

BROOKEMONT CAPITAL INC.

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

July 31, 2014 and 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Brookemont Capital Inc.

We have audited the accompanying financial statements of Brookemont Capital Inc., which comprise the statements of financial position as at July 31, 2014 and 2013, and the statements of comprehensive loss, cash flows and changes in shareholders' equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Brookemont Capital Inc. as at July 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Brookemont Capital Inc.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

October 31, 2014

BROOKEMONT CAPITAL INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	ASSETS	July 31, <u>2014</u>	July 31, <u>2013</u>
Current assets			
Cash		\$ 16,057	\$ 69,696
Receivables – Note 4		11,693	21,619
Prepaid expenses		1,575	817
Total current assets		29,325	92,132
Non-current assets			
Equipment – Note 5		3,245	4,057
Rent deposit		6,475	6,475
Exploration and evaluation assets – Note 6		532,292	631,079
		539,012	641,611
Total assets		\$ 571,337	\$ 733,743
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities – Notes 7 and 10		\$ 1,227,870	\$ 744,478
Share subscriptions payable – Note 8		-	43,000
Total current liabilities		1,227,870	787,478
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital – Note 8		9,546,495	9,416,345
Reserves – Note 8		1,116,423	851,275
Accumulated deficit		(11,319,451)	(10,321,355)
		(656,533)	(53,735)
Total shareholders' deficiency		(656,533)	(53,735)
Total liabilities and shareholders' deficiency		\$ 571,337	\$ 733,743

Nature and Continuance of Operations (Note 1)
Subsequent Events (Note 16)

APPROVED BY THE DIRECTORS:

<i>“Conrad Clemiss”</i> Conrad Clemiss	Director	<i>“James Nelson”</i> James Nelson	Director
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BROOKEMONT CAPITAL INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Years ended July 31,	
	<u>2014</u>	<u>2013</u>
Operating expenses		
Consulting	\$ 361,735	\$ 360,000
Depreciation	812	1,012
Management and directors' fees – Note 10	99,062	97,750
Office and miscellaneous – Note 10	41,966	42,300
Professional fees	28,526	33,465
Shareholder information	8,978	11,553
Share-based payments – Notes 8 and 10	265,148	-
Transfer agent and filing fees	16,019	13,826
Travel and promotion	4,441	1,774
	(826,687)	(561,680)
Write-down of exploration and evaluation assets – Note 6	(171,409)	(3,537,479)
Net comprehensive loss for the year	\$ (998,096)	\$ (4,099,159)
Loss per share – basic and diluted – Note 9	\$ (0.012)	\$ (0.061)
Weighted average number of shares outstanding – basic and diluted – Note 9	82,345,692	66,824,235

BROOKEMONT CAPITAL INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Years ended July 31,	
	<u>2014</u>	<u>2013</u>
Operating Activities		
Loss for the year	\$ (998,096)	\$ (4,099,159)
Adjustments for non-cash items:		
Depreciation	812	1,012
Share-based payments	265,148	-
Write-down of exploration and evaluation assets	171,409	3,537,479
Changes in non-cash working capital items:		
Receivables	9,926	11,651
Prepaid expenses	(758)	4,328
Accounts payable and accrued liabilities	481,847	427,734
Cash used in operating activities	<u>(69,712)</u>	<u>(116,955)</u>
Investing Activities		
Exploration and evaluation assets	<u>(31,077)</u>	<u>(52,545)</u>
Cash used in investing activities	<u>(31,077)</u>	<u>(52,545)</u>
Financing Activities		
Proceeds from issuance of share capital	90,150	125,000
Share issuance costs	-	(5,825)
Share subscriptions received	-	43,000
Refund of share subscriptions	(43,000)	-
Cash provided by financing activities	<u>47,150</u>	<u>162,175</u>
Decrease in cash during the year	(53,639)	(7,325)
Cash, beginning of the year	<u>69,696</u>	<u>77,021</u>
Cash, end of the year	<u>\$ 16,057</u>	<u>\$ 69,696</u>

Supplemental Disclosure with Respect to Cash Flows (Note 15)

BROOKEMONT CAPITAL INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Share Capital			Accumulated	
	Number of shares	Amount	Reserves	Deficit	Total
Balance, July 31, 2012	57,350,262	\$ 8,962,170	\$ 851,275	\$ (6,222,196)	\$ 3,591,249
Shares issued for private placement	12,500,000	125,000	-	-	125,000
Share issue costs	-	(5,825)	-	-	(5,825)
For exploration and evaluation assets	9,500,000	335,000	-	-	335,000
Loss for the year	-	-	-	(4,099,159)	(4,099,159)
Balance, July 31, 2013	79,350,262	9,416,345	851,275	(10,321,355)	(53,735)
Share purchase warrants exercised	1,803,000	90,150	-	-	90,150
For exploration and evaluation assets	2,000,000	40,000	-	-	40,000
Stock options issued	-	-	265,148	-	265,148
Loss for the year	-	-	-	(998,096)	(998,096)
Balance, July 31, 2014	83,153,262	\$ 9,546,495	\$ 1,116,423	\$ (11,319,451)	\$ (656,533)

BROOKEMONT CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
July 31, 2014 and 2013

1. NATURE AND CONTINUANCE OF OPERATIONS

Brookemont Capital Inc. (the “Company”) is an exploration stage public company and is listed on the TSX Venture Exchange (“Exchange”) under the symbol “BKT”. The Company’s principal business activities include acquiring and exploring exploration and evaluation assets. At July 31, 2014, the Company has exploration and evaluation assets located in Canada.

The Company’s head office and principal business address is Suite 1470, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company’s registered and records office is located at 900 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At July 31, 2014, the Company had a working capital deficiency of \$1,198,545, had not yet achieved profitable operations and has an accumulated deficit of \$11,319,451 since its inception. The Company expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company’s ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these financial statements.

2. BASIS OF PREPARATION

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These financial statements were authorized for issue by the Board of Directors on October 31, 2014.

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been initially measured at fair value.

These financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

2. BASIS OF PREPARATION (continued)

b) Basis of Measurement (continued)

The preparation of these financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

These financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout these financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

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

- Whether or not an impairment has occurred in its exploration and evaluation assets;
- The inputs used in the accounting for share-based payments expense; and
- The inputs used in the accounting for finders' warrants and compensation options in share capital and equity reserves.

Critical accounting judgments

An example of a significant judgment, apart from those involving estimation, include:

- Classification of financial instruments

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

a) Foreign currency transactions

Foreign currency accounts are translated into Canadian dollars, the functional currency of the Company, as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars using the exchange rate in effect at that date. At the reporting period end date, unsettled monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect at that date and the

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency transactions (continued)

related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

b) Exploration and evaluation assets

Pre-exploration costs

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as incurred.

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

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) Equipment

Computer and office equipment is carried at cost less accumulated depreciation. The cost of an item of computer and office equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and, where appropriate, an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded on a declining balance basis at the rate of 20% per annum. Depreciation is recorded at one-half rate in the year of acquisition.

Items of computer and office equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period, and adjusted prospectively if appropriate.

d) Impairment of tangible and intangible assets

Tangible and intangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the assets' cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss except to the extent it reverses gains previously recognized in other comprehensive loss/income. 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 to an amount that 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 periods. A reversal of an impairment loss is recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not have any significant rehabilitation obligations.

f) Financial instruments

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Held-to-maturity ("HTM")

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 measured at amortized cost using the effective interest method. If there is objective evidence that the asset 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale (“AFS”)

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 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.

The Company classified its financial assets as follows:

- Cash is classified as FVTPL; and
- Receivables are classified as loans and receivables.

Financial liabilities

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities

Fair value through profit or loss

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

Other financial liabilities

This category includes accounts payable and accrued liabilities, all of which are recognized at amortized cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments (continued)

The Company classified its financial liabilities as follows:

-Accounts payable and accrued liabilities are classified as other financial liabilities.

Impairment of financial assets

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

For all financial assets objective evidence of impairment could include:

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

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

g) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Income taxes (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

h) 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 share 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 expenses being renounced and incurred, the Company derecognizes the liability and the premium is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration 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 Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

i) Valuation of equity units issued in private placements

The Company has adopted a 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 the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Valuation of equity units issued in private placements (continued)

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a warrant reserve.

j) Investment tax credit

Investment tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of comprehensive loss depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the Canada Revenue Agency.

k) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

l) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment, using the Black-Scholes option pricing model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Accounting standards, interpretations and amendments adopted

As of August 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted the following new standard without any significant effect on its financial statements. The nature and impact of this new standard is described below:

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for all fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes additional disclosures regarding fair value measurements. IFRS 13 had no impact on the Company's financial statements.

n) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IFRS 9 – Financial Instruments (“IFRS 9”)

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Accounting standards issued but not yet effective (continued)

IAS 32 – Financial Instruments: Presentation (“IAS 32”)

The IASB amended IAS 32, “Financial Instruments: Presentation” to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of ‘currently has a legally enforceable right of set-off’;
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The amended standard is effective for annual periods beginning on or after January 1, 2014.

IAS 36 – Impairment of Assets (“IAS 36”)

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU’s recoverable amount has been determined on the basis of fair value less cost of disposal. The amended standard is effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively.

IFRIC 21 – Levies (“IFRIC 21”)

An interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

4. RECEIVABLES

The Company’s receivables comprise of goods and services tax (“GST”) receivable due from Canadian government taxation authorities and reimbursements from a public company for unpaid fees.

	July 31, <u>2014</u>	July 31, <u>2013</u>
Accounts receivable	\$ 5,462	\$ 14,524
GST / HST recoverable	6,231	7,095
	<hr/>	<hr/>
Total receivables	<u>\$ 11,693</u>	<u>\$ 21,619</u>

4. RECEIVABLES (continued)

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company's receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

5. EQUIPMENT

	Computer and office equipment
Cost, July 31, 2014, 2013 and 2012	<u>\$ 7,816</u>
Accumulated depreciation, July 31, 2012	2,747
Depreciation for the year	<u>1,012</u>
Accumulated depreciation, July 31, 2013	3,759
Depreciation for the year	<u>812</u>
Accumulated depreciation, July 31, 2014	<u>\$ 4,571</u>
Net book value, July 31, 2013	<u>\$ 4,057</u>
Net book value, July 31, 2014	<u>\$ 3,245</u>

6. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets consist of the following mineral properties:

	Canada					Tanzania	
	Yukon Quartz Claims	Ontario Albany E. Hydrothermal Graphite Prospect	Ontario Kenagami Hydrothermal Graphite Prospect	Quebec Rare Earth	Quebec Gaspé Bay	Handeni Gold	Total
Balance, July 31, 2012	\$ 715,975	\$ -	\$ -	\$ 175,769	\$ 124,650	\$ 2,803,695	\$ 3,820,089
Acquisition costs	-	171,500	-	-	100,000	75,000	346,500
Deferred exploration expenditures							
Geological expenses	432	2,805	-	-	25,135	-	28,372
Geological report	540	-	-	-	-	-	540
Claim maintenance fees	-	-	-	-	1,682	-	1,682
Field supplies and equipment	3	-	-	-	542	-	545
Helicopter	703	-	-	-	-	-	703
Lab and assay	47	-	-	-	1,090	-	1,137
Sampling	-	-	-	-	1,100	-	1,100
Travel, accommodation and misc.	563	-	-	-	12,327	-	12,890
Prior year advance for exploration	-	-	-	-	(30,000)	-	(30,000)
Accrued restoration costs	-	-	-	-	-	(15,000)	(15,000)
Write-down of exploration and evaluation assets	(603,560)	-	-	(4,360)	(65,864)	(2,863,695)	(3,537,479)
Balance, July 31, 2013	114,703	174,305	-	171,409	170,662	-	631,079
Acquisition costs	-	52	47,450	-	-	-	47,502
Deferred exploration expenditures							
Geological expenses	-	1,354	-	-	191	-	1,545
Claim maintenance fees	1,575	-	-	-	-	-	1,575
Survey costs	-	17,600	4,400	-	-	-	22,000
Write-down of exploration and evaluation assets	-	-	-	(171,409)	-	-	(171,409)
Balance, July 31, 2014	\$ 116,278	\$ 193,311	\$ 51,850	\$ -	\$ 170,853	\$ -	\$ 532,292

6. EXPLORATION AND EVALUATION ASSETS (continued)

Title to Interests in Exploration and Evaluation Assets

Title to exploration and evaluation asset interests 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 exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

Ontario Albany East Hydrothermal Graphite Prospect - Purchase Agreement

On July 7, 2013, the Company entered into a purchase agreement with two arm's length vendors (the "Vendors") to acquire a 100% interest in certain mineral claims located in Ontario. In consideration, the Company paid \$10,000 cash and issued 4,000,000 common shares at a value of \$160,000 to the Vendors.

As at July 31, 2014, the Company had spent a total of \$21,759 in exploration expenditures on this property.

Quebec Gaspé Bay Aluminous Clay and Rare Earth Prospect - Staking and Option Agreement

i) On June 8, 2012, the Company entered into an option agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims in the Gaspé Bay Region of Quebec.

On June 3, 2013, the Company amended the option agreement with the Vendor. The Vendor agreed to defer the cash payment of \$20,000 by one year to July 20, 2014. On November 4, 2013, the Company further amended the option agreement with the Vendor. The Vendor agreed to defer the remaining work commitments due to be spent on the prospect by two years. On July 18, 2014, the Company further amended the option agreement with the Vendor. The Vendor agreed to defer the cash payment of \$20,000 by twelve months to July 20, 2015. The Company is now required to make a cash payment and incur the following exploration costs:

	<u>Cash</u>	<u>Exploration Costs</u>	<u>Common Shares</u>
Upon Exchange approval (issued at a value of \$87,500)	\$ -	\$ -	2,500,000
On or before July 20, 2013 (issued at a value of \$100,000)	-	-	2,500,000
On or before December 20, 2013 (incurred)	-	40,000	-
On or before July 20, 2015	20,000	-	-
On or before December 20, 2015	-	60,000	-
On or before December 20, 2016	-	250,000	-
On or before December 20, 2017	-	500,000	-
	<u>\$ 20,000</u>	<u>\$ 850,000</u>	<u>5,000,000</u>

6. EXPLORATION AND EVALUATION ASSETS (continued)

Quebec Gaspé Bay Aluminous Clay and Rare Earth Prospect - Staking and Option Agreement (continued)

- ii) During the year ended July 31, 2012, the Company acquired a 100% interest in additional claims for staking costs of \$4,164.

During the year ended July 31, 2013, the Company decided not to renew certain claims of the above two sets of Gaspé Bay claims and allowed them to lapse as they became due. Prior acquisition costs of \$65,864 associated with these claims were written off.

As at July 31, 2014, the Company had spent a total of \$42,067 in exploration expenditures on the Gaspé Bay Aluminous Clay and Rare Earth claims.

Yukon Quartz Claims – Purchase Agreement

During the year ended July 31, 2010, the Company acquired a 100% interest in certain quartz mineral claims located in the Yukon Territory.

During the year ended July 31, 2013, the Company decided not to continue with certain claims. In September 2013, the Company decided not to continue with certain other claims, and the Company allowed these claims to lapse. Accordingly, the related acquisition costs of \$577,085 and exploration costs of \$26,475 associated with these lapsed claims were written off as of July 31, 2013.

As at July 31, 2014, the Company had spent a total of \$8,075 in exploration expenditures on the remaining Yukon Quartz claims.

Ontario Kenagami Hydrothermal Graphite Prospect – Staking and Purchase Agreement

- i) On November 13, 2013, the Company entered into a purchase agreement with an arm's length vendor to acquire a 100% interest in certain mineral claims located in Ontario. In consideration, the Company is required to make a cash payment and issue common shares as follows:

	<u>Cash</u>	<u>Common Shares</u>
Upon Approval (issued at a value of \$40,000)	\$ -	2,000,000
On or before December 27, 2014	<u>20,000</u>	<u>2,000,000</u>
	<u>\$ 20,000</u>	<u>4,000,000</u>

- ii) During the year ended July 31, 2014, the Company acquired a 100% interest in additional claims for staking costs of \$5,950.

As at July 31, 2014, the Company had spent a total of \$4,400 in exploration expenditures on this property.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Quebec Rare Earth Prospect - Staking and Option Agreement

- i) On June 2, 2010, the Company entered into an option agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims in Quebec.

On May 25, 2011, the Company amended the option agreement with the Vendor. The Vendor agreed to waive the work commitment of \$150,000 by June 17, 2011 until June 17, 2014. On June 11, 2012, the Company further amended the option agreement and the amendment dated May 25, 2011 with the Vendor to defer the work commitments due to be spent on the prospect by two years. The Company was required to incur the following exploration costs:

	<u>Cash</u>	<u>Common Shares</u>	<u>Exploration Costs</u>
Upon Exchange approval (paid and issued at a value of \$130,000)	\$ 17,500	2,000,000	\$ -
By June 17, 2014	-	-	150,000
By June 17, 2015	-	-	150,000
By June 17, 2016	<u>-</u>	<u>-</u>	<u>550,000</u>
	<u>\$ 17,500</u>	<u>2,000,000</u>	<u>\$ 850,000</u>

In addition, the Company issued 195,000 common shares as a finder's fee during the year ended July 31, 2010.

During the year ended July 31, 2014, the Company decided not to continue with these claims and allowed them to lapse when they became due. Accordingly, related acquisition costs of \$163,245 and carrying costs of \$8,164 were written off.

- ii) During the year ended July 31, 2012, the Company staked additional mineral claims adjacent to its previous claims in Quebec for a cost of \$4,360.

In September 2013, the Company decided not to continue with these claims and allowed them to lapse. Accordingly, related acquisition costs of \$4,360 were written off as of July 31, 2013.

Handeni Gold, Tanzania – Option Agreement

On September 3, 2010, the Company entered into a letter agreement with an arm's length vendor (the "Vendor") to acquire an 80% interest in a gold property located in the Handeni Region of Tanzania. The letter agreement was superseded by an option agreement dated January 31, 2011.

During the year ended July 31, 2013, the Company decided not to continue with this property and accordingly wrote off all capitalized costs of \$2,863,695.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities recognized in the statement of financial position can be analyzed as follows:

	July 31, <u>2014</u>	July 31, <u>2013</u>
Trade payables	\$ 1,215,870	\$ 730,404
Accrued liabilities	<u>12,000</u>	<u>14,074</u>
Total payables	<u>\$ 1,227,870</u>	<u>\$ 744,478</u>

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value.

8. SHARE CAPITAL AND RESERVES

Authorized: An unlimited number of common shares, without par value

(a) Private placements

During the year ended July 31, 2014, the Company did not close any private placements.

During the year ended July 31, 2013:

In January 2013, the Company closed a non-brokered private placement of 12,500,000 units at \$0.01 per unit for gross proceeds of \$125,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.05 per share until January 28, 2014 and \$0.10 per share until January 28, 2018. In connection with the financing, the Company incurred share issuance costs of \$5,825.

In July 2013, the Company proposed a non-brokered private placement of up to 10,000,000 units at \$0.05 per unit for gross proceeds of up to \$500,000. Each unit was to consist of one common share and one share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.10 for a period of five years. As of July 31, 2013, the Company had received a total of \$43,000 in share subscriptions. During the year ended July 31, 2014, the Company cancelled the private placement and refunded \$43,000 to the subscribers.

8. SHARE CAPITAL AND RESERVES (continued)

(b) Share purchase warrants

The following is a summary of changes in share purchase warrants from July 31, 2012 to July 31, 2014:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, July 31, 2012	9,558,189	\$0.25
Issued	<u>12,500,000</u>	\$0.05
Balance, July 31, 2013	22,058,189	\$0.14
Exercised	<u>(1,803,000)</u>	\$0.05
Balance, July 31, 2014	<u><u>20,255,189</u></u>	\$0.17

At July 31, 2014, the Company had 20,255,189 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
9,208,189	\$0.25	September 6, 2016
350,000	\$0.30	September 6, 2016
<u>10,697,000</u>	\$0.10	January 28, 2018
<u><u>20,255,189</u></u>		

(c) Share-based payments

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options vest at the discretion of the Board of Directors and may be granted for a maximum term of five years from the date of grant.

The following is a summary of changes in share purchase options from July 31, 2012 to July 31, 2014:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable, July 31, 2012	5,484,166	\$0.12
Expired	(3,519,333)	\$0.14
Forfeited	<u>(100,000)</u>	\$0.10
Outstanding and exercisable, July 31, 2013	1,864,833	\$0.10
Granted	6,195,000	\$0.05
Expired	<u>(143,333)</u>	\$0.10
Outstanding and exercisable, July 31, 2014	<u><u>7,916,500</u></u>	\$0.06

8. SHARE CAPITAL AND RESERVES (continued)

(c) Share-based payments (continued)

At July 31, 2014, 7,916,500 employee and director share purchase options were outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
187,500	\$0.11	September 8, 2014
306,000	\$0.10	October 9, 2014
120,000	\$0.13	August 31, 2015
1,050,000	\$0.10	January 13, 2017
58,000	\$0.10	October 11, 2017
<u>6,195,000</u>	\$0.05	September 3, 2018
<u>7,916,500</u>		

During the year ended July 31, 2014, the Company granted 6,195,000 stock options at an exercise price of \$0.05 per share with an expiry date of September 3, 2018 (2013: Nil stock options were granted). The weighted average fair value of the options issued in the year ended July 31, 2014 was estimated at \$0.04 per option at the grant date using the Black-Scholes option pricing model with the following assumptions:

	<u>Year ended July 31, 2014</u>	<u>Year ended July 31, 2013</u>
Weighted average fair value per option	\$0.04	N/A
Weighted average expected dividend yield	0.0%	N/A
Weighted average expected volatility *	176.26%	N/A
Weighted average risk-free interest rate	2.01%	N/A
Weighted average expected term	5.0 years	N/A

* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

Total expenses arising from share-based payment transactions recognized during the year ended July 31, 2014 were \$265,148 (2013: \$Nil).

9. LOSS PER SHARE

The calculation of basic and diluted loss per share was based on the following data:

	Years ended July 31,	
	<u>2014</u>	<u>2013</u>
Net Loss	<u>\$ 998,096</u>	<u>\$ 4,099,159</u>
Weighted average number of common shares for the purpose of basic and diluted loss per share	<u>82,345,692</u>	<u>64,824,235</u>

9. LOSS PER SHARE (continued)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 8) were anti-dilutive for the year ended July 31, 2014 and 2013.

The loss per share for the year ended July 31, 2014 was \$0.012 (2013: \$0.061).

10. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

	Years ended July 31,	
	<u>2014</u>	<u>2013</u>
Management and directors' fees	\$ 99,062	\$ 97,750
Share-based payments *	<u>34,283</u>	<u>-</u>
	<u>\$ 133,345</u>	<u>\$ 97,750</u>

* Share-based payments are the fair value of options granted to key management personnel as at the grant date.

Related party balances

At July 31, 2014, accounts payable and accrued liabilities include \$283,913 (July 31, 2013: \$162,638) payable to two directors of the Company, a private company controlled by a director, and a public company with two common directors for unpaid fees. These amounts are unsecured, non-interest bearing and payable on demand.

During the year ended July 31, 2014, office and miscellaneous expenses included \$12,000 (year ended July 31, 2013: \$12,000), which was for reimbursement of accounting overhead to a public company with two common directors.

11. SEGMENTAL REPORTING

The Company operates in one business segment, being the acquisition and exploration of mineral properties located in Canada.

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Years ended July 31,	
	2014	2013
Loss before income taxes	\$ (998,096)	\$ (4,099,159)
Expected income tax (recovery)	\$ (260,000)	\$ (1,035,000)
Change in statutory rate and other	-	(91,000)
Permanent difference	69,000	-
Impact of flow-through shares	-	12,000
Share issue costs	-	(1,000)
Change in unrecognized deductible temporary differences	191,000	1,115,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets are as follows:

	2014	2013
Exploration and evaluation assets	\$ 1,303,000	\$ 1,331,000
Share issue costs	21,000	37,000
Capital assets	1,000	2,000
Non-Capital losses	1,109,000	873,000
Net unrecognized deferred tax assets	\$ 2,434,000	\$ 2,243,000

No net deferred tax asset has been recognized in respect of the above for the years ended July 31, 2014 and 2013 because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has non-capital losses for Canadian income tax purposes of approximately \$4,266,000 (2013: \$3,358,000) which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through to 2034.

During the year ended July 31, 2012, the Company issued 350,000 common shares on a flow-through basis for gross proceeds of \$70,000. The underlying flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's exploration and evaluation assets.

13. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity (deficiency), which at July 31, 2014 was a deficiency of \$656,533 (July 31, 2013: deficiency of \$53,735).

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 its capital structure, the Company may issue new shares, issue new debt and acquire or dispose of assets. As at July 31, 2014, the Company has not entered into any debt financing with any financial institution.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended July 31, 2014.

14. FINANCIAL INSTRUMENTS AND RISK

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, and accounts payable and accrued liabilities approximates their carrying values. The Company's cash is measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at July 31, 2014, the Company has a minimal exposure to the US\$ that is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company considers this risk to be insignificant and therefore does not hedge its foreign exchange risk.

14. FINANCIAL INSTRUMENTS AND RISK (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at July 31, 2014, the Company is not exposed to any significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the year in the financial statements is interest expense on loans payable and interest income on Canadian dollar cash. The Company has debt instruments at fixed rates and is therefore not exposed to risk in the event of interest rate fluctuations. As at July 31, 2014, the Company is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by foreign exchange risk, credit risk, interest rate risk and price risk.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (continued)

Year ended July 31, 2014:

- a) The Company issued 2,000,000 common shares valued at \$40,000 pursuant to the Ontario Kenagami Hydrothermal Graphite Prospect purchase agreement.
- b) The Company accrued exploration and evaluation assets of \$11,469 in accounts payable and accrued liabilities.

Year ended July 31, 2013:

- a) The Company issued 3,000,000 common shares valued at \$75,000 pursuant to the amended Handeni Gold option agreement.
- b) The Company issued 2,500,000 common shares valued at \$100,000 pursuant to the Gaspé Bay Aluminous Clay and Rare Earth Prospect option agreement.
- c) The Company issued 4,000,000 common shares valued at \$160,000 pursuant to the Albany East Hydrothermal Graphite Prospect purchase agreement.
- d) The Company accrued exploration and evaluation assets of \$9,924 in accounts payable and accrued liabilities.

16. SUBSEQUENT EVENTS

Subsequent to July 31, 2014, the following occurred:

- a. 187,500 stock options at an exercise price of \$0.11 per share and 306,000 stock options at an exercise price of \$0.10 per share expired unexercised.
- b. The Company entered into agreements (the “Agreements”) with three arm’s length parties (the “Lenders”). Pursuant to the terms of the Agreements, the Lenders agreed to convert a total of \$336,000 in consulting fees payable into loans payable, bearing no interest and they are payable upon demand.
- c. The Company decided to change its name and consolidate its share capital, stock options and share purchase warrants on a one-new-for-two-old basis. This transaction will be subject to Exchange approval.