called "Accumulated Other Comprehensive Income (Loss)" until the asset is disposed of or becomes impaired. At that time, the gains and losses are transferred to net income (loss).

The Company has implemented the following classifications:

- Cash and restricted cash are classified as "Loans and Receivables." After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- Marketable securities are classified as "Available-for-Sale". Financial assets classified as Available-for-Sale are recognized initially at fair values plus transaction costs and are subsequently carried at fair value, with changes in the fair value recorded in other comprehensive income.
- Accounts payable and accrued liabilities are classified as "Other Financial Liabilities." After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- Embedded derivatives are classified as "Financial Assets or Financial Liabilities at Fair Value through Profit or Loss". The convertible debentures issued on October 31, 2013 included certain embedded derivatives, which are included in convertible debentures on the statement of financial position. After initial recognition at fair value, the embedded derivatives are remeasured each period at fair value with changes in fair value recognized in non-operating income in the consolidated statement of comprehensive loss.

a) Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

STOCKPORT EXPLORATION INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

For the periods ended July 31, 2014 and 2013

The carrying values of cash, restricted cash and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

b) Foreign currency rate risk

A portion of the Company's transactions occur in United States, Mexican and Kenyan currencies; accordingly, the related financial assets are subject to fluctuations in the respective exchange rates.

c) Concentration of credit risk

Management does not believe it is exposed to any significant concentration of credit risk except that a significant portion of its cash is on deposit with major Canadian and Kenyan banks. All of the sales taxes recoverable are with either the government of Canada or the government of Mexico.

d) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

e) Foreign currency risk

The Company is exposed to currency risk on its foreign cash, accounts receivable, restricted cash, accounts payable and accrued liabilities, in addition to its exploration expenditures in Kenya and Mexico.

For the period ended July 31, 2014, the sensitivity of the Company's net income due to changes in the exchange rate between the Canadian dollar and foreign currencies (primarily the United States dollar and the Kenyan shilling) would have impacted net income by \$26,688 for a 5% increase or decrease in the Canadian dollar.

5. Capital Management

The Company's capital structure consists of share capital, warrants and contributed surplus, which at July 31, 2014 totalled \$26.9 million (year-ended October 31, 2013 - \$26.9 million). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions, and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments.

There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

STOCKPORT EXPLORATION INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
For the periods ended July 31, 2014 and 2013

6. Property and equipment

	Office equipment	Exploration equipment	Total
	\$	\$	\$
<i>Cost</i>			
Balance at November 1, 2012	83,419	65,473	148,892
Additions	-	258	258
Disposals	(53,242)	(33,795)	(87,037)
Balance at October 31, 2013	30,177	31,936	62,113
Additions	-	-	-
Disposals	-	-	-
Balance at July 31, 2014	30,177	31,936	62,113
<i>Accumulated amortization</i>			
Balance at November 1, 2012	64,206	42,071	106,277
Additions	4,567	5,968	10,535
Disposals	(46,535)	(29,426)	(75,961)
Balance at October 31, 2013	22,238	18,613	40,851
Additions	1,781	3,268	5,049
Disposals	-	-	-
Balance at July 31, 2014	24,019	21,881	45,900
<i>Carrying amounts</i>			
As at October 31, 2013	7,939	13,323	21,262
As at July 31, 2014	6,158	10,055	16,213

During the nine-month period ended July 31, 2014, the Company capitalized amortization of \$3,268 (year-ended October 31, 2013 - \$5,968) to resource properties.

STOCKPORT EXPLORATION INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
For the periods ended July 31, 2014 and 2013

7. Resource properties

The Company's resource properties consist of the following:

	<u>Kenya</u>	<u>Canada</u>		<u>Mexico</u>	
	Nyanza	KM61	Seymour Lake	La Morena and Other	Total
	\$	\$	\$	\$	\$
Balance at November 1, 2012	2,653,937	4,008,400	1,127,718	753,572	8,543,627
Additions incurred during the year	247,633	14,734	2,636	85,215	350,218
Balance at October 31, 2013	2,901,570	4,023,134	1,130,354	838,787	8,893,845
Additions incurred during the period	287,858	4,100	-	11,232	303,190
Balance at July 31, 2014	3,189,428	4,027,234	1,130,354	850,019	9,197,035

During the nine-month period ended July 31, 2014, the Company capitalized share-based compensation expense of \$1,303 (year-ended October 31, 2013 - \$12,809) to resource properties.

Kenya

i) Nyanza

The Company has an agreement with East African Pure Gold Limited ("EAPG") and B&M Mining Company Limited ("B&M") to earn an interest in three mineral exploration concessions located in Kenya. Under the terms of the agreement, the Company has:

- A first option to earn a 70% interest on completing exploration expenditures of US \$600,000 and making cash payments of US \$300,000 to EAPG and B&M by August 2016. The required exploration expenditures have been incurred, and cash payments of US \$28,000 have been made to date.
- A second option to earn an 80% interest by exercising the first option and incurring cumulative exploration expenditures of US \$4.0 million.
- Within 90 days of completion of the second option, EAPG and B&M can deliver a one-time joint election to fund its 20% share of exploration costs, or EAPG and B&M can grant the Company a future option to acquire an additional 10% interest by funding additional exploration expenditures of US \$10.0 million. The Company will remain the operator on the concessions and is not obligated to incur additional exploration expenditures.
- Within 90 days of completion of a positive feasibility study and receipt of a production notice from the Company for each project, EAPG and B&M can deliver a one-time joint election to fund its 10% or 20% share of the construction costs, or EAPG and B&M can grant the Company a further option to acquire an additional 5% interest by funding additional costs of US \$10.0 million. The Company is not obligated to advance a project, covered by a feasibility study, to production.

STOCKPORT EXPLORATION INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

For the periods ended July 31, 2014 and 2013

- The Company maintains a 100% right to any surface mineralization to a depth of one metre below saprolite.

SPL 214, which is part of the Nyanza property, is subject to a 2% net smelter royalty. 1% of the net smelter royalty is payable to African Queen Mines Limited (“AQ”), and 1% is payable to AQ’s partner, Abba Mining Company Limited.

Canada

i) KM61

The Company holds a 100% interest in the KM61 property, which is a molybdenum-copper-silver prospect, located in northwestern Ontario, contiguous with the Seymour Lake project. The majority of the KM61 property, including the mineralized zone, is subject to a 0.5% net smelter royalty. Of the remaining claims on the KM61 property, certain portions are subject to a 3% net smelter royalty and the balance are not subject to any royalties. The Company can repurchase 50% of the 0.5% net smelter royalty for \$250,000 and/or 50% of the 3% net smelter royalty for \$1.0 million.

During the year-ended October 31, 2012, the Company identified various indicators of impairment of the property, including declines in the prices of molybdenum, copper and silver, a lack of recent exploration work with no significant exploration work planned in the foreseeable future, as well as a strategic shift in the Company’s exploration focus towards its Kenyan operations. Given the stage of exploration of the property, the estimated fair value of \$4.0 million was determined based on a review of comparable sale transactions of resource properties. The resulting impairment charge of \$4.4 million was charged to expenses. This write-down was approximately 50% of the carrying value prior to the recorded impairment.

As at July 31, 2014 and at October 31, 2013, the Company determined that there were no indicators of additional impairment or impairment reversals. Management is currently assessing options to fund additional exploration of KM61.

As at July 31, 2014 or October 31, 2013, if it were determined that the estimated fair value of the property should have been 10% higher or lower, this would result in an increase or decrease of the impairment charge by approximately \$400,000. The manner and amount of the ultimate realization of the KM61 property remains subject to significant uncertainty.

ii) Seymour Lake

The Company holds a 100% interest in the Seymour Lake property, which is a tantalum-lithium-beryllium prospect located in northwestern Ontario, in the Crescent Lake area of the Thunder Bay Mining District. Certain portions of the Seymour Lake property are subject to a 3% net smelter return royalty, of which 1.5% can be purchased by the Company for \$1.0 million.

STOCKPORT EXPLORATION INC.
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For the periods ended July 31, 2014 and 2013

Mexico

i) La Morena and Other

The Company holds a 100% interest in the La Morena property, located in the state of Coahuila, Mexico. The Company continues to investigate other property opportunities in Mexico.

8. Accounts payable and accrued liabilities

	July 31, 2014	October 31, 2013
	\$	\$
Trade accounts payable and accrued liabilities	672,423	618,548
Amounts payable to related parties (see note 14)	69,818	296,887
Withholdings and taxes payable	3,968	6,889
	<u>746,209</u>	<u>922,324</u>

9. Capital Stock

a) Authorized

The Company has authorized an unlimited number of common shares without par value.

b) Issued and outstanding

	<u>Nine-month period ended July 31, 2014</u>		<u>Year-ended October 31, 2013</u>	
	<u>Number</u>	<u>Amount (\$)</u>	<u>Number</u>	<u>Amount (\$)</u>
Opening balance	80,330,500	22,307,390	74,781,934	21,802,576
Shares issued pursuant to private placements	-	-	5,197,160	519,716
Shares issued as finders' fees (Note 11)	119,720	11,972	351,406	35,141
	<u>80,450,220</u>	<u>22,319,362</u>	<u>80,330,500</u>	<u>22,357,433</u>
Less: Share issue costs	-	-	-	(50,043)
Closing balance	<u>80,450,220</u>	<u>22,319,362</u>	<u>80,330,500</u>	<u>22,307,390</u>

On March 14, 2013, the Company completed a non-brokered private placement of 5.2 million common shares priced at \$0.10 per share, for total gross proceeds of \$519,716. In connection with the financing, 351,406 shares of the Company were issued as finders' fees, valued at \$35,141. Other share issuance costs to complete the financing were \$14,902, consisting of professional fees, regulatory costs, and a 7% finders' fee valued at \$1,240. A director of the Company subscribed for 1,004,016 common shares pursuant to the private placement.

STOCKPORT EXPLORATION INC.**Notes to Unaudited Condensed Interim Consolidated Financial Statements**

For the periods ended July 31, 2014 and 2013

On October 31, 2013, the Company completed a private placement of 1,196 units at a price of \$1,001 per unit, for gross proceeds of \$1,197,196 (see Note 11). Pursuant to this private placement, a finders' fee of 7%, or \$83,804, was payable. 3% of the fee is payable in cash, and 4% is payable in shares at a value of \$0.10 per share. During the period ended July 31, 2014, the Company issued 119,720 common shares, valued at \$11,972, and paid cash of \$8,979 to the finders. The remaining balance of cash and shares owing related to the finders' fee has been included in accounts payable as at July 31, 2014.

10. Stock options

The Company has adopted a stock option plan (the "Plan"), providing the Board of Directors with the discretion to issue an equivalent number of options of up to 10% of the issued and outstanding share capital of the Company. Stock options are granted with an exercise price of not less than closing share price of the day preceding the date of grant.

During the nine-month period ended July 31, 2014, the Company granted 1,550,000 stock options to directors and employees of the Company (year-ended October 31, 2013 - 1,620,000 stock options). 1,125,000 stock options expired or were forfeited during the nine-month period ended July 31, 2014 (year-ended October 31, 2013 - 555,000 stock options expired or forfeited). The estimated fair value of the stock options granted was estimated at the grant date using the Black-Scholes option pricing model and the following weighted-average assumptions:

	Nine-months ended July 31, 2014	Year-ended October 31, 2013
Risk-free rate	1.07%	1.17%
Expected volatility of the Company's share price	162%	156%
Expected dividend yield	N/A	N/A
Expected life of each option	4.4 years	4.2 years
Weighted average fair value per option		
Exercise price equal to stock price on date of grant	\$0.05	\$0.05
Exercise price exceeds stock price on date of grant	N/A	\$0.07

Changes in stock options during the nine-month period ended July 31, 2014 and the year-ended October 31, 2013 are summarized as follows:

	<u>Nine-month period ended July 31, 2014</u>		<u>Year-ended October 31, 2013</u>	
	<u>Number of options</u>	<u>Weighted average exercise price (\$)</u>	<u>Number of options</u>	<u>Weighted average exercise price (\$)</u>
Outstanding - beginning of periods	6,490,000	0.17	5,425,000	0.27
Granted	1,550,000	0.05	1,620,000	0.09
Forfeited or expired	<u>(1,125,000)</u>	0.17	<u>(555,000)</u>	0.95
Outstanding - end of periods	<u>6,915,000</u>	0.14	<u>6,490,000</u>	0.17

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As at July 31, 2014, the Company had outstanding stock options entitling the holders to acquire additional common shares as follows:

Weighted average exercise price per share (\$)	Number of options outstanding	Expiry date	Weighted average remaining contractual life (years)	Number of options exercisable
0.04	50,000	July 23, 2018	3.98	25,000
0.05	50,000	August 20, 2018	4.06	12,500
0.05	1,200,000	June 5, 2019	4.77	-
0.07	350,000	July 4, 2019	4.93	-
0.07	100,000	April 12, 2018	3.70	50,000
0.10	700,000	September 30, 2017	3.17	525,000
0.10	1,015,000	January 17, 2018	3.47	761,250
0.10	100,000	January 21, 2018	3.48	75,000
0.10	100,000	March 13, 2018	3.62	50,000
0.14	150,000	August 3, 2015	1.01	150,000
0.15	1,425,000	August 24, 2014	0.07	1,425,000
0.25	700,000	December 1, 2016	2.34	700,000
0.27	250,000	November 8, 2015	1.27	250,000
0.28	200,000	October 21, 2014	0.22	200,000
0.30	<u>525,000</u>	June 7, 2016	1.85	<u>525,000</u>
0.17	<u>6,915,000</u>		1.51	<u>4,748,750</u>

As at July 31, 2014, 1,130,022 options were available for granting under the Plan (October 31, 2013 – 1,543,050).

11. Convertible Debentures

On October 31, 2013, the Company completed a private placement convertible debenture financing consisting of 1,196 units at a price of \$1,001 per unit, for aggregate gross proceeds of \$1,197,196. The proceeds of the financing are being used to fund expenditures, including a two-phased exploration and potential surface gold recovery program at the Company's Nyanza Project:

- Phase I - sampling, metallurgy, permitting and plant equipment procurement; and
- Phase II – capital investment and plant operation for the surface gold recovery program. Until the Company advanced to Phase II, 75% of the gross proceeds, being \$897,897, were held in trust with a Kenyan law firm. At the Company's discretion, it was entitled to advance to Phase II with the completion of a successful Phase I.

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During the quarter ended July 31, 2014, the Company elected to proceed with Phase II. As a result, the convertible debenture holders are now entitled to receive:

- a repayment of the convertible debenture in the amount of 100% of the investment (\$1,000 per unit) based on 75% of free cash flow generated from the surface gold recovery project;
- a right to purchase a preferred share in Stockport Mining Kenya (“SMK”), a subsidiary of the Company to be incorporated. \$1 per unit will be allocated to the cost of the preferred share. The preferred share will pay a premium entitlement of 110% of the original investment (\$1,100 per unit) from 75% of free cash flow generated from the gold recovery project and is then redeemed by SMK; and
- if the amount of the debenture plus the 110% premium entitlement is not paid within the five year maturity date of October 31, 2018, then the amount of debt and premium entitlement, less any repayments to that date, will be converted into common shares of the Company at a conversion price of \$0.50 per share.

Under the terms of this financing, the Company also issued 1,000 warrants with each unit. The 1,196,000 warrants are exercisable at the commencement of Phase II at a price of \$0.10 per share and expire on October 31, 2018. An initial value of \$30,000 was assigned as the fair value of the warrants.

The estimated fair value of the convertible debenture liability is:

	July 31, 2014
	\$
Phase I proceeds	299,299
Phase II proceeds	<u>897,897</u>
Total financing proceeds	1,197,196
Premium entitlement (110%)	<u>1,316,916</u>
Total amount to be repaid by October 31, 2018	<u>2,514,112</u>
Estimated fair value	<u>1,788,578</u>

The Company has estimated the fair value of this liability based on the net present value of 75% of projected future cash flows from operating the surface gold recovery program until October 31, 2018, using a discount rate of 20%. If a discount rate of 25% had been used, this would have resulted in the liability and corresponding finance charge being \$120,000 lower. If a discount rate of 15% had been used, this would have resulted in the liability and corresponding finance charge being \$180,000 higher.

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At the date of financing of October 31, 2013, the Company assessed the fair value of the liability as \$967,127, as the Company did not have a premium entitlement obligation at that time. The proceeds and issue costs of the convertible debenture financing were allocated as follows:

	October 31, 2013
	\$
Convertible debentures	1,092,196
Equity portion of convertible debentures	75,000
Warrants	<u>30,000</u>
	<u>1,197,196</u>
Convertible debentures	1,092,196
Less issue costs, including legal and listing fees and finders' fees (3% in cash and 4% in shares)	<u>(125,069)</u>
	<u>967,127</u>

The equity portion of convertible debentures expired with the Company's decision to advance to Phase II. As a result, this amount of \$75,000 has been transferred to Contributed Surplus.

12. Warrants

Changes in share purchase warrants during the nine-month period ended July 31, 2014 and the year-ended October 31, 2013 are summarized as follows:

	<u>Nine-month period ended July 31, 2014</u>			<u>Year-ended October 31, 2013</u>		
	<u>Number</u>	<u>Exercise price per warrant (\$)</u>	<u>Amount (\$)</u>	<u>Number</u>	<u>Exercise price per warrant (\$)</u>	<u>Amount (\$)</u>
Outstanding - beginning of period	1,196,000	0.10	30,000	3,074,375	0.10	318,508
Warrants issued for cash	-	-	-	1,196,000	0.10	30,000
Warrants expired	-	-	-	(3,074,375)	(0.10)	(318,508)
Outstanding - end of period	<u>1,196,000</u>	0.10	<u>30,000</u>	<u>1,196,000</u>	0.10	<u>30,000</u>

As at July 31, 2014, the Company had 1,196,000 outstanding and exercisable, with a weighted-average exercise price of \$0.10 per warrant, expiring on October 31, 2018.

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13. Deferred Income Taxes

	July 31, 2014	October 31, 2013
	\$	\$
Non-capital losses carried forward	264,000	248,000
Deductible share issue costs	37,000	47,000
Accounting value of mineral resource properties in excess of tax value	(327,000)	(327,000)
Tax value of property and equipment and prepaid expenses in excess of accounting value	26,000	32,000
	<hr/>	<hr/>
Net deferred future income tax asset (liability) recognized	-	-
	<hr/>	<hr/>

The Company also has the following approximate net deferred tax assets, primarily related to foreign operations, which have not been recognized:

	July 31, 2014	October 31, 2013
	\$	\$
Net deferred tax assets - not recognized	2,914,000	2,884,000
	<hr/>	<hr/>

14. Related Party Transactions

There were no transactions with related parties outside the normal course of business operations during the period. Amounts payable to officers, directors and companies owned thereby were \$69,818 as at July 31, 2014 (October 31, 2013 - \$296,887).

During the year-ended October 31, 2013, a director of the Company subscribed for 1,004,016 common shares as part of the non-brokered private placement financing completed by the Company on March 14, 2013.

15. Contingency

The Company has an employment arrangement with the President and CEO of the Company which provides that, should a change in control event occur, the President may elect to terminate his employment with the Company, in which event the Company is required to pay the President a lump sum payment equal to 2.5 times his annual salary. The Company also has a consulting arrangement with the Chairman of the Company which provides that, should a change in control event occur, the Chairman may elect to terminate his arrangement with the Company, in which event the Company is required to pay the Chairman a lump sum payment equal to 2.0 times his annual remuneration. The payment of these change in control settlements would be subject to the Company maintaining an average market capitalization in excess of CDN \$25 million, based on any 10-day volume weighted trading price within the three-month period following the effective date of the change in control.

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16. Segmented Information

The Company conducts mineral operations in Canada, Mexico and Kenya and is searching for mineral exploration opportunities worldwide. Since the Company is in the exploration stage, there is no segmented revenue or operating results to report. The Company's total assets are segmented geographically as follows:

	July 31, 2014				
	Corporate Canada	Mineral Operations			
	Canada	Canada	Mexico	Kenya	Total
	\$	\$	\$	\$	\$
Current assets	642,518	-	12,194	41,663	696,375
Marketable securities	8,500	-	-	-	8,500
Property and equipment	6,158	-	-	10,055	16,213
Resource properties	-	5,157,588	850,019	3,189,428	9,197,035
	<u>657,176</u>	<u>5,157,588</u>	<u>862,213</u>	<u>3,241,146</u>	<u>9,918,123</u>

	October 31, 2013				
	Corporate Canada	Mineral Operations			
	Canada	Canada	Mexico	Kenya	Total
	\$	\$	\$	\$	\$
Current assets	37,063	-	21,037	1,199,808	1,257,908
Marketable securities	7,000	-	-	-	7,000
Property and equipment	7,939	231	-	13,092	21,262
Resource properties	-	5,153,488	838,787	2,901,570	8,893,845
	<u>52,002</u>	<u>5,153,719</u>	<u>859,824</u>	<u>4,114,470</u>	<u>10,180,015</u>