

**GEONOVUS MINERALS CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013  
(EXPRESSED IN CANADIAN DOLLARS)**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
GeoNovus Minerals Corp.

We have audited the accompanying consolidated financial statements of GeoNovus Minerals Corp., which comprise the consolidated statement of financial position as at August 31, 2014, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of GeoNovus Minerals Corp. as at August 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



***Emphasis of Matter***

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

***Other Matters***

The consolidated financial statements of GeoNovus Minerals Corp. for the year ended August 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on December 18, 2013.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

December 22, 2014

**GEONOVUS MINERALS CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**AS AT**

	August 31, 2014	August 31, 2013
<b>ASSETS</b>		
Current		
Cash	\$ 774	\$ 17,245
Receivables (Note 7)	28,733	127,151
Prepaid expenses (Note 8)	7,048	7,048
<b>Total current assets</b>	<b>36,555</b>	<b>151,444</b>
Due from related parties (Note 13)	9,800	14,700
Reclamation bonds (Note 10)	68,825	66,825
Exploration and evaluation assets (Note 11)	589,399	2,094,986
<b>Total assets</b>	<b>\$ 704,579</b>	<b>\$ 2,327,955</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Accounts payable and accrued liabilities (Note 12)	\$ 500,925	\$ 527,059
Loan payable (Note 13)	-	800
Flow through liability	-	12,205
<b>Total liabilities</b>	<b>500,925</b>	<b>540,064</b>
Shareholders' equity		
Capital stock (Note 14)	6,439,792	5,711,447
Subscriptions received in advance (Note 19)	272,750	-
Share-based payment reserve (Note 14)	502,522	413,194
Deficit	(7,011,410)	(4,336,750)
<b>Total shareholders' equity</b>	<b>203,654</b>	<b>1,787,891</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 704,579</b>	<b>\$ 2,327,955</b>

**Nature and continuance of operations** (Note 1)  
**Commitments and contingencies** (Notes 11 and 18)  
**Subsequent events** (Note 19)

**On behalf of the Board:**

\_\_\_\_\_  
“Mike England”, Director

\_\_\_\_\_  
“Marvin Mitchell”, Director

**See accompanying notes to the consolidated financial statements.**

**GEONOVUS MINERALS CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE YEARS ENDED AUGUST 31,**

	2014	2013
<b>EXPENSES</b>		
Consulting fees	\$ 303,568	\$ 60,438
Foreign exchange (gain) loss	(2,587)	1,276
Interest expense	10,782	10,280
Loss on disposition of investments	-	29,049
Management fees	48,000	65,400
Office, rent, and miscellaneous	172,195	219,213
Other income	(12,205)	(2,041)
Professional fees	94,794	212,227
Property investigation costs	-	69,635
Share-based compensation (Note 14)	99,680	59,451
Shareholder communications and promotion	103,594	24,009
Transfer agent and filing fees	25,102	23,601
Travel and accommodation	7,076	4,128
Write-off of exploration and evaluation assets (Note 11)	1,824,661	542,905
<b>Loss for the year</b>	<b>(2,674,660)</b>	<b>(1,319,571)</b>
<b>Other comprehensive loss</b>		
<b>Items that may be subsequently reclassified to income</b>		
Unrealized loss on available for sale investments	-	(49)
Reclassification of unrealized loss	-	29,049
<b>Total comprehensive loss</b>	<b>\$ (2,674,660)</b>	<b>\$ (1,290,571)</b>
<b>Basic and diluted net loss per common share</b>	<b>\$ (0.08)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>35,624,635</b>	<b>20,938,862</b>

See accompanying notes to the consolidated financial statements.

**GEONOVUS MINERALS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE YEARS ENDED AUGUST 31,**

	2014	2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (2,674,660)	\$ (1,319,571)
Items not affecting cash:		
Share-based compensation	99,680	59,451
Write-off of exploration and evaluation expenditures	1,824,661	542,905
Other income	(12,205)	-
Recognition of flow through premium	-	(2,041)
Loss on disposition of investment	-	29,049
Accrued interest	-	(556)
Unrealized foreign exchange	(2,000)	(7,123)
Change in non-cash working capital items:		
Decrease in receivables	98,418	43,741
Decrease in due from related party	4,900	-
Decrease in prepaid expenses	-	19,634
Increase (decrease) in accounts payable and accrued liabilities	(44,767)	214,986
Net cash flows from operating activities	<u>(705,973)</u>	<u>(419,525)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placements	593,725	540,240
Subscriptions received in advance	272,750	-
Share issue costs	(7,537)	(23,884)
Proceeds from option exercises	25,000	-
Payment of loan payable	(48,300)	-
Proceeds from loan payable	47,500	800
Net cash flows from financing activities	<u>883,138</u>	<u>517,156</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditures	(193,636)	(234,637)
Sale of investment	-	7,951
Net cash flows from investing activities	<u>(193,636)</u>	<u>(226,686)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>-</u>	<u>3,473</u>
<b>Change in cash</b>	<b>(16,471)</b>	<b>(125,582)</b>
<b>Cash, beginning of year</b>	<b>17,245</b>	<b>142,827</b>
<b>Cash, end of year</b>	<b>\$ 774</b>	<b>\$ 17,245</b>
Cash paid for taxes during the year	\$ -	\$ -
Cash paid for interests during the year	\$ -	\$ -

**Supplemental disclosure with respect to cash flows (Note 15)**

See accompanying notes to the consolidated financial statements.

**GEONOVUS MINERALS CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	Number of shares	Capital stock	Subscriptions received in advance	Reserves			Deficit	Total
				Share-based payment reserve	Warrant reserve	Available for sale revaluation reserve		
Balance, August 31, 2012	15,977,652	\$ 5,296,204	\$ -	\$ 139,350	\$ 106,670	\$ (29,000)	\$ (3,017,179)	\$ 2,496,045
Issued pursuant to private placements	8,387,250	413,541	-	-	112,453	-	-	525,994
Issued pursuant to acquisition of mineral interests	700,000	29,000	-	-	-	-	-	29,000
Share-based compensation	-	-	-	59,451	-	-	-	59,451
Share issue costs - cash	-	(25,399)	-	-	(6,629)	-	-	(32,028)
Share issue costs - non cash	-	(1,899)	-	-	1,899	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	-	29,000	(1,319,571)	(1,290,571)
Balance, August 31, 2013	25,064,902	5,711,447	-	198,801	214,393	-	(4,336,750)	1,787,891
Issued pursuant to private placements	12,924,500	646,225	-	-	-	-	-	646,225
Issued pursuant to acquisition of mineral interests	1,500,000	60,000	-	-	-	-	-	60,000
Share-based compensation	-	-	-	99,680	-	-	-	99,680
Exercise of options	500,000	25,000	-	-	-	-	-	25,000
Fair value of exercised options	-	10,686	-	(10,686)	-	-	-	-
Share issue costs - cash	-	(13,232)	-	-	-	-	-	(13,232)
Share issue costs - non cash	-	(334)	-	-	334	-	-	-
Shares subscriptions received in advance	-	-	272,750	-	-	-	-	272,750
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(2,674,660)	(2,674,660)
Balance, August 31, 2014	39,989,402	\$ 6,439,792	\$ 272,750	\$ 287,795	\$ 214,727	\$ -	\$ (7,011,410)	\$ 203,654

See accompanying notes to the consolidated financial statements.

**GEONOVUS MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(EXPRESSED IN CANADIAN DOLLARS)  
FOR THE YEAR ENDED AUGUST 31, 2014 AND 2013

**1. NATURE AND CONTINUANCE OF OPERATIONS**

GeoNovus Minerals Corp. (hereafter the "Company" or "GeoNovus") was incorporated on October 11, 2011 under the laws of the Business Corporation Act (BC, Canada). The Company's principal business is the acquisition and exploration of mineral properties. The Company began trading on the under the symbol "GNM" on January 5, 2012. The Company's common shares were delisted from trading on the TSX Venture Exchange ("TSX-V") on September 5, 2014 with trading of its common shares on the Canadian Securities Exchange commencing on September 8, 2014.

The Company's head office is located at 789 West Pender Street, Suite 1220, Vancouver, BC, V6C 1H2.

The consolidated financial statements were approved by the Board of Directors on December 22, 2014.

Although the Company has taken steps to verify title to its exploration and evaluation properties, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

These consolidated financial statements have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, complete a public equity financing, or generate profitable operations in the future. Management believes it will be successful in raising the necessary funding to continue operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**2. 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 its interpretations.

**3. BASIS OF PRESENTATION**

These consolidated financial statements have been prepared on a historical cost basis except for investments classified as available-for-sale or held-for-trading which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company and its wholly owned subsidiaries is the Canadian dollar.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.



**GEONOVUS MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(EXPRESSED IN CANADIAN DOLLARS)  
FOR THE YEAR ENDED AUGUST 31, 2014 AND 2013

**4. SIGNIFICANT ACCOUNTING POLICIES**

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

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries, Juturna Geothermal Inc. incorporated under the laws of B.C., Geo Minerals (Arizona) Ltd. and Juturna Geothermal (Arizona) Inc. incorporated under the laws of Arizona, and 2009812 Delaware, Inc. incorporated in the state of Delaware. Significant inter-company balances and inter-company transactions have been eliminated upon consolidation. All references to the Company should be treated as references to GeoNovus Minerals Corp. and its subsidiaries. In July 2013, the Company decided to dissolve Juturna Geothermal (Arizona) Inc. and 2009812 Delaware Inc. as these subsidiaries were inactive.

**Subsidiaries**

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

**Cash**

Cash consists of balances with banks and short-term demand deposits which are readily convertible into a known amount of cash. The Company's cash is invested with major financial institutions in business accounts.

**Financial instruments**

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are measured at fair value with subsequent changes in fair value recognized in the statement of loss and comprehensive loss. Currently, the Company has no held-for-trading financial assets.

Financial assets that have a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and are measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held to maturity financial assets are recognized in the statement of loss and comprehensive loss. Currently, the Company has no held-to-maturity financial assets.

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are recognized in the statement of loss and comprehensive loss. The Company's cash balance and receivables are classified as loans and receivables. The estimated fair values of these financial instruments approximate their carrying values because of the limited terms of these instruments.

Available-for-sale assets are those financial assets that are not classified as held-for-trading, held-to-maturity or loans or receivables, and are carried at fair value. Any gains or losses arising from the change in fair value are recorded as other comprehensive income. Available-for-sale investments are written down to fair value through operations whenever it is necessary to reflect other than temporary impairment. Cumulative gains and losses arising upon the sale of the instrument are included in operations. Regular way purchases and sales of financial assets are accounted for at the trade date. The Company's investments were classified as available-for-sale assets.

**GEONOVUS MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED AUGUST 31, 2014 AND 2013

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

Financial liabilities that are not classified as held-to-maturity are classified as other financial liabilities, and are carried at amortized cost using the effective interest method. Any gains or losses arising from the realization of other financial liabilities are recognized in the statement of loss and comprehensive loss. The Company's accounts payable and accrued liabilities and loans payable are classified as other financial liabilities.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). As at August 31, 2014 and 2013, the Company had no financial instruments that were carried at fair value.

**Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the assets have been negatively impacted. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the amount of the impairment and the loss is recognized in the statement of loss and comprehensive loss.

If in a subsequent period, the amount of 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 to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the statement of loss and comprehensive loss.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the statement of loss and comprehensive loss.

**Impairment of non-financial assets**

At each date of the statement of financial position, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the recoverable amount is less than the carrying amount of the asset, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the statement of loss and comprehensive loss.

**Foreign currency translation**

The Canadian dollar is the functional and reporting currency of the Company. Under this method, all monetary assets and liabilities are translated at the rate of exchange at the statement of financial position date and non-monetary assets and liabilities are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rates in effect on the statement of financial position date. Income and expenses are translated at the rates approximating those at the transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities are recognized in the statement of loss and comprehensive loss.

**GEONOVUS MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Exploration and evaluation expenditures**

All of the Company's property interests are in the exploration and evaluation phase. The Company records its interests in properties and areas of geological interest at cost. Expenditures incurred prior to obtaining the legal right to explore are expensed. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be impairment. These costs will be amortized on the basis of units produced in relation to the reserves available on the related property following commencement of production. The Company classifies the costs between intangibles and property and equipment based on the nature of the costs incurred.

The cost of property interests includes any cash consideration paid and the fair market value of shares issued, if any, on the acquisition of property interests. Acquisition costs of properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition costs and their related exploration and evaluation costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews capitalized costs on its mineral exploration properties on a periodic basis and when events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of revenues from the property or from the sale of the property.

**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 preparation 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 pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using the unit-of-production method. Changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation impact the carrying value of the asset and liability. The related liability is adjusted each period for the unwinding of the discount rate with a corresponding charge to the statement of loss and comprehensive loss. As at August 31, 2014 and 2013, the Company had no material restoration, rehabilitation or environmental obligations.

**Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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 and 2013.

**GEONOVUS MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(EXPRESSED IN CANADIAN DOLLARS)  
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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Share-based payment transactions**

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 fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The fair value of stock options granted to employees is recognized as an expense over the vesting period with a corresponding increase in the equity settled share-based payments reserve account. 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 the 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 each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

**Income taxes**

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

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

Deferred tax provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and to the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it is not recognized.

**Loss per share**

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 outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the period. During the year ended August 31, 2014 and 2013, the outstanding stock options and warrants were anti-dilutive.

**Comprehensive loss**

Other comprehensive loss represents the change in net equity for the period that arises from unrealized gains and losses on available-for-sale financial instruments. Amounts included in other comprehensive loss are shown net of tax. Cumulative changes in other comprehensive loss are presented separately in the statement of changes in equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of estimates**

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

**Carrying values for assets and impairment charges**

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

**Capitalization of exploration and evaluation costs**

Management has determined that exploration and evaluation costs incurred during the period have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of operating facilities, operating management expertise and existing permits.

**Impairment of exploration and evaluation assets**

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

**Estimation of decommissioning and restoration costs and the timing of expenditure**

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

**Income taxes and recoverability of potential deferred tax assets**

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

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

**Share-based payments**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

**Adoption of new and amended IFRS pronouncements**

We have adopted the new and amended IFRS pronouncements listed below as at September 1, 2013, in accordance with the transitional provisions outlined in the respective standards.

IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company adopted IFRS 10 effective September 1, 2013. The adoption of IFRS 10 did not have a material impact the Company's financial statements.

IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles and off balance sheet vehicles. The adoption of this standard did not result in any changes to the Company's disclosure requirements for interests in other entities.

IFRS 13, Fair Value Measurement ("IFRS 13") defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements for fair value measurements. IFRS 13 defines fair value as 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. Fair value is a market-based measurement, not an entity-specific measurement, so assumptions that market participants would use should be applied in measuring fair value. The Company adopted IFRS 13 effective September 1, 2013. The adoption of IFRS 13 did not materially impact the Company's financial statements.

**Future accounting changes**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after September 1, 2013 or later periods.

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9") introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning September 1, 2018, and has not yet considered the potential impact of the adoption of IFRS 9.

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

**Adoption of new and amended IFRS pronouncements (Continued)**

IAS 32 Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted. The Company has not yet considered the potential impact of the adoption of IAS 32 on its consolidated financial statements.

IAS 36 Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted. The Company has not yet considered the potential impact of the adoption of IAS 36 on its consolidated financial statements.

**5. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management considers the Company's capital structure to primarily consist of the components of shareholders' equity.

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 feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the years presented. The Company and its subsidiaries are not subject to externally imposed capital requirements.

**6. FINANCIAL RISK FACTORS**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes to the Company's approach to mitigating risk exposures during the year ended August 31, 2014.

**Credit risk**

The Company's credit risk is primarily attributable to receivables. The receivables relate to sales tax due from the Federal Government of Canada and amounts due from related parties. The Company has no significant concentration of credit risk arising from operations. Management expects that repayment of the receivable from related parties will occur, however, it does anticipate that the repayment term will be longer than desirable.

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**6. FINANCIAL RISK FACTORS (Continued)**

Liquidity risk

The Company's approach to managing liquidity risk is to ensure it has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and expected exercise of share purchase warrants and options. The Company requires additional equity financing to fund its planned work programs and operating expenditures. Management believes that it will be successful in raising the necessary funds however, given the current market conditions, management believes that the raising of the required funds will take longer than is normal and will be at prices that may be less than desirable. There are no assurances that additional funds will be available on terms acceptable to the Company or at all.

Interest risk

The Company has cash balances and no interest-bearing debt therefore, interest rate risk is minimal.

Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar. Certain expenditures are transacted in foreign currencies. As a result, the Company is exposed to fluctuations in these foreign currencies relative to the Canadian dollar. Management does not hedge its foreign exchange risk. A 1% change in foreign exchange rates between the Canadian and US dollar at August 31, 2014 would not have a material impact on the Company's financial statements.

Commodity price risk

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price. A decline in the market price of commodities may also require the Company to reduce its mineral resources, which would have a material and adverse effect on the Company's value. As at August 31, 2014, the Company is not in production. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company does not expect any material movements in the underlying market risk variables over the next three months that will result in a material impact to its financial statements.



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**7. RECEIVABLES**

The receivables balance is comprised of the following items:

	August 31, 2014	August 31, 2013
Sales tax due from Federal Government	\$ 23,833	\$ 4,712
Other	4,900	4,900
Due from exploration partner	-	117,539
<b>Total</b>	<b>\$ 28,733</b>	<b>\$ 127,151</b>

**8. PREPAID EXPENSES**

The prepaid expense balance is comprised of the following items:

	August 31, 2014	August 31, 2013
Rent (Note 13)	\$ 7,048	\$ 7,048

**9. INVESTMENTS**

In September 2010, the Company received 200,000 shares of Hawkeye Gold & Diamond Inc. ("Hawkeye") pursuant to the terms of the option agreement for the Scotia Property dated July 2010. The value of the shares on acquisition date, using quoted market prices, was \$37,000. During the year ended August 31, 2013, the Company sold its Hawkeye shares for net proceeds of \$7,951.

**10. RECLAMATION BONDS**

The reclamation bond balance relates to the following mineral exploration properties:

	August 31, 2014	August 31, 2013
Scotia	\$ 5,040	\$ 5,040
Red Hills	38,386	37,183
Middle Mountain	25,399	24,602
<b>Total</b>	<b>\$ 68,825</b>	<b>\$ 66,825</b>

**GEONOVUS MINERALS CORP.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(EXPRESSED IN CANADIAN DOLLARS)

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**11. EXPLORATION AND EVALUATION ASSETS**

During the year ended August 31, 2014 and 2013, expenditures incurred on mineral exploration properties were as follows:

	Scotia Property, BC	Red Hills, Arizona	Silver Bell West, Arizona	Mink Lake, Ontario	Shakespeare, Ontario	Year ended August 31, 2014
<b>Acquisition Costs:</b>						
Balance, beginning of the year	\$ 297,721	\$ 118,815	\$ 203,249	\$ 30,725	\$ -	\$ 650,510
Additions during the year	-	-	-	-	61,475	61,475
	297,721	118,815	203,249	30,725	61,475	711,985
Write-offs during the year	-	(118,815)	(203,249)	(30,725)	-	(352,789)
Balance, end of year	297,721	-	-	-	61,475	359,196
<b>Deferred Exploration Costs:</b>						
Balance, beginning of year	637,698	274,567	522,351	9,860	-	1,444,476
Reports and surveys	-	-	-	29,000	-	29,000
Assays and lab tests	-	-	-	-	4,158	4,158
Geological consulting	-	11,050	1,371	18,000	22,214	52,635
Field expenses	-	-	-	-	4,598	4,598
Licences, permits and maintenance fees	-	-	31,382	-	-	31,382
Drilling and transportation	-	-	-	-	117,902	117,902
Travel and accommodation	-	-	-	13,738	-	13,738
Other	-	-	134	-	4,052	4,186
	637,698	285,617	555,238	70,598	152,924	1,702,075
Write-offs during the year	(560,419)	(285,617)	(555,238)	(70,598)	-	(1,471,872)
Balance, end of year	77,279	-	-	-	152,924	230,203
<b>Total</b>	<b>\$ 375,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 214,399</b>	<b>\$ 589,399</b>

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**11. EXPLORATION AND EVALUATION ASSETS (Continued)**

During the year ended August 31, 2013, expenditures incurred on mineral exploration properties were as follows:

	Scotia Property, BC	Middle Mountain, Arizona	Red Hills, Arizona	Silver Bell West, Arizona	Mink Lake, Ontario	Year ended August 31, 2013
	\$	\$	\$	\$	\$	\$
<b>Acquisition Costs:</b>						
Balance, beginning of the year	297,721	121,244	118,815	203,249	-	741,029
Additions during the year	-	-	-	-	30,725	30,725
	297,721	121,244	118,815	203,249	30,725	771,754
Write-offs during the year	-	(121,244)	-	-	-	(121,244)
Balance, end of year	297,721	-	118,815	203,249	30,725	650,510
<b>Deferred Exploration Costs:</b>						
Balance, beginning of year	629,298	421,460	274,367	216,317	-	1,541,442
Reports and surveys	-	-	-	-	-	-
Assays and lab tests	-	-	-	2,236	-	2,236
Geological consulting	8,400	201	200	61,602	7,700	78,103
Equipment rental	-	-	-	4,761	400	5,161
Field expenses	-	-	-	6,096	-	6,096
Licences, permits and maintenance fees	-	-	-	27,746	-	27,746
Drilling and transportation	-	-	-	183,416	-	183,416
Travel and accommodation	-	-	-	12,336	1,760	14,096
Administration and other	-	-	-	7,841	-	7,841
	637,698	421,661	274,567	522,351	9,860	1,866,137
Write-offs during the year	-	(421,661)	-	-	-	(421,661)
Balance, end of year	637,698	-	274,567	522,351	9,860	1,444,476
<b>Total</b>	<b>935,419</b>	<b>-</b>	<b>393,382</b>	<b>725,600</b>	<b>40,585</b>	<b>2,094,986</b>

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**11. EXPLORATION AND EVALUATION EXPENDITURES (Continued)**

**Shakespeare, Ontario**

In October 2013, the Company entered into an option agreement to acquire mining claims, located near Webbwood, Ontario. As consideration for the acquisition, the Company will issue 1,500,000 shares and incur \$300,000 in exploration expenditures over a period of two years. The vendor retains a 2% Net Smelter Royalty ("NSR") of which 1% can be purchased for \$2,000,000. In January 2014, the Company issued 1,500,000 shares (valued at \$60,000).

**Scotia Property, British Columbia**

In 2005, the Company entered into an option agreement to earn a 50% interest in a mineral property located in the Scotia River area of the Skeena Mining district of British Columbia. In 2006, the Company issued 100,000 common shares (valued at \$9,500) pursuant to this property option agreement.

During the year ended August 31, 2007, the option agreement was replaced by a purchase agreement subsequently amended, whereby the Company paid \$310,000 cash issued 300,000 common shares (valued at \$29,500) to acquire the property. The property is subject to a 2% NSR of which 1% may be purchased by the Company for \$1,000,000.

During the year ended August 31, 2010, the Company entered into an option agreement with Hawkeye Gold & Diamond Inc. ("Hawkeye") whereby Hawkeye could earn up to a 60% interest in the Scotia Property. During the year ended August 31, 2011, the Company received \$25,000 cash and 200,000 common shares of Hawkeye valued at \$37,000 prior to termination of the agreement due to default.

During the year ended August 31, 2014, the Company wrote the exploration and evaluation assets down to \$375,000, representing the earn-in amount pursuant to an agreement entered into subsequent to August 31, 2014 (Note 19(c)).

**Middle Mountain Property, Arizona**

During the year ended August 31, 2008, the Company entered into an agreement, subsequently amended, to acquire the right to lease 100% of the state mineral permits and federal lode mining claims known as the Middle Mountain property, located in the south-central Arizona. As at August 31, 2013, the Company had paid a total of US\$330,000 and issued 800,000 common shares (valued at \$81,000).

During the year ended August 31, 2013, based on the drill results at Middle Mountain, the Company decided to drop its interest in the property and the capitalized costs were written off accordingly.

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**11. EXPLORATION AND EVALUATION EXPENDITURES (Continued)**

**Red Hills, Arizona**

During the year ended August 31, 2008, the Company entered into an agreement, subsequently amended, to acquire interest in the Red Hills property, located near Florence in Pinal County, Arizona. As at August 31, 2013, the Company had paid a total of US\$180,000 and issued 350,000 common shares (valued at \$36,500).

During the year ended August 31, 2014, the Company has abandoned the property and all capitalized costs have been written off accordingly.

**Silver Bell, Arizona**

During the year ended August 31, 2009, the Company entered into a letter of intent, subsequently amended, to enter into a lease-option agreement to earn a 100% interest in the Silver Bell West property located in Arizona. As at August 31, 2013, the Company had paid a total of US\$180,000 and issued 150,000 common shares (valued at \$15,750).

During the year ended August 31, 2014, the Company has abandoned the property and all capitalized costs have been written off accordingly.

**Mink Lake, Ontario**

During the year ended August 31, 2013, the Company acquired the Mink Lake property in Chabanel Township, Sault Ste. Marie, Ontario. As consideration for the acquisition, the Company issued 100,000 common shares valued at \$5,000 and granted the vendors a 2% NSR of which 1% can be purchased for \$1,000,000.

During the year ended August 31, 2013, the Company announced that it entered into an option agreement to acquire 7 unpatented mining claims contiguous to the Mink Lake claims. As consideration for a 100% earn-in, the Company will issue an aggregate of 2,100,000 shares, pay \$50,000 and incur \$700,000 in expenditures over a three year period. On June 26, 2013, pursuant to the terms of the agreement, the Company issued 600,000 shares valued at \$24,000.

During the year ended August 31, 2014, the Company has abandoned the property and all capitalized costs have been written off accordingly.

**Malartic West, Quebec**

During the period ended August 31, 2014, the Company entered into an agreement to purchase a 100% interest in the Malartic West project. The Company will pay \$20,000 and issue 2,000,000 common shares over a one year period. The property is subject to a 2% NSR is in place with the Company having the right to buy back 1% of the Royalty for \$1,000,000.

On May 14, 2014 the Company announced it has determined not to proceed with the acquisition.

**12. ACCOUNTS PAYABLE**

The payables balance is comprised of the following items:

	<i>August 31,</i> <i>2014</i>	<i>August 31,</i> <i>2013</i>
Trade payables	\$ 475,235	\$ 481,608
Accrued liabilities	25,690	45,451
<b>Total</b>	<b>\$ 500,925</b>	<b>\$ 527,059</b>

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**13. RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them.

*Trading Transactions*

The Company entered into the following transactions with related parties:

	Nature of transactions	Notes	Year ended	
			August 31, 2014	August 31, 2013
England Communications	Management fees	a (i)	\$ 48,000	\$ 65,400
England Communications	Office, rent and miscellaneous	a (ii)	\$ 160,500	\$ 196,863
Olga Nikitovic	Professional fees	c	\$ 24,500	\$ 60,000
Paul Gray Geological	Consulting fees	d	\$ -	\$ 7,013

- a) The Company paid or accrued \$208,500 to England Communications Ltd. (“ECL”), a management company controlled by a director and officer of the Company. ECL provides a CEO, CFO, corporate secretary, administrative services and office space. Allocation of costs are as follows.
- i) Management fees of \$48,000 (2013 - \$65,400) for the CEO.
- ii) CFO and Corporate Secretary fees of \$18,000 (2013- \$23,700), rent of \$36,000 (2013-\$36,000) and office expenses of \$106,500 (2013 - \$137,163). These charges are recorded as office, rent and miscellaneous expense.

As of August 31, 2014, there was \$70,022 (2013 - \$69,026) owing to this company which was included in accounts payable. As at August 31, 2014, \$7,048 (2013 - \$7,048) of rent was included in prepaid expenses

- b) The Company incurred \$24,500 (2013 - \$60,000) charged by the former CFO of the Company. The amount is included in professional fees. As at August 31, 2014, \$Nil (2013 - \$21,000) was included in accounts payable.
- c) The Company incurred \$Nil (2013 - \$7,013) of consulting fees from a company controlled by a director. \$Nil (2013 - \$6,788) of the fees is charged to exploration and evaluation expenditures and \$Nil (2013 - \$225) is included in consulting expense.

During the year ended August 31, 2014, the Company obtained loans of \$47,500 from ECL. The loans were non-interest bearing and were repaid during the year ended August 31, 2014.

During the year ended August 31, 2013, the Company obtained a loan of \$800 from ECL. The loan was non-interest bearing and was repayable on demand. The loan was repaid during the year ended August 31, 2014.

*Compensation of key management personnel*

	Notes	Year ended	
		August 31, 2014	August 31, 2013
Management fees	a	\$ 90,500	\$ 149,100
Share-based payments	b	\$ 20,745	\$ 21,574

- a) The salaries include the fees for the CEO, CFO and Corporate Secretary included in trading transactions above.
- b) Share-based payments are the grant date fair value of options granted to key management (CEO, CFO, and Corporate Secretary) and directors.

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**14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS**

**Capital stock**

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

During the year ended August 31, 2014, the Company:

- i) completed a private placement with the issuance of 5,150,000 units at a price of \$0.05 per unit for gross proceeds of \$257,500. Each unit consisted of one common share and one warrant of the Company. Each warrant entitles the holder to purchase one share at an exercise price of \$0.075 per share for the first year after closing and \$0.10 for the second year following closing. Share issue costs totalled \$4,538.
- ii) issued 100,000 common shares pursuant to the exercise of options for gross proceeds of \$5,000. Accordingly, the Company transferred \$4,414 to capital stock from share-based payments reserve.
- iii) completed a non-brokered private placement of 4,200,000 flow-through units at a price of \$0.05 per unit for aggregate gross proceeds of \$210,000. Each unit consisted of one common share and one share purchase warrant of the Company. Each Warrant will entitle the holder to purchase one share for a period of 24 months from the closing date at an exercise price of \$0.075 per share. Finder's fees of \$1,000 were paid and 20,000 finder's warrants (valued at \$334) were issued. The finder's warrants are exercisable at \$0.10 for a period of two years. Cash share issue costs of \$5,140 were incurred.
- iv) issued 1,500,000 shares (valued at \$60,000) pursuant to the terms of the Shakespeare option agreement.
- v) completed a non-brokered private placement of 2,000,000 units at a price of \$0.05 per unit for aggregate gross proceeds of \$100,000, of which \$52,500 was exchanged for accounts payable. Each unit consisted of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase one share for a period of 24 months from the closing date at an exercise price of \$0.075 per share. Cash share issue costs of \$2,336 were incurred.
- vi) completed a non-brokered private placement of 1,574,500 units at a price of \$0.05 per unit for gross proceeds of \$78,725. Each unit consisted of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase one share at a price of \$0.075 per warrant until April 8, 2016. Cash share issue costs of \$1,219 were incurred.
- vii) issued 400,000 common shares pursuant to the exercise of options for gross proceeds of \$20,000. Accordingly, the Company transferred \$6,272 to capital stock from share-based payments reserve.

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**14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)**

**Capital stock (continued)**

During the year ended August 31, 2013, the Company:

- i) completed its first tranche of a non-flow through private placement with the issuance of 4,923,000 units at a price of \$0.065 per unit for gross proceeds of \$319,995 of which \$66,442 was allocated to warrants. Each unit consists of one common share and one warrant of the Company. Each warrant entitles the holder to purchase one share for a period of 18 months at an exercise price of \$0.10 per share. The Company issued finders a total of 140,000 share purchase warrants valued at \$1,346 exercisable at \$0.10 per share for twelve months and a cash commission of \$9,100. Total share issue costs were \$17,527 of which \$3,640 was allocated to warrants.
- ii) completed a flow through private placement with the issuance of 871,250 units at a price of \$0.08 per unit for gross proceeds of \$69,700 of which \$10,149 was allocated to warrants and \$14,246 has been allocated to the flow through premium. Each flow-through unit consists of one flow-through common share and one non-flow-through warrant. Each non-flow-through warrant entitles the holder to purchase one share for a period of 18 months at an exercise price of \$0.12 per share. The Company issued finders a total of 72,750 share purchase warrants valued at \$685 exercisable at \$0.10 per share for twelve months and a cash commission of \$5,820. Total share issue costs were \$8,909 of which \$1,630 was allocated to warrants.
- iii) completed the second tranche of a non-flow-through private placement with the issuance of 1,393,000 units at a price of \$0.065 per unit for gross proceeds of \$90,545 of which \$18,808 was allocated to warrants. Each unit consists of one common share and one warrant of the Company. Each warrant entitles the holder to purchase one share for a period of 18 months at an exercise price of \$0.10 per share. The Company issued finders a total of 50,000 share purchase warrants valued at \$344 exercisable at \$0.10 per share for twelve months and a cash commission of \$3,250. Total share issue costs were \$5,598 of which \$1,163 was allocated to warrants.
- iv) issued a total of 700,000 shares valued at \$29,000 pursuant to the acquisition of Mink Lake property claims.
- v) completed the first tranche of a private placement with the issuance of 1,200,000 units at a price of \$0.05 per unit for gross proceeds of \$60,000 of which \$17,054 was allocated to warrants. Each unit consists of one common share and one warrant of the Company. Each warrant entitles the holder to purchase one share at an exercise price of \$0.075 per share for the first year after closing and \$0.10 for the second year following closing. Total share issue costs were \$2,369 of which \$673 was allocated to warrants.



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**14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)**

**Share purchase warrants**

At August 31, 2014, warrants were outstanding enabling holders to acquire shares as follows:

Expiry Date	Exercise Price	Number of warrants	Remaining contractual life (years)	Currently exercisable	Remaining contractual life (years)
August 29, 2015	\$ 0.10	1,200,000	0.99	1,200,000	0.99
September 23, 2014	0.075	5,150,000	1.06	5,150,000	0.06
September 23, 2015	then 0.10				
December 20, 2015	0.075	3,200,000	1.30	3,200,000	1.30
December 20, 2015	0.10	20,000	1.30	20,000	1.30
December 30, 2015	0.075	1,000,000	1.33	1,000,000	1.33
February 6, 2016	0.075	2,000,000	1.44	2,000,000	1.44
April 8, 2016	0.075	1,574,500	1.61	1,574,500	1.61
		14,144,500	0.88	14,144,500	0.88

The following is a summary of the warrant transactions during the year ended August 31, 2014 and, 2013:

	Year ended August 31, 2014		Year ended August 31, 2013	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of the year	11,217,500	\$ 0.12	2,567,500	\$ 0.20
Warrants issued - pursuant to private placements	12,944,500	0.08	8,650,000	0.10
Warrants expired	(10,017,500)	0.13	-	
Balance, end of year	14,144,500	\$ 0.08	11,217,500	\$ 0.12

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of warrants issued in the year ended August 31, 2014 and 2013:

	Year ended August 31, 2014	Year ended August 31, 2013
Risk-free interest rate	1.07%	1.14%
Expected life of warrants	2.0 years	1.55 years
Expected annualized volatility	136 %	96%
Expected dividend rate	0%	0%

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**14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)**

**Stock options**

The Company may grant stock options pursuant to a stock option plan which was initially established in accordance with the policies of the TSX-V. Subsequent to August 31, 2014, the Company moved its listing from the TSX-V to the CSE, and did not change the stock option plan. The Board of Directors administers the Plan, pursuant to which the Board of Directors may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants and advisors. The options can be granted for a maximum of five years.

As at August 31, 2014, the following incentive stock options were outstanding:

Expiry Date	Exercise price	Options Outstanding and Exercisable	
		Number of Options Outstanding	Weighted average remaining contractual life (years)
June 10, 2015	\$ 0.05	300,000	0.78
July 8, 2015	0.05	50,000	0.85
July 25, 2015	0.05	450,000	0.90
January 10, 2017	0.10	525,000	2.36
June 19, 2017	0.10	250,000	2.80
October 5, 2017	0.10	100,000	3.10
December 27, 2017	0.10	150,000	3.33
January 31, 2018	0.10	150,000	3.42
September 26, 2018	0.05	550,000	4.07
February 11, 2019	0.10	300,000	4.53
April 3, 2019	0.05	700,000	4.59
		3,525,000	3.05

480,000 options were exercised subsequent to August 31, 2014.

The following is a summary of the option transactions during the year ended August 31, 2014 and 2013:

	Year ended August 31, 2014		Year ended August 31, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the year	2,300,000	\$ 0.10	1,325,000	\$ 0.10
Options granted	2,900,000	0.06	975,000	0.10
Options exercised	(500,000)	0.05	-	-
Options expired	(1,175,000)	0.10	-	-
Balance, end of the year	3,525,000	\$ 0.07	2,300,000	\$ 0.10

During the year ended August 31, 2014, 500,000 options were exercised at \$0.05. The weighted average fair value of the options at the date of exercise was \$0.048.

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**14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)**

**Stock options (continued)**

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted for the year ended August 31, 2014 and 2013:

	Year ended August 31, 2014	Year ended August 31, 2013
Risk-free interest rate	1.49%	1.40%
Expected life of options	3.34 years	4.6 years
Expected annualized volatility	140%	121%
Expected dividend rate	0%	0%

**Share based compensation**

During the year ended August 31, 2014, the Company

- i) granted 2,600,000 options exercisable at \$0.05 for a period of one to five years to officers, directors and consultants. The options vested immediately.
- ii) granted 300,000 options exercisable at \$0.10 for a period of five years to to a consultant. The options vested immediately.

Accordingly, share-based compensation expense for the year ended August 31, 2014 was \$99,680 with a weighted average fair value of \$0.03 per option granted.

During the year ended August 31, 2013, the Company granted 975,000 options exercisable at \$0.10 for a period of one to five years. The options vested immediately. Accordingly, share-based compensation expense for the year ended August 31, 2013 was \$59,451 with a weighted average fair value of \$0.06 per option granted.

**15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash investing and financing transactions for the year ended August 31, 2014 consisted of:

- a) Share issue costs of \$14,320 included in accounts payable.
- b) Issued 1,500,000 shares valued at \$60,000 pursuant to the Shakespeare property agreement.
- c) At August 31, 2014, the Company had \$157,221 of accounts payable that related to exploration and evaluation expenditures.
- d) Transferred \$10,686 from share-based payment reserve to share capital upon exercised options.
- e) Issued 1,050,000 shares valued at \$52,500 for accounts payable.

Significant non-cash investing and financing transactions for the year ended August 31, 2013 consisted of:

- a) An increase in accrued exploration and evaluation expenditures of \$91,783.
- b) An increase in accrued share issue costs of \$8,144.
- c) Issued 600,000 shares valued at \$29,000 pursuant to the Mink Lake property claim acquisition.

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**16. INCOME TAX**

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

	<b>2014</b>	<b>2013</b>
Loss for the year	\$ (2,674,660)	\$ (1,290,571)
Expected income tax (recovery)	\$ (695,000)	\$ (361,000)
Change in statutory, foreign tax, foreign exchange rates and oth	(223,000)	2,000
Permanent Difference	26,000	15,000
Impact of flow through share	58,000	2,000
Share issue cost	(3,000)	-
Adjustment to prior years provision versus statutory tax return:	146,000	-
Change in unrecognized deductible temporary	691,000	342,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	<b>2014</b>	<b>2013</b>
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	\$ 795,000	\$ 304,000
Share issue costs	12,000	13,000
Allowable capital losses	1,000	-
Non-capital losses available for future period	511,000	311,000
	1,319,000	628,000
Unrecognized deferred tax assets	(1,319,000)	(628,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	<b>2014</b>	<b>Expiry Date</b>	<b>2013</b>	<b>Expiry Date</b>
<b>Temporary Differences</b>		<b>Range</b>		<b>Range</b>
Exploration and evaluation assets	\$ 2,182,000	No expiry date	\$ 1,086,000	No expiry date
Investment tax credit	2,000	2020 to 2033	-	2020 to 2032
Share issue costs	48,000	2034 to 2037	46,000	2033 to 2036
Allowable capital losses	2,000	No expiry date	-	No expiry date
Non-capital losses available for future period	1,964,000	2014 to 2033	1,111,000	2014 to 2032

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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**17. SEGMENTED INFORMATION**

The Company primarily operates in one reportable segment, being the acquisition and exploration of resource properties in Canada and the United States. Segmented information on a geographic basis is as follows:

	August 31, 2014	August 31, 2013
Canadian exploration assets and reclamation bonds	\$ 594,439	\$ 981,044
US exploration and evaluation assets and reclamation bonds	63,785	1,180,767
	<u>\$ 658,224</u>	<u>\$ 2,161,811</u>

Substantially all of the other assets and operating expenditures are in Canada.

**18. COMMITMENTS AND CONTINGENCIES**

The Company's exploration and evaluation activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. 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.

The Company was obligated to spend \$68,829 by December 31, 2013 as part of the flow through funding agreement for shares issued in December 2012 and is obligated to spend \$205,800 by December 31, 2014 as part of the flow through funding agreement for shares issued in December 2013 (\$164,553 incurred to August 31, 2014). The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to flow through participants. The Company indemnified the subscribers for any related tax amounts that become payable by the subscribers as a result of the Company not meeting its expenditure commitments. The Company incurred an expenditure shortfall of \$1,104 on its December 31, 2013 obligation and has accrued \$442 related to the indemnification of the subscribers.

In February 2014, the Company entered into a Financial Public Relations Service Agreement. Pursuant to the terms of the agreement, the Company will pay a monthly fee of \$7,500 plus applicable taxes for a twelve month period. In addition, the Company issued 300,000 options exercisable at \$0.10 (Note 14).

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**19. SUBSEQUENT EVENTS**

Subsequent to the year ended August 31, 2014, the Company:

- a) completed its non-brokered private placement of 11,545,000 units at a price of \$0.05 per unit for gross proceeds of \$577,250, of which \$60,000 was exchanged for accounts payable, \$272,500 related to subscriptions received in advance and \$50,000 related to prepaid consulting services. Each unit is comprised of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase one share at a price of \$0.10 per share purchase warrant until September 3, 2016, subject to an acceleration clause. In connection to the Offering, the Company issued a total of 34,800 finder's warrants to purchase up to 34,800 shares at a price of \$0.10 per share for a period of 12 months, subject to the acceleration clause. In addition, the Company paid cash commissions to the finders totaling \$1,740. All securities issued pursuant to the private placement are subject to a hold period expiring on January 4, 2015.
- b) Signed an agreement with a private Uruguay Company (the "Vendor") to pursue the development and commercialization of cannabinoids.

The Company will purchase certain assets and have access to Vendor consultants in consideration of staged cash payments and share issuances as follows:

Cash payments

- \$20,000 – within 30 days of execution of agreement (paid)
- \$20,000 – within 60 days of execution of agreement (paid)
- \$30,000 – within 90 days of execution of agreement

Share issuances

- 18% of the total issued and outstanding shares of the Company which will be issued over time upon meeting specific milestones. The Company has issued 2,428,322 common shares subsequent to year-end upon meeting the first milestone.

The agreement includes a management agreement whereby the Company shall create a Uruguayan subsidiary and enter into a contract with the sole shareholder of the Vendor for management services for an initial term of three years, with an option to renew for one additional year, with a base salary of \$84,000 per year.

The Company will grant the Vendor a 15% royalty on the net profits of any products sold by the Uruguayan subsidiary.

The Company is currently re-negotiating the terms of the agreement.

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**19. SUBSEQUENT EVENTS (Continued)**

- c) Entered into an agreement with Glenmark Capital Corp. (“Glenmark”) whereby Glenmark can earn a 100% interest in the Scotia property in British Columbia. To earn the interest Glenmark must pay \$375,000 and complete \$750,000 in exploration over 36 months as follows:

<b>Date</b>	<b>Cash</b>	<b>Exploration</b>
Upon Glenmark closing a minimum \$350,000 financing	\$75,000	\$Nil
12 months from date of closing	\$100,000	\$250,000
24 months from date of closing	\$100,000	\$250,000
36 months from date of closing	\$100,000	\$250,000
<b>Total</b>	<b>\$375,000</b>	<b>\$750,000</b>

The agreement is subject to a 2% underlying NSR payable to a third party and a 1/2% NSR payable to the Company of which 1% of the underlying NSR can be purchased by Glenmark for \$1,000,000.

- d) Entered into a Consulting and License agreement with Affinor Growers Inc. (“AFI” or “Affinor”) whereby the Company will license certain technology from Affinor and retain Affinor for consulting services.

As consideration for the consulting services to be rendered by Affinor, the Company shall issue 12,000,000 common shares as follows:

- 1) 6,000,000 shares as soon as commercially practicable (issued)
- 2) 6,000,000 shares within six months of executing the agreement.

The Company will also pay a 3% royalty to Affinor based on the net sales of licensed products.

The Company issued 1,000,000 common shares as a finder’s fee in connection with the agreement.

- e) Granted a total of 2,000,000 stock options exercisable at a price of \$0.05 for a period of one year.