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**MORGAN RESOURCES CORP.**  
**(formerly Gideon Capital Corp.)**

**FINANCIAL STATEMENTS**

**August 31, 2014 and 2013**

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## Management's Responsibility for Financial Reporting

The accompanying financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee and Board of Directors reviews the results of the annual audit and the financial statements prior to submitting the financial statements to the Board for approval.

The Company's auditors, MNP LLP, are appointed by the shareholders to conduct an audit and their report follows.

"Raniero Corsini"

"Chris Carmichael"

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Raniero Corsini  
Chief Executive Officer

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Chris Carmichael  
Chief Financial Officer

Toronto, Ontario  
December 23, 2014

## Independent Auditor's Report

To the Shareholders of  
Bathurst Resources Corp.

### Report on the Financial Statements

We have audited the accompanying financial statements of Morgan Resources Corp. (formerly Gideon Capital Corp.), which comprise the statements of financial position as at August 31, 2014 and 2013, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended August 31, 2014 and the period April 5, 2013 to August 31, 2013, 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.

### Auditor's 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 audits 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 auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Morgan Resources Corp. (formerly Gideon Capital Corp.) as at August 31, 2014 and 2013, and its financial performance and its cash flows, for the year ended August 31, 2014 and the period April 5, 2013 to August 31, 2013 in accordance with International Financial Reporting Standards.

### Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which describes material uncertainty that raises significant doubt about the Company's ability to continue as a going concern.



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
December 23, 2014

**MORGAN RESOURCES CORP.**  
**(formerly Gideon Capital Corp.)**

**STATEMENTS OF FINANCIAL POSITION**

	August 31 2014	August 31 2013
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 503,795	\$ 73,085
HST recoverable and other receivables	89,683	4,000
	593,478	77,085
Mineral properties and deferred exploration costs (note 5)	632,926	204,284
	\$ 1,226,404	\$ 281,369
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 154,951	\$ 34,266
Premium paid on flow through shares	25,130	-
	180,081	34,266
<b>Equity</b>		
Share capital (note 6)	2,798,239	345,050
Contributed surplus (note 6)	382,305	-
Deficit	(2,134,221)	(97,947)
	1,046,323	247,103
	\$ 1,226,404	\$ 281,369

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

**Going Concern** (Note 1)

**Commitments and Contingencies** (Note 10)

**Subsequent Event** (Note 12)

Approved by the Board of Directors

Signed: "Raniero Corsini"  
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 Director

Signed: "Raymond Mongeau"  
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 Director

**MORGAN RESOURCES CORP.**  
**(formerly Gideon Capital Corp.)**

**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the periods	Year ended August 31, 2014	April 5, 2013 to August 31, 2013
<b>Expenses</b>		
Professional fees	\$ 88,283	\$ 72,452
Consulting fees	181,534	22,600
Travel & promotion	10,498	2,610
Rent	27,254	-
Office and general	13,619	285
Stock based compensation (note 6(b))	103,187	-
<b>Net loss before other income, writedown of investment, and listing costs</b>	<b>424,375</b>	<b>97,947</b>
Other income – premium paid on flow through shares	(44,875)	-
Writedown of investment (note 11)	376,047	-
Listing costs (note 1)	1,280,727	-
<b>Net loss and comprehensive loss for the period</b>	<b>2,036,274</b>	<b>97,947</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>28,156,629</b>	<b>9,121,475</b>
<b>Basic and fully diluted loss per share</b>	<b>\$ 0.07</b>	<b>\$ 0.01</b>

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

**MORGAN RESOURCES CORP.**  
**(formerly Gideon Capital Corp.)**

**STATEMENTS OF CHANGES IN EQUITY**

	Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, April 5, 2013	-	\$ -	\$ -	\$ -	\$ -
Shares issued on private placement (note 6(a)(i))	5,000,000	50	-	-	50
Shares issued on private placement (note 6(a)(ii))	6,900,000	345,000	-	-	345,000
Comprehensive loss for the period	-	-	-	(97,947)	(97,947)
Balance, August 31, 2013	11,900,000	345,050	-	(97,947)	247,103
Shares issued on private placement (note 6(a)(iii))	3,100,000	155,000	-	-	155,000
Shares issued on private placement (note 6(a)(iv))	6,933,604	1,110,047	-	-	1,110,047
Warrants issued on private placement (note 6(a)(iv))	-	(240,300)	240,300	-	-
Broker warrants issued on private placement (note 6(a)(iv))	-	(3,600)	3,600	-	-
Premium on flow through shares (note 6(a)(iv))	-	(70,005)	-	-	(70,005)
Share issue costs (note 6(a)(iv))	-	(48,225)	-	-	(48,225)
Shares issued on Amalgamation (note 6(a)(v))	12,500,000	1,441,300	-	-	1,441,300
Options issued on Amalgamation (note 6(a)(v))	-	-	34,700	-	34,700
Warrants issued on Amalgamation (note 6(a)(v))	-	-	5,400	-	5,400
Exercise of warrants (note 6(a)(vi))	226,000	27,482	(4,882)	-	22,600
Shares issued for mineral property rights (notes 6(a)(vii) and (viii))	667,332	81,490	-	-	81,490
Stock based compensation (note 6(b))	-	-	103,187	-	190,700
Comprehensive loss for the period	-	-	-	(2,036,274)	(2,036,274)
Balance, end of period	35,326,936	\$2,798,239	\$ 382,305	\$(2,134,221)	\$ 1,046,323

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

**MORGAN RESOURCES CORP.**  
**(formerly Gideon Capital Corp.)**

**STATEMENTS OF CASH FLOWS**

For the periods	Year ended August 31, 2014	April 5, 2013 to August 31, 2013
<b>Cash flow from operating activities</b>		
Net loss for the period	\$ (2,036,274)	\$ (97,947)
Listing costs	1,280,727	-
Stock based compensation	103,187	-
Writedown of investment	376,047	-
Premium paid on flow through shares	(44,875)	-
Changes in non-cash working capital:		
HST recoverable and other receivables	(95,260)	(4,000)
Accounts payable and accrued liabilities	(45,112)	34,266
	(461,560)	(67,681)
<b>Cash flow from investing activities</b>		
Mineral property expenditures	(347,152)	(204,284)
	(347,152)	(204,284)
<b>Cash flow from financing activities</b>		
Proceeds from private placement, net of issue costs	1,216,822	345,050
Proceeds from exercise of warrants	22,600	-
	1,239,422	345,050
<b>Increase in cash</b>	430,710	73,085
<b>Cash, beginning of period</b>	73,085	-
<b>Cash and cash equivalents, end of period</b>	\$ 503,795	\$ 73,085

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

**Cash and cash equivalents are made up of:**

Cash	\$ 103,795	\$ 73,085
Cashable GIC	400,000	-
	\$ 503,795	\$ 73,085

**1. NATURE OF BUSINESS, GOING CONCERN AND QUALIFYING TRANSACTION**

**Nature of Business**

Morgan Resources Corp. (the "Company" or "Morgan Resources") (formerly Gideon Capital Corp. ("Gideon")) carries on business in one segment, being the acquisition, exploration and development of properties for mining of precious and base metals. The Company has not earned any revenue to date from its operations and is therefore considered to be in the development stage. The amounts shown as mineral properties and deferred exploration costs do not necessarily represent present or future values.

Morgan Resources is a publicly traded company incorporated and domiciled in Canada. The Company's registered office is as follows: 201-55 York Street, Toronto, Ontario M5J 1R7. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol MOR.

The financial statements were approved by the Board of Directors on December 23, 2014.

**Going Concern**

These financial statements have been prepared on a going concern basis, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future.

In order to meet future expenditures and cover administrative costs, the Company will need to raise additional financing. Although the Company has been successful in raising funds in the past, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Company. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The recoverability of the amounts shown for mineral properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in mineral properties, the ability of the Company to obtain the necessary financing to continue the development of its mineral properties, and upon future profitable production. As such, there is significant doubt regarding the Company's ability to continue as a going concern and ultimately the appropriateness of the use of accounting principles applicable to a going concern.

Management believes that it can raise sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing twelve months as they fall due. The Company's ability to continue operations and funds its mining interest expenditures is dependent on management's ability to secure additional financing.

Accordingly, these financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write-downs to the carrying value of the mineral properties and deferred exploration costs.



**MORGAN RESOURCES CORP.**  
(formerly Gideon Capital Corp.)  
**NOTES TO FINANCIAL STATEMENTS**  
August 31, 2014 and 2013

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**1. NATURE OF BUSINESS, GOING CONCERN AND QUALIFYING TRANSACTION (CONTINUED)**

**Qualifying Transaction**

Gideon was incorporated pursuant to the provisions of the Business Corporations Act (Ontario) on June 15, 2011 and was classified as a capital pool company as defined in Policy 2.4 of TSX Venture Exchange Inc. ("TSX-V").

On December 31, 2013 (the "Amalgamation Date"), Gideon, 2396933 Ontario Inc., a wholly-owned subsidiary of Gideon ("2396933 OntCo") and Bathurst Resources Corp. ("Bathurst") completed a three-cornered amalgamation whereby Bathurst amalgamated with 2396933 OntCo and Gideon issued one common share for each common share of Bathurst outstanding (the "Amalgamation"). The Amalgamation constituted Gideon's Qualifying Transaction for the purposes of Policy 2.4 of the TSX Venture Exchange Corporate Finance Manual. Upon completion of the Amalgamation, Gideon changed its name to Morgan Resources Corp. (the "Company").

The Amalgamation is considered to be a reverse takeover of Gideon by Bathurst. A reverse takeover transaction involving a non-public operating entity and a non-operating public company is in substance a share-based payment transaction, rather than a business combination. The transaction is equivalent to the issuance of shares by the non-public operating entity, Bathurst, for the net assets and the listing status of the non-operating public company, Gideon. The fair value of the shares issued was determined based on the fair value of the common shares issued by Gideon.

Although the Transaction resulted in Bathurst becoming a wholly-owned subsidiary Gideon, the Amalgamation constitutes a reverse acquisition of Gideon and has been accounted for as a reverse acquisition transaction in accordance with guidance provided in IFRS 2 "Share-based Payment". As Gideon did not qualify as a business according to the definition in IFRS 3 "Business Combinations", this reverse acquisition transaction does not constitute a business combination; rather, it is treated as an issuance of common shares by Bathurst for the net assets of Gideon. As a result, the Amalgamation is accounted for as a capital transaction, with Bathurst being identified as the accounting acquirer and the equity consideration provided by Bathurst being measured at fair value. The resulting consolidated statement of financial position was presented as a continuance of Bathurst's operations and the comparative figures presented before the Transaction are those of Bathurst. The results of operations, the cash flows, and the assets and liabilities of Gideon have been included in these consolidated financial statements since December 31, 2013, the Amalgamation Date.

The 12,500,000 common shares, 350,000 stock options, and 250,000 share purchase warrants (the "Deemed Equity Instruments") owned by the shareholders of the Company as at the Amalgamation Date were considered a deemed issue of common shares by Bathurst to acquire Gideon's net assets. In accordance with IFRS 2, the excess of the fair value of the Deemed Equity Instruments issued by Bathurst over the value of the net assets of Gideon was recognized in the consolidated statement of loss and comprehensive loss, as listing costs. The options and warrants granted prior to the Amalgamation Date remain exercisable after the completion of the Amalgamation.

The fair values of the Deemed Equity Instruments granted as consideration for the net assets of Gideon are as follows:

<b>Consideration:</b>	
12,500,000 common shares (note 6(a)(v))	\$ 1,441,300
350,000 stock options (note 6(b))	34,700
250,000 share purchase warrants (note 6(b))	5,400
	<b>1,481,400</b>
<b>Net assets acquired:</b>	
HST recoverable	25,076
Investment	376,047
Accounts payable	(165,797)
Due to Bathurst	(34,653)
	<b>200,673</b>
<b>Listing costs</b>	<b>\$ 1,280,727</b>

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

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

**Basis of presentation**

These financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**Financial instruments**

Financial assets

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

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments - continued**

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

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at the end of each reporting period. Financial assets are impaired when there is any objective evidence that the future cash flows associated with a financial asset or a group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

Financial liabilities

The Company's accounting policy for each category of financial liability is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of loss.

*Other financial liabilities* - This category includes accounts payables and accrued liabilities which are recognized at amortized cost.

Morgan Resources' financial instruments include cash and cash equivalents, other receivables, and accounts payable and accrued liabilities. Cash is classified as fair value through profit or loss, other receivables is classified as loans and receivables, and accounts payable and accrued liabilities are classified as other financial liabilities. The carrying value of these instruments approximates their fair values due to their short-term nature.

**Mineral properties and deferred exploration costs**

Mineral property acquisition costs and related direct exploration and development expenditures, net of recoveries, are deferred until the properties are placed into production. These net costs will be amortized against income using the unit-of-production method based on estimated recoverable reserves if the properties are brought into commercial production, or written off if the properties are abandoned or sold. The cost of mineral properties includes any cash consideration paid and the fair market value of shares issued, if any, on the acquisition of property interests. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments - continued**

**Impairment of mineral properties and deferred exploration costs**

At the end of each reporting period the carrying amounts of Morgan Resources' mineral properties are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

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

**Income taxes**

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current 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 end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to 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. 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 end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and the Company intends to settle tax liabilities and assets on a net basis or to realize the tax assets and liabilities simultaneously.

Deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Flow-through shares**

The Company finances a portion of its exploration activities through the issuance of flow-through shares. On the date of issuance of the flow-through shares, the premium (the proceeds received for the flow-through shares in excess of the closing market price of the Company's common shares) is allocated to liabilities.

Under the terms of the flow-through common shares, the tax attributes of the related expenditures are renounced to investors. The premium liability is reduced pro-rata based on the percentage of flow-through expenditures renounced and spent in comparison to renunciations required under the terms of the flow-through share agreement. The reduction to the premium liability in the period of renunciation is recognized through profit or loss as other income.

Upon renunciation of the related expenditures, the Company would normally recognize a deferred tax liability and expense with respect to the tax value of the costs renounced. Where the Company has unrecognized tax benefits from loss carry forwards and tax pools available for deduction, the Company will recognize these assets to offset the deferred tax liabilities resulting in an offsetting recovery of deferred income taxes being recognized through profit or loss in the reporting period.

**Provisions**

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at August 31, 2014.

**Share based payment transactions**

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

**Restoration, rehabilitation and environmental obligations**

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site restoration work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Loss per share**

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

### **Significant accounting judgments and estimates**

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

- (i) Mineral properties under exploration

As at August 31, 2014 management has determined that there is no impairment on the mineral properties.

### **Segmented Reporting**

The Company operates in a single reportable operating segment, the acquisition, exploration, and development of mineral projects in Canada.

### **Future Accounting Pronouncements**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements, but which may affect the financial statements are listed below. The Company intends to adopt those standards when they become effective.

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB in its final version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company anticipates that this standard will be adopted in the Company's financial statements for the period beginning September 1, 2018, and has not yet considered the potential impact of the adoption of IFRS 9.

**3. CAPITAL DISCLOSURES**

The Company's capital is composed of shareholders' equity. The Company manages its capital structure and makes adjustments to it based on the funds available in order to support the acquisition, exploration, and development of mineral properties. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company is not subject to any externally imposed capital requirements other than its requirement to meet certain flow-through share expenditures, as explained in note 10.

**4. FINANCIAL RISK FACTORS**

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

**Credit Risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment/contractual obligations. The Company has deposited the cash with reputable Canadian financial institutions, from which management believes the risk of loss is minimized.

**Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to meet liabilities when due. As at August 31, 2014, The Company has current assets of \$593,478 to settle current financial liabilities of \$154,951 (see note 1).

**Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

Interest Rate Risk

The Company's current policy is to invest excess cash in investment-grade short term deposit certificates issued by its banking institutions. The Company monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk the Company will realize a loss as a result of a decline in the fair value of short-term deposits is limited due to the short-term nature of these investments.

Commodity Price Risk

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of precious metals.

**MORGAN RESOURCES CORP.**  
(formerly Gideon Capital Corp.)  
**NOTES TO FINANCIAL STATEMENTS**  
August 31, 2014 and 2013

**5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS**

	August 31, 2014	April 5, 2013 To August 31, 2013	Cumulative since Inception on April 5, 2013
Balance, beginning of period	\$ 204,284	\$ -	\$ -
Acquisition costs	151,490	60,000	211,490
Claims payments	30,950	1,340	32,290
Consulting	98,518	7,933	106,451
Laboratory analysis	39,167	1,555	40,722
Geophysical survey	83,109	-	83,109
Reports	-	22,729	22,729
Transportation and accommodation	7,579	2,475	10,054
Airborne survey	-	108,252	108,252
Storage	17,829	-	17,829
<b>Total expenditures during the period</b>	<b>632,926</b>	<b>204,284</b>	<b>636,926</b>
<b>Total mineral properties and deferred exploration costs</b>	<b>\$ 632,926</b>	<b>\$ 204,284</b>	<b>\$ 632,926</b>

(a) Chamberlain Property

- a. On April 7, 2013, the Company purchased an option to earn a one hundred percent (100%) interest in certain mining claims in Bathurst, New Brunswick (the "Chamberlain Property"). Under the terms of the option agreement, the Company has made or must make the following payments and issuances to the optionors:
  - i. \$5,000 paid on April 18, 2013;
  - ii. \$20,000 paid on July 7, 2013;
  - iii. Incurred a minimum of \$75,000 in exploration expenditures (in aggregate with the L'Or Bai – 1 Property (note 5 (b)) prior to the listing of the Company's shares on the TSX Venture Exchange (the "IPO Date" which occurred on December 31, 2013);
  - iv. \$20,000 paid on the IPO Date and \$40,000 worth of common shares issued at the common share opening price at the IPO Date (\$0.15 per share) (issued);
  - v. \$20,000 to be paid on the first anniversary date of the IPO Date and \$40,000 worth of common shares to be issued at the volume weighted-average price ("VWAP") for the previous thirty (30) days;
  - vi. \$20,000 to be paid on the second anniversary date of the IPO Date and \$40,000 worth of common shares to be issued at VWAP for the previous thirty (30) days;
  - vii. \$20,000 to be paid on the third anniversary date of the IPO Date and \$40,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days;
  - viii. a minimum of \$2,000,000 in exploration expenditures (in aggregate with the L'Or Bai – 1 Property (note 5 (b))), including \$800,000 in diamond drilling, to be incurred prior to the third anniversary of the IPO Date;
  - ix. \$20,000 to be paid on the fourth anniversary date of the IPO Date and \$40,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days;
  - x. \$20,000 to be paid on the fifth anniversary date of the IPO Date and \$40,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days;
  - xi. a minimum of an additional \$1,000,000 in exploration expenditures (\$3,000,000 in aggregate with note 5(a)(viii)) to be incurred prior to the fifth anniversary of the IPO Date.



**5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)**

(a) Chamberlain Property (continued)

- b. Once the Company has acquired the 100% interest in the Chamberlain property (the "Acquisition Date"), the Company must make the following payments:
  - i. \$15,000 per annum on each anniversary of the Acquisition Date until the delivery of a positive feasibility study (the "Feasibility Date");
  - ii. \$30,000 per annum on each anniversary of the Feasibility Date until the first anniversary following commercial production;
  - iii. 2% net smelter royalty ("NSR") paid to the optionors; 1% of the NSR can be repurchased by the Company for \$1,000,000.
- c. Bonus Payments will be payable for the following:
  - i. \$25,000 and \$50,000 worth of common shares issued at the VWAP for the previous thirty (30) days upon the discovery of volcanic-hosted massive sulphides in-situ greater than 5% lead-zinc-copper over 2 metres;
  - ii. \$125,000 and \$150,000 worth of common shares issued at the VWAP for the previous thirty (30) days upon the delineation of a mineral deposit in excess of one million (1,000,000) tonnes greater than 5% zinc equivalent of zinc-lead-copper-silver.

(b) L'Or Bai – 1 Property

- a. On April 7, 2013, the Company purchased an option to earn a one hundred percent (100%) interest in certain mining claims in Bathurst, New Brunswick (the "L'Or Bai – 1 Property"). Under the terms of the option agreement, the Company has made or must make the following payments and issuances to the optionors:
  - i. \$5,000 paid on April 18, 2013;
  - ii. \$20,000 paid on July 7, 2013;
  - iii. incurred a minimum of \$75,000 in exploration expenditures (in aggregate with the Chamberlain Property (note 5 (a)) prior to the IPO Date;
  - iv. \$20,000 paid on the IPO Date and \$40,000 worth of common shares issued at the common share opening price at the IPO Date (\$0.15 per share) (issued);
  - v. \$20,000 to be paid on the first anniversary date of the IPO Date and \$40,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days;
  - vi. \$20,000 to be paid on the second anniversary date of the IPO Date and \$40,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days;
  - vii. \$20,000 to be paid on the third anniversary date of the IPO Date and \$40,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days;
  - viii. a minimum of \$2,000,000 in exploration expenditures (in aggregate with the Chamberlain Property (note 5 (a))), including \$800,000 in diamond drilling to be incurred prior to the third anniversary of the IPO Date;
  - ix. \$20,000 to be paid on the fourth anniversary date of the IPO Date and \$40,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days;
  - x. \$20,000 to be paid on the fifth anniversary date of the IPO Date and \$40,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days;
  - xi. a minimum of an additional \$1,000,000 in exploration expenditures (\$3,000,000 in aggregate with the note 5(b)(viii)) to be incurred prior to the fifth anniversary of the IPO Date.

**5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)**

- b. Once the Company has acquired the 100% interest in the L'Or Bai – 1 property (the “LB1 Acquisition Date”), the Company must make the following payments:
    - i. \$15,000 per annum on each anniversary of the LB1 Acquisition Date until the delivery of a positive feasibility study (the “LB1 Feasibility Date”);
    - ii. \$30,000 per annum on each anniversary of the LB1 Feasibility Date until the first anniversary following commercial production;
    - iii. 2% net smelter royalty (“NSR”) paid to the optionors; 1% of the NSR can be repurchased by the Company for \$1,000,000.
  
  - c. Bonus Payments will be payable for the following:
    - i. \$25,000 and \$50,000 worth of common shares issued at the VWAP for the previous thirty (30) days upon the discovery of volcanic-hosted massive sulphides in-situ greater than 5% lead-zinc-copper over 2 meters;
    - ii. \$125,000 and \$150,000 worth of common shares issued at the VWAP for the previous thirty (30) days upon the delineation of a mineral deposit in excess of one million (1,000,000) tonnes greater than 5% zinc equivalent of zinc-lead-copper-silver.
- (c) L'Or Bai – 2 Property
- a. On April 29, 2013, the Company purchased an option to earn a one hundred percent (100%) interest in certain mining claims in Bathurst, New Brunswick (the “L'Or Bai - 2 Property”). Under the terms of the option agreement, the Company has made or must make the following payments and issuances to the optionor:
    - i. \$10,000 paid on May 27, 2013;
    - ii. incur a minimum of \$10,000 in exploration expenditures prior to April 29, 2014;
    - iii. \$15,000 paid on April 29, 2014;
    - iv. incur a further \$10,000 in exploration expenditures prior to April 29, 2015;
    - v. \$25,000 payable on April 29, 2015;
    - vi. Incur a further \$30,000 in exploration expenditures prior to April 29, 2016.
  
  - b. Once the Company has acquired the 100% interest in the L'Or Bai – 2 property (the “LB2 Acquisition Date”), the Company:
    - i. will be subject to a 3% NSR paid to the optionor; 2% of the NSR can be repurchased by the Company for \$1,000,000.
- (d) South Chamberlain Property
- a. On April 14, 2014, the Company acquired the South Chamberlain base metal and precious metal property located in the Bathurst, New Brunswick (the “South Chamberlain Property”). The South Chamberlain Property consists of 2 mining claim blocks, 5761 and 4362, composed of 157 claim units for a total of 3418 hectares, and adjoins the west side of the Company's Chamberlain Properties. Under the terms of the option agreement, the Company has made or must make the following payments and issuances to the optionor:
    - i. \$15,000 paid on April 14, 2014;
    - ii. Issued 134,000 common shares on April 14, 2014 with a value of \$20,000;
    - iii. incur a minimum of \$75,000 in exploration expenditures prior to April 10, 2015;
    - iv. \$15,000 payable by April 10, 2015 and \$25,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days or \$25,000 in cash at the option of the optionor;
    - v. incur a further \$75,000 in exploration expenditures prior to April 10, 2016;
    - vi. \$15,000 payable by April 10, 2016 and \$40,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days or \$40,000 in cash at the option of the optionor;
    - vii. incur a further \$75,000 in exploration expenditures prior to April 10, 2017;

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**5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)**

- viii. \$30,000 payable by April 10, 2017 and \$50,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days or \$25,000 in cash at the option of the optionor;
  - ix. incur a further \$75,000 in exploration expenditures prior to April 10, 2018;
  - x. \$40,000 payable by April 10, 2018 and \$80,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days or \$80,000 in cash at the option of the optionor;
  - xi. incur a further \$75,000 in exploration expenditures prior to April 10, 2019;
  - xii. \$50,000 payable by April 10, 2019 and \$120,000 worth of common shares to be issued at the VWAP for the previous thirty (30) days or \$120,000 in cash at the option of the optionor.
- b. Once the Company has acquired the 100% interest in the South Chamberlain property (the "South Chamberlain Acquisition Date"), the Company:
- i. will be subject to a 2% NSR paid to the optionor; 1% of the NSR can be repurchased by the Company for \$1,000,000.
- c. Bonus Payments will be payable for the following:
- i. \$10,000 and \$10,000 worth of common shares issued at the VWAP for the previous thirty (30) days upon the discovery of volcanic-hosted massive sulphides in-situ greater than 5% lead-zinc-copper over 2 meters;
  - ii. \$50,000 and \$200,000 worth of common shares issued at the VWAP for the previous thirty (30) days upon the delineation of a mineral deposit in excess of one million (1,000,000) tonnes greater than 8% zinc equivalent of zinc-lead-copper-silver.

**6. SHARE CAPITAL**

**(a) Capital**

**Authorized:** unlimited common shares

**Issued:**

- (i) On April 5, 2013, the Company issued 5,000,000 common shares at a price of \$0.00001 (for gross proceeds of \$50).
- (ii) On June 4, 2013, the Company issued 6,900,000 common shares a price of \$0.05 per common share for gross proceeds of \$345,000. 5,000,000 of the common shares were issued on a flow through basis.
- (iii) In September 2013, the Company issued 3,100,000 common shares at a price of \$0.05 per common share for gross proceeds of \$155,000. 400,000 of the common shares were issued on a flow through basis.
- (iv) On December 31, 2013, the Company issued 3,433,332 units at \$0.15 per unit (each unit consisting of one common share and one warrant) for gross proceeds of \$515,000 and 3,500,272 flow through units at \$0.17 per share (each flow through unit consisting of one common share and one warrant) for gross proceeds of \$595,047. Each warrant is exercisable for two years at a price of \$0.30 per warrant. A value of \$240,300 was attributed to the warrants (note 6(c)). Share issue costs totaled \$48,225. A premium of \$70,005 was paid for the flow through units. The Company also issued 115,316 broker warrants exercisable at \$0.17 per warrant until December 31, 2015. A value of \$3,600 was attributed to the broker warrants (note 6(c)).
- (v) On December 31, 2013, the Company issued 12,500,000 common shares, 250,000 warrants, and 350,000 stock options to the respective shareholders, warrant holders, and options holders of Gideon Capital Corp. under the Amalgamation (note 1). The fair value of \$1,441,300 was assigned to the common shares based on the fair value attributed to the common shares issued in the concurrent private placement described in note 6(a)(iv). A fair value of \$5,400 was attributed to the warrants (note 6(c)) which were exercisable at \$0.10 until February 3, 2014. A fair value of \$34,700 was attributed to the options (note 6(b)) which are exercisable at \$0.10 until January 27, 2022.
- (vi) On February 3, 2014, 226,000 warrants were exercised for proceeds of \$22,600; \$4,882, representing the proportionate fair value of the warrant series, was reclassified to share capital.

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**6. SHARE CAPITAL (CONTINUED)**

- (vii) On December 31, 2013, the Company issued 533,332 common shares to the optionors of the Chamberlain property (as per Note 5(a)a(iv)) and of L'or Bai – 1 property (as per Note 5(b)a(iv)).
- (viii) On April 14, 2014, the Company issued 134,000 common shares to the optionors of the South Chamberlain property (as per Note 5(d)a(ii)).

**(b) Stock option plan**

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to qualified directors, officers and consultants of the Company. The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued and outstanding shares.

A summary of the Company's stock option activity for the year ended August 31, 2014 is as follows:

	Number Of Options	Weighted- Average Exercise Price
Outstanding, September 1, 2013	-	\$ -
Issued on amalgamation (i)	350,000	0.10
Issued (ii)	3,150,000	0.15
Outstanding, August 31, 2014	3,500,000	\$ 0.145

- (i) On December 31, 2014, the Company issued 350,000 options to Gideon option holders exercisable at \$0.10 until January 27, 2022 (notes 1 and 6(a)(v)).
- (ii) On August 1, 2014, the Company issued 3,150,000 options at \$0.15 per share exercisable until August 1, 2019. 1,575,000 options vested on August 1, 2014 and the remaining 1,575,000 options will vest on August 1, 2015.

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at August 31, 2014 are as follows:

	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted- Average Exercise Price	Average Remaining Contractual Life (years)	Number Exercisable	Weighted- Average Exercise Price
Exercise Price					
\$0.10	350,000	\$0.10	7.35	350,000	\$0.10
\$0.15	3,150,000	\$0.15	4.92	1,575,000	\$0.15
Total	3,500,000	\$0.145	5.17	1,925,000	\$0.141

During the year ended August 31, 2014, \$103,187 (2013 - \$nil) was recorded as stock-based compensation expense for the 1,575,000 stock options vested.

The fair value of the options issued in 2014 was determined using the Black-Scholes model based on the following assumptions:

	<b>2014</b>
Risk free interest rate	1.09%
Dividend yield	Nil
Expected stock volatility	100%
Weighted-average expected life (years)	5.0

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**6. SHARE CAPITAL (CONTINUED)**

**(c) Warrants**

Details of warrants outstanding are as follows:

	Number of Warrants	Fair Value	Exercise Price/ Warrant	Expiry Date
Balance, April 5, 2013 and Sept 1, 2013	-	\$ -	-	
Issued on Amalgamation (notes 1 and 6(a)(v))	250,000	5,400	0.10	February 3, 2014
Issued (note 6(a)(iv))	6,933,604	240,300	0.30	December 31, 2015
Issued (note 6(a)(iv))	115,316	3,600	0.17	December 31, 2015
Exercised (note 6(a)(vi))	(224,000)	(4,882)	0.10	
Expired (i)	(26,000)	(518)	0.10	
Balance, August 31, 2014	7,048,920	\$ 243,900	0.30	

(i) On February 3, 2014, 26,000 common share purchase warrants with an exercise price of \$0.10 expired.

The fair value of the warrants issued in 2014 was determined using the Black-Scholes model based on the following assumptions:

	<b>2014</b>
Risk free interest rate	1.09%
Dividend yield	Nil
Expected stock volatility	100%
Weighted-average expected life (years)	1.9

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**7. LOSS PER SHARE**

The calculation of basic and diluted loss per share for the year ended August 31, 2014 was based on the loss attributable to common shareholders of \$2,036,274 (2013 - \$97,947) and the weighted average number of common shares outstanding of 28,156,629 (2013 - 9,121,475). Diluted loss per share did not include the effect of 3,500,000 stock options (2013 - nil) and 6,933,604 warrants (2013 - nil) as they are anti-dilutive.

**8. INCOME TAX INFORMATION**

The following table shows the components of the current and deferred income tax expense:

	2014	2013
<b>Current tax provision</b>		
Current (recovery) expense	\$ -	\$ -
Deferred tax (recovery) expense	-	-
	\$	\$

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rates for the year ended December 31 is as follows:

	2014	2013
Loss before recovery of income taxes	\$ 2,036,274	\$ 97,947
Expected income tax recovery	\$ 539,610	\$ 25,956
Tax rate changes and other adjustments	(50,560)	-
Non-deductible expenses	(312,420)	-
Undeducted share issue costs	12,780	-
Effect of flow-through renunciation	(167,730)	-
Change in tax benefits not recognized	(21,680)	(25,956)
Income tax (recovery) expense	\$ -	\$ -

The following table summarizes the components of deferred tax:

	2014	2013
Deferred tax assets		
Share issuance costs	\$ 14,530	\$ -
Tax credits	5,250	-
Non-capital losses carried forward	159,840	-
Deferred tax liabilities		
Premium on flow through shares	(11,890)	-
Mineral properties	(167,730)	-
Net deferred income tax liabilities	\$ -	\$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

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**8. INCOME TAX INFORMATION (CONTINUED)**

**Unrecognized Deferred Tax Assets**

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	<b>2014</b>	<b>2013</b>
Deferred income tax assets		
Investments	\$ 376,050	\$ -
Non-capital losses carried forward	14,370	97,950

The non-capital loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2017. Investment tax credits expire from 2033 and 2034. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's non-capital income tax losses expire as follows:

2033	\$ 77,190
2034	540,340
	<u>\$ 617,530</u>

**9. RELATED PARTY TRANSACTIONS**

Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel, or companies under their control, during the period was as follows:

	<b>2014</b>	<b>2013</b>
Salaries, consulting and benefits	\$ 175,530	\$ 65,000
Stock based compensation	103,187	-
	<u>\$ 278,717</u>	<u>\$ 65,000</u>

Key management subscribed for 400,000 flow through units described in note 6(a)(iii).

**10. COMMITMENTS AND CONTINGENCIES**

- (a) The Company's mineral and exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.
- (b) During the calendar year ended December 31, 2013, the Company raised \$865,047 in flow through shares (note 6). As at August 31, 2014, the Company is committed to spending \$232,120 by December 31, 2014; the Company intends to fulfill this flow-through commitment by December 31, 2014.

**11. INVESTMENT**

Included in the net assets of Gideon acquired in the Amalgamation (note 1) was an investment in Monterra S.A. ("Monterra"), a private resource exploration company, consisting of 7,520,948 common shares representing approximately 6% of the issued and outstanding shares of Monterra. Subsequent to the Amalgamation, Monterra lost its interest in its exploration properties. As a result, management has recorded a full impairment of these shares in the statement of loss and comprehensive loss.

**12. SUBSEQUENT EVENTS**

On October 8, 2014, Morgan Resources executed an agreement to acquire the Lucky Irish base metal and precious metal property located 35 kilometers southwest of Kirkland Lake, Ontario (the "Lucky Irish Property"). The Lucky Irish Property consists of a block of 41 claims, 420 units registered under the name of John Peter Rapski ("Rapski"). GAR Limited, an Ontario company, owns an option to acquire 100% of the interest in the Lucky Irish Property from Rapski subject to a 3% NSR. Morgan Resources has the option to acquire 51% of the mining rights from GAR Limited in the return for \$2,500,000 in expenditures on the Lucky Irish Property, cash payments of \$750,000 and the issuance of 1,400,000 common shares over a period of four years.