

Financial Statements of

**Mountain Lake Minerals Inc.**

For the three and six months ended May 31, 2014 and 2013

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice to this effect.

The accompanying unaudited condensed interim financial statements have been prepared by management of the Company. Management have compiled the condensed interim statement of financial position of Mountain Lake Minerals Inc. as at May 31, 2014 and 2013, the condensed interim statements of loss and comprehensive loss for the three and six months ended May 31, 2014 and 2013, the condensed interim statement of changes in equity as at May 31, 2014 and 2013, and the condensed interim statement of cash flows for the six months ended May 31, 2014 and 2013. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the May 31, 2014 and 2013 condensed interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

**Mountain Lake Minerals Inc.**  
Unaudited Condensed Interim Statements of Financial Position

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*As at May 31, 2014 and November 30, 2013 (in Canadian dollars)*

	<b>May 31, 2014</b>	<b>November 30, 2013</b>
<b>ASSETS</b>	\$	\$
<b>Current assets</b>		
Cash	32,945	41,010
Input taxes receivable	1,848	2,727
Prepaid expenses	14,052	14,660
Marketable securities (Note 6)	124,331	194,846
	<u>173,176</u>	<u>253,243</u>
Equipment	22,645	28,551
Exploration and evaluation assets (Note 7)	<u>4,127,443</u>	<u>4,140,406</u>
Total Assets	<u><u>4,323,264</u></u>	<u><u>4,422,200</u></u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	110,513	94,669
<b>SHAREHOLDERS' EQUITY</b>		
Total Shareholders' Equity	<u>4,212,751</u>	<u>4,327,531</u>
Total Liabilities and Shareholders' Equity	<u><u>4,323,264</u></u>	<u><u>4,422,200</u></u>

**Going concern - Note 2**  
**Subsequent events - Note 9**

See accompanying notes to unaudited condensed interim financial statements.

**Mountain Lake Minerals Inc.**

## Unaudited Condensed Interim Statements of Loss and Comprehensive Loss

For the three and six months ended May 31 (in Canadian dollars)

	Three months ended May 31		Six months ended May 31	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Expenses</b>				
Management fees	<b>(18,333)</b>	36,510	<b>9,167</b>	70,768
Shareholder information and communications	<b>1,448</b>	32,429	<b>1,493</b>	65,741
Professional fees	<b>4,887</b>	25,982	<b>19,787</b>	53,759
Office and general	<b>7,260</b>	8,647	<b>14,322</b>	17,513
Travel and business development	<b>1,589</b>	7,871	<b>2,935</b>	14,927
Share transfer, listing and filing fees	<b>3,513</b>	3,875	<b>7,959</b>	8,997
Share-based payments	-	2,345	-	7,923
Amortization	<b>265</b>	265	<b>531</b>	531
	<b>629</b>	117,924	<b>56,194</b>	240,159
Gain on option of exploration and evaluation assets	-	(5,000)	-	(5,000)
Loss (gain) on marketable securities	<b>20,804</b>	4,289	<b>56,586</b>	(4,079)
<b>Net loss and comprehensive loss for the period</b>	<b>21,433</b>	117,213	<b>112,780</b>	231,080
<b>Loss per share – basic and diluted</b> (Note 10)	<b>0.00</b>	0.00	<b>0.00</b>	0.01

See accompanying notes to unaudited condensed interim financial statements.

**Mountain Lake Minerals Inc.**

## Unaudited Condensed Interim Statements of Changes in Equity

*For the six months ended May 31 (in Canadian dollars)*

	Common shares		Warrants	Contributed Surplus	Share-based payments reserve	Convertible Notes (Note 8)	Deficit	Total Shareholders' Equity
	Number	\$						
Balance, November 30, 2013	26,473,011	4,832,127	92,900	51,400	355,426	68,000	(1,072,322)	4,327,531
Repayment of convertible notes	-	-	-	-	-	(2,000)	-	(2,000)
Net loss and comprehensive loss	-	-	-	-	-	-	(112,780)	(112,780)
Balance, May 31, 2014	26,473,011	4,832,127	92,900	51,400	355,426	66,000	(1,185,102)	4,212,751

	Common shares		Warrants	Share-based payments reserve	Deficit	Total Shareholders' Equity		
	Number	\$						
Balance, November 30, 2012			23,649,997	4,720,322	154,100	347,269	(610,924)	4,610,767
Issuance of shares for exploration and evaluation assets			200,000	20,000	-	-	-	20,000
Share-based payments			-	-	-	7,923	-	7,923
Net loss and comprehensive loss			-	-	-	-	(231,080)	(231,080)
Balance, May 31, 2013			23,849,997	4,740,322	154,100	355,192	(842,004)	4,407,610

See accompanying notes to unaudited condensed interim financial statements.

**Mountain Lake Minerals Inc.**  
**Unaudited Condensed Interim Statements of Cash Flows**

*For the six months ended May 31 (in Canadian dollars)*

	<b>2014</b>	<b>2013</b>
<b>Cash provided by (used in)</b>	\$	\$
<b>Operating activities</b>		
Net loss for the period	<b>(112,780)</b>	(231,080)
Adjustments for:		
Amortization	531	531
Loss (gain) on marketable securities	<b>56,586</b>	(4,079)
Share-based payments	-	7,923
	<b>(55,663)</b>	(226,705)
Net change in non-cash working capital balances related to operations		
(Increase) decrease in input taxes receivable	<b>879</b>	17,654
Decrease in prepaid expenses	<b>608</b>	3,145
Increase in accounts payable and accrued liabilities	<b>16,277</b>	173,150
	<b>(37,899)</b>	(32,756)
<b>Financing activities</b>		
Proceeds of disposition of exploration and evaluation assets	<b>175,000</b>	-
Proceeds from sale of marketable securities	<b>13,929</b>	28,743
Proceeds from issuance of convertible notes	-	88,000
Repayment of convertible notes	<b>(2,000)</b>	-
	<b>186,929</b>	116,743
<b>Investing activities</b>		
Exploration and evaluation expenditures	<b>(157,095)</b>	(148,444)
	<b>(157,095)</b>	(148,444)
Increase (decrease) in cash for the period	<b>(8,065)</b>	(64,457)
Cash – beginning of period	<b>41,010</b>	74,077
Cash – end of period	<b>32,945</b>	9,620

**See Supplemental cash flow information** (Note 11)

## **Mountain Lake Minerals Inc.**

### **Notes to the Unaudited Condensed Interim Financial Statements**

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*For the three and six months ended May 31, 2014 and 2013 (in Canadian dollars)*

#### **NOTE 1 – ARRANGEMENT, INCORPORATION AND BASIS OF PRESENTATION**

Mountain Lake Minerals Inc. (“Mountain Lake Minerals” or the “Company”) was incorporated under the Business Corporations Act (British Columbia) on May 16, 2012, as a wholly-owned subsidiary of Mountain Lake Resources Inc. (“MLR”). The address of the Company’s registered office is Suite 1750 – 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

#### **NOTE 2 – NATURE OF OPERATIONS AND GOING CONCERN**

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for at least the next twelve months. However, there is substantial doubt as to the Company’s ability to continue as a going concern. The Company has experienced losses since incorporation and negative cash flow from operations. As at May 31, 2014, the Company has cash of \$32,945 and marketable securities of \$124,331 to settle current liabilities of \$110,513. To maintain the leases on its mineral properties, the Company has payment obligations of approximately \$154,000 over each of the next eight years. The lease on the Company’s Glover Island property is in good standing to April 2015.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of a financing or monetizing assets, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements. There is no certainty that these and other strategies will be successful to permit the Company to continue beyond May 31, 2015.

The recoverability of amounts shown for exploration and evaluation assets and the Company’s continued viability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or proceeds from the disposition of its interests. The ability to raise capital is outside of the Company’s control. If the Company does not raise sufficient capital, it may not be able to continue as a going concern and therefore realize its assets and discharge its liabilities in the normal course of business.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to reflect these financial statements on a liquidation basis which could differ from accounting principles applicable to a going concern.

#### **NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES**

These unaudited condensed interim financial statements should be read in conjunction with the Company’s annual financial statements and accompanying notes for the period ended November 30, 2013. These unaudited condensed interim financial statements have been prepared using the same accounting policies and judgments and estimates as described in the Company’s November 30, 2013 annual financial statements.

##### **a) Statement of compliance**

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”).

The financial statements were authorized for issue by the Board of Directors on July 29, 2014.

##### **b) Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for cash and marketable securities which are measured at fair value.

##### **c) Functional and presentation currency**

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

##### **d) Accounting standards adopted in the current period**

## **Mountain Lake Minerals Inc.**

### **Notes to the Unaudited Condensed Interim Financial Statements**

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*For the three and six months ended May 31, 2014 and 2013 (in Canadian dollars)*

#### Consolidated Financial Statements

The IASB issued IFRS 10, Consolidated Financial Statements on May 12, 2011 to replace the current IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities. The new standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

#### Joint Arrangements

The IASB issued IFRS 11, Joint Arrangements on May 12, 2011 to replace the current IAS 31, Interests in Joint Ventures. The new standard classifies joint arrangements as either joint ventures or joint operations. Interests in joint ventures will be accounted for using equity accounting, eliminating the proportionate consolidation option currently available under IAS 31.

#### Disclosure of Interest in Other Entities

On May 12, 2011 the IASB issued IFRS 12, Disclosure of Interest in Other Entities. This standard establishes disclosure requirements for interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet entities.

#### Fair Value Measurement

The IASB issued IFRS 13, Fair Value Measurement on May 12, 2011. This is a comprehensive standard for fair value measurement and disclosure of fair value measurements across various IFRS standards. IFRS 13 provides a definition of fair value, sets out a single IFRS framework for measuring fair value, and outlines requirements for disclosure of fair value measurements.

#### International Accounting Standard 27, Separate Financial Statements (“IAS 27”)

IAS 27 replaces IAS 27, Consolidated and Separate Financial Statements and contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9.

#### International Accounting Standard 28, Investments in Associates and Joint Ventures (“IAS 28”)

IAS 28 has been amended as a consequence of the issuance of IFRS 10, IFRS 11, and IFRS 12, and will further provide accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard will be applied by the Company when there is joint control or significant influence over an investee.

#### IFRS Interpretations Committee Interpretation 20, Stripping costs in the production phase of a surface mine (“IFRIC 20”)

IFRIC 20 sets out the criteria for the capitalization of production stripping costs to non-current assets, and states that stripping activity is recognized as a component of the larger asset to which it relates. In addition, IFRIC 20 requires companies to ensure that capitalized costs are amortized over the useful life of the component of the ore body to which access has been improved due to the stripping activity.

#### Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

On December 16, 2011 the IASB published new disclosure requirements jointly with the Financial Accounting Standards Board (“FASB”) that enables users of the financial statements to better compare financial statements prepared in accordance with IFRS and US Generally Accepted Accounting Principles.

e) New and revised IFRSs in issue but not effective:

The following standards are effective for annual periods beginning on or after January 1, 2014 with early adoption permitted, unless otherwise disclosed. The Company is currently evaluating the impact of these new standards, but they are not anticipated to have a significant impact on the Company.

#### Financial Instruments

The IASB has issued a new standard, IFRS 9 (2010), Financial Instruments, which will ultimately replace IAS 39, Financial Instruments – Recognition and Measurement and augments the previously issued IFRS 9 (2009). The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. In addition, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 (2013). The new standard removes the January 1, 2015 effective



## **Mountain Lake Minerals Inc.**

### **Notes to the Unaudited Condensed Interim Financial Statements**

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*For the three and six months ended May 31, 2014 and 2013 (in Canadian dollars)*

date of IFRS 9. The date IFRS 9 becomes effective is in the process of being finalized by the International Accounting Standards Board.

#### Offsetting Financial Assets and Financial Liabilities

On December 16, 2011 the IASB published amendments to International Accounting Standard 32, Financial Instruments: Presentation ("IAS 32"), to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

#### Levies

In May 2013, the IASB issued IFRIC 21, Levies, which is effective for annual periods commencing on or after January 1, 2014 and is not to be applied retrospectively.

#### Recoverable Amount Disclosures for Non-Financial Assets

In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial assets (Amendments to IAS 36). The amendments apply retrospectively for annual periods beginning on or after January 1, 2014.

### **NOTE 4 – CAPITAL MANAGEMENT**

The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. The Company's definition of capital is shareholders' equity, which as at May 31, 2014 was \$4,212,751 (2013 - \$4,407,610).

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing, primarily equity financing, to fund its activities. There can be no assurance that the Company will be able to continue to raise capital in this manner. To carry out the planned exploration and fund administrative costs, the Company will utilize 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 and economic potential and if it has adequate financial resources to do so.

The Company generally invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid financial instruments, such as cashable guaranteed investment certificates, held with a major Canadian financial institution.

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

### **NOTE 5 – FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, marketable securities, accounts payable and accrued liabilities. Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. Cash is designated as held-for-trading and measured at fair value. Marketable securities are carried at fair value as it is comprised of common shares in a publicly-traded company which have a quoted market price in an active market. Accounts payable and accrued liabilities are designated as other financial liabilities and measured at amortized cost. The recorded values of all financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

#### Credit risk

The Company has no significant credit risk arising from operations. The Company does not engage in any sales activities, so is not exposed to major credit risks attributable to customers. The Company's credit risk is primarily attributable to cash. The Company holds its cash with Canadian chartered banks and the risk of default is considered to be remote.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (Note 2). The Company's accounts payable and accrued liabilities are due within one year. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of stock market conditions generally or as a result of conditions specific to the Company. The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. As at May 31, 2014, the Company has cash of \$32,945 and marketable

## Mountain Lake Minerals Inc.

### Notes to the Unaudited Condensed Interim Financial Statements

*For the three and six months ended May 31, 2014 and 2013 (in Canadian dollars)*

securities of \$124,331 to settle current liabilities of \$110,513. To maintain the leases on its mineral properties, the Company has payment obligations of approximately \$154,000 over each of the next eight years. The lease payment of \$154,000 on the Company's Glover Island property was paid in April 2014, which maintains the lease to April 2015.

#### Interest rate risk

Interest rate risk is the risk that future cash flows of the Company's assets and liabilities can change due to a change in interest rates. The Company is not exposed to interest rate risk as no financial instruments are interest-bearing. It is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from the financial statements.

#### NOTE 6 - MARKETABLE SECURITIES

Marketable securities are comprised of 3,500,000 common shares of Minco plc ("MIO"), a publicly-traded company. The fair value of the common shares is based on the market price of the common shares at the reporting date. During the quarter, the Company sold its remaining 46,368 shares of RDI, a publicly-traded company, for proceeds of \$13,929.

#### NOTE 7 - EXPLORATION AND EVALUATION ASSETS

Property Description	Balance, November 30, 2013	Expenditures (Dispositions)	Balance, May 31, 2014
Glover Island	3,134,268	156,577	3,290,845
Little River	831,138	5,460	836,598
Bobby's Pond	175,000	(175,000)	-
	<u>4,140,406</u>	<u>(12,963)</u>	<u>4,127,443</u>

#### *Glover Island, Newfoundland and Labrador, Canada*

The Company has an undivided 100% interest in the Glover Island Property, a gold exploration property in Newfoundland and Labrador consisting of mineral licenses and a mining lease. The property is subject to a net smelter returns royalty ("NSR") of 1% of commercial production, which reduces to 0.5% after the payment of the first \$1.0 million. The NSR becomes effective after payment of the South Coast Royalty. The South Coast Royalty is a 3% NSR paid either from production of the Glover Island property or the production of certain other mineral interests known as the Pine Cove property (held and operated by Anaconda Mining Inc.) to an aggregate of \$3.0 million. The mining lease on the Glover Island property is in good standing to April, 2015.

#### *Little River, Newfoundland and Labrador, Canada*

The Company has a 100% interest in mineral claims in Newfoundland and Labrador. The Optionors retain a 2% net smelter return royalty and the Company has the exclusive right and option to acquire half of the net smelter return royalty for \$1.5 million.

#### *Bobby's Pond, Newfoundland and Labrador, Canada*

The Company held a 100% interest in a mining lease known as the Bobby's Pond property located in central Newfoundland and Labrador and subject to a 2% net smelter royalty. On July 29, 2013, the Company entered into an agreement (the "Bobby's Pond Agreement"), whereby Centrerock Mining Limited ("Centrerock"), a wholly owned subsidiary of Minco plc ("Minco"), agreed to acquire a 100% interest in the Bobby's Pond property in two phases. Under the terms of the Bobby's Pond Agreement, Centrerock acquired a 75% interest in the property for a cash payment of \$450,000 and a 1% net smelter return royalty ("NSR") on commercial production in favor of Mountain Lake. In April 2014, Centrerock exercised its option to acquire the remaining 25% of the property for a one-time further cash payment of \$175,000 to Mountain Lake.

#### *Other Properties*

#### *Goodwin Lake Claims, New Brunswick, Canada*

The Company holds a 100% interest in the Goodwin Lake mineral claims, subject to a 2% net smelter return royalty ("NSR"). The Company has the right to acquire one-half of the NSR for \$1.0 million.

## Mountain Lake Minerals Inc.

### Notes to the Unaudited Condensed Interim Financial Statements

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*For the three and six months ended May 31, 2014 and 2013 (in Canadian dollars)*

Hong Kong Claims, Ontario, Canada

The Company has a 41.8% interest in a mineral property known as Hong Kong Claims in Ontario. At this time the Company and the other owner have decided not to carry out further exploration. Ongoing maintenance costs are expensed as incurred.

#### **NOTE 8 – CONVERTIBLE NOTES**

On April 17, 2013, the Company received gross proceeds of \$88,000 pursuant to an interim bridge loan financing (the “Convertible Notes”) from various directors, officers, and other private investors. The convertible notes are non-interest bearing and mature on November 30, 2014 (amended by agreement of the Company and all note-holders from the original maturity date of September 30, 2013). Pursuant to the terms of the convertible notes, the notes can be converted into common shares of the Company at any time before the maturity date, at the sole election of the Company, at a conversion price of \$0.025 per share. During 2013, \$20,000 of notes were repaid in cash and, in February, 2014, \$2,000 of notes were repaid in cash.

#### **NOTE 9 – SHARE CAPITAL**

The Company’s authorized share capital consists of an unlimited number of common shares without par value.

##### *Stock Options*

The Company has a Stock Option Plan (the “Plan”) which provides that the number of options granted may not exceed 10% of the issued and outstanding shares. Options granted under the Plan generally have a five-year term and are granted at a price no lower than the market price of the common shares at the time of the grant.

For the six months ended May 31, 2014, share-based payments expense of \$Nil (2013 - \$7,923) was charged to the statement of loss. The Company issued no stock options during the period (2013 – nil).

As at May 31, 2014, the Company has 2,025,000 share purchase options outstanding at an exercise price of \$0.20 per share, expiring October 30, 2017.

##### *Warrants*

As at May 31, 2014, the Company has 1,250,000 share purchase warrants outstanding at an exercise price of \$0.30 per share, expiring July 9, 2014. Subsequent to the period end, these warrants expired unexercised.

#### **NOTE 10 – LOSS PER SHARE**

Basic loss per share is calculated based on the weighted average number of shares outstanding during the three and six months ended May 31, 2014 of 26,473,011 (2013: 23,845,648 and 23,720,326 respectively). Diluted earnings per share is based on the assumption that dilutive options under the stock option plan have been exercised on the later of the beginning of the period and the date granted. Basic and diluted loss per share are equal for the periods presented as all outstanding options and warrants were anti-dilutive.

#### **NOTE 11 – SUPPLEMENTAL CASH FLOW INFORMATION**

The following is the supplementary disclosure of non-cash activities during the six months ended May 31, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
	\$	\$
Shares issued for exploration and evaluation assets	-	20,000
Amortization charged to exploration and evaluation assets	5,375	5,375
Change in accounts payable for exploration and evaluation assets	(433)	(1,623)