



Consolidated Financial Statements
Years Ended March 31, 2014 and 2013

Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Hornby Bay Mineral Exploration Ltd.:

We have audited the accompanying consolidated financial statements of Hornby Bay Mineral Exploration Ltd. and its subsidiary, which comprise the consolidated statements of financial position as at March 31, 2014 and the consolidated statements of loss and comprehensive loss, 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 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 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

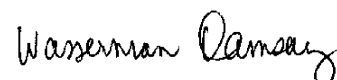
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hornby Bay Mineral Exploration Ltd. and its subsidiary as at March 31, 2014 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates that the Company had continuing losses during the year ended March 31, 2014 and a working capital deficiency at March 31, 2014. These conditions, along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other matter

The consolidated financial statements of the Company as at March 31, 2013 and for the year then ended were audited by other auditors who expressed an unmodified opinion on those statements in their report dated July 25, 2013.



Markham, Ontario
July 23, 2014

Chartered Accountants
Licensed Public Accountants

HORNBY BAY MINERAL EXPLORATION LTD.

Consolidated Statements of Financial Position (Expressed In Canadian Dollars)

As at	March 31, 2014 \$	March 31, 2013 \$
Assets		
Current		
Cash	5,893	4,743
Amounts receivable (Note 5)	6,626	23,451
Prepaid expenses (Note 6)	380,090	371,395
Total Assets	392,609	399,589
Liabilities and Shareholders' Deficiency		
Current Liabilities		
Accounts payable and accruals (Notes 13, 14 and 15)	741,684	762,078
Shareholder's loan (Note 14)	556,947	208,618
Provision for environmental remediation (Note 8)	-	86,278
Total Current Liabilities	1,298,631	1,056,974
Loan payable (Note 9)	100,000	-
Debenture (Note 14)	423,150	352,625
Total Liabilities	1,821,781	1,409,599
Shareholders' Deficiency		
Capital stock (Note 10)	38,932,423	38,858,623
Share-based payments reserve (Note 11)	421,101	330,643
Deficit	(40,782,696)	(40,199,276)
Total Shareholders' Deficiency	(1,429,172)	(1,010,010)
Total Liabilities and Shareholders' Deficiency	392,609	399,589

GOING CONCERN (Note 1)

COMMITMENTS AND CONTINGENCIES (Notes 7, 14 and 15)

SUBSEQUENT EVENTS (Note 18)

APPROVED ON BEHALF OF THE BOARD:

Signed "Chris Irwin" _____, Director

Signed "James Brady" _____, Director

HORNBY BAY MINERAL EXPLORATION LTD.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed In Canadian Dollars)

For the years ended March 31,	2014	2013
	\$	\$
Expenditures		
Exploration and evaluation expenses		
Lease rental payments	99,028	99,028
Technical consulting	78,964	142,210
Program planning and reports	64,728	76,907
Airborne geophysics	703	8,878
Camp and support	8,540	82,251
Surveying	-	838
Licences and permits	2,499	3,077
Recording fees and taxes	-	334
Total exploration and evaluation expenses	254,462	413,523
General and administration expenses		
Share-based payments	84,458	33,525
Professional fees	139,141	133,181
Shareholders' information	44,465	36,502
Travel and promotion	-	34,416
Office and general	9,989	18,891
Interest and accretion on debenture	70,796	27,125
Interest and bank charges	309	190
Total general and administration expenses	359,158	283,830
Loss before the following items	(603,620)	(697,353)
Recovery of premium liability on flow-through shares (Note 15b)	20,200	-
Gain on replacement of shareholder loan with debenture (Note 14)	-	1,174,500
Net (loss) income and comprehensive (loss) income for the year	(583,420)	477,147
(Loss) income per share – basic and diluted	(0.01)	0.01
Weighted average number of common shares outstanding	57,560,277	56,785,405

HORNBY BAY MINERAL EXPLORATION LTD.

Consolidated Statements of Cash Flows (Expressed In Canadian Dollars)

For the year ended March 31,	2014 \$	2013 \$
Cash flows from		
Operating activities		
Net (loss) income for the year	(583,420)	477,147
Adjust for: operating items not involving cash		
Share-based payments	84,458	33,525
Accrued interest and accretion on debenture	70,796	27,125
Recovery of premium on flow-through liability	(20,200)	-
Gain on replacement of shareholder loan with debenture	-	(1,174,500)
Change in non-cash working capital:		
Amounts receivable	16,824	(15,915)
Prepaid expenses	(8,696)	(3,337)
Accounts payable and accruals	(20,666)	28,739
Provision for environmental remediation	(86,278)	86,278
	(547,180)	(540,938)
Financing activities		
Proceeds on issuance of flow-through common shares	100,000	-
Proceeds from loan	100,000	-
Shareholder's loan	348,329	540,223
	548,329	540,223
Increase (decrease) in cash	1,149	(715)
Cash at beginning of year	4,743	5,458
Cash at end of year	5,893	4,743
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	-	-
Shareholder's loan replaced through issuance of debenture	-	325,500
Issuance of shares as cost of loan financing	17,000	-
Taxes paid	-	-

See accompanying notes to the consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.**Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed In Canadian Dollars)**

	Number of Shares	Capital Stock \$	Share-based Payments Reserve \$	Deficit \$	Total Shareholder's Deficiency \$
Balance April 1, 2012	56,785,405	38,858,623	400,579	(40,779,884)	(1,520,682)
Net income for the year	-	-	-	477,147	477,147
Share-based payments	-	-	33,525	-	33,525
Options expired unexercised	-	-	(46,621)	46,621	-
Warrants expired unexercised	-	-	(56,840)	56,840	-
Balance March 31, 2013	56,785,405	38,858,623	330,643	(40,199,276)	(1,010,010)
Net loss for the year	-	-	-	(583,420)	(583,420)
Issuance of flow-through common shares	1,000,000	100,000	-	-	100,000
Premium on flow-through common shares	-	(20,200)	-	-	(20,200)
Issuance of warrants	-	(23,000)	23,000	-	-
Issuance of shares as cost of loan financing	200,000	17,000	-	-	17,000
Share-based payments	-	-	67,458	-	67,458
Share consolidation	(25,161)	-	-	-	-
Reconciliation adjustment	(255)	-	-	-	-
Balance March 31, 2014	57,959,989	38,932,423	421,101	(40,782,696)	(1,429,172)

See accompanying notes to the consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2014 and 2013

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Hornby Bay Mineral Exploration Ltd. (the "Company") currently has interests in exploration and evaluation properties in Canada. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination on whether the Company's interests in exploration and evaluation properties contain mineral reserves which are economically recoverable. The Company is incorporated and domiciled in Ontario, Canada. The registered address of the Company and its principal place of business is 400-365 Bay Street, Toronto, ON M5H 2V1. The Company's shares are listed on the TSX Venture Exchange.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, 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 government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements.

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, under which material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern must be disclosed. As at March 31, 2014, the Company had not yet achieved profitable operations and continues to be dependent upon its ability to obtain sufficient working capital from external financing to meet the Company's liabilities as they become payable and ultimately to generate profitable future operations. As at March 31, 2014, the Company had a working capital deficiency of \$906,021. These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION

(i) Statement of compliance

These consolidated financial statements of Hornby Bay Mineral Exploration Ltd. and its subsidiary, as at and for the years ended March 31, 2014 and 2013, have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out below were consistently applied to all the years presented unless otherwise noted.

These consolidated financial statements of the Company for the years ended March 31, 2014 and 2013 were approved and authorized for issue by the Board of Directors on July 23, 2014.

(ii) Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of

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future events that are believed to be reasonable under the circumstances. Actual results may differ from these 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:

- 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. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. 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.

- 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.

- Contingencies

Refer to Note 15.

(iii) Basis of consolidation

The consolidated financial statements of the Company include the accounts of its 100% owned subsidiary, Copper Royalty Mineral Corp. (a company incorporated in British Columbia), and the proportionate accounts of all of its joint ventures (see Note 16). Unrealized gains and losses on transactions between the Company and its subsidiary and joint ventures are eliminated to the extent of the Company's interest in those entities. Amounts reported in the financial statements of jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies of the Company.

These consolidated financial statements were prepared under the historical cost basis, except for certain assets which are measured at fair value as explained in the accounting policies set out in Note 3 below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below. These accounting policies have been used throughout all years presented in the consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2014 and 2013
(Expressed in Canadian dollars)

(i) Presentation currency

The Company's presentation and functional currency is the Canadian Dollar ("CAD"). The functional currency of the Company's subsidiary and joint ventures is CAD.

(ii) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and evaluation activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. Any premium between the quoted market price and the price paid by investors for flow-through shares will be recognized as a liability of the Company at the time the shares are issued. When these expenditures are renounced, a deferred tax liability is set up and the initial premium liability is reversed, with the difference being recognized in the consolidated statement of operations.

(iii) Interest revenue

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iv) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed, with a corresponding increase in share-based payments reserve, on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods, or when the counterparty renders the service.

The estimated grant date fair value of share based payments that expire unexercised are moved from share-based payments reserve to deficit upon their expiry.

(v) Taxation

Current tax

Income tax expense, if any, represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

(vi) Exploration and evaluation expenses

Property option proceeds received are included in the consolidated statement of operations as 'Other Income' in the period they are received. Exploration and evaluation costs are expensed as incurred. Development costs are expensed until it has been established that a mineral deposit is commercially viable and a mine development decision has been made by the Company. Thereafter, the Company capitalizes expenditures subsequently incurred to develop the mine, prior to the start of mining operations.

(vii) Government grants

Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Grants relating to costs are deferred and recognized in the consolidated statement of operations over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to intangible assets or equipment are deducted from the carrying amount of the asset.

(viii) Financial instruments

Financial instruments are classified into one of the following four categories: loans and receivables; fair value through profit or loss; held-to-maturity; and available-for-sale. Financial instruments are initially measured at fair value. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications, as follows:

- Financial assets and financial liabilities at fair value through profit or loss include financial assets and financial liabilities that are held for trading or designated upon initial recognition as fair value through profit or loss. These financial instruments are measured at fair value with changes in fair values recognized in the consolidated statement of operations and comprehensive income (loss).
- Financial assets classified as available-for-sale are measured at fair value, with changes in fair values recognized as other comprehensive income ("OCI") in the consolidated statement of comprehensive income (loss), except when there is objective evidence that the asset is impaired, at which point the cumulative loss that had been previously recognized in OCI is recognized within the consolidated statement of operations and comprehensive income (loss).
- Financial assets classified as held-to-maturity and loans and receivables are measured subsequent to initial recognition at amortized cost using the effective interest method.
- Financial liabilities, other than financial liabilities classified as fair value through profit or loss, are measured in subsequent periods at amortized cost using the effective interest method.

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Notes to the Consolidated Financial Statements

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The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest expense or income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a short period, to the net carrying amount on initial recognition.

The Company has classified its financial instruments as follows:

<u>Asset / Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable and accruals	Other liabilities	Amortized cost
Debenture	Other liabilities	Amortized cost
Shareholder's loan	Other liabilities	Amortized cost

The Company's cash in the consolidated statement of financial position is comprised of cash held at financial institutions.

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and are recognized in the consolidated statement of operations.

(ix) Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. The Company recorded a provision as of March 31, 2012 related to a flow-through indemnification (Note 15), which is included in Accounts payable and accruals on the Statement of Financial Position. This provision was not revised as of March 31, 2014.

(x) Income (loss) per share

Basic income (loss) per share is calculated by dividing income (losses) attributable to common shares by the weighted average number of common shares outstanding during the year.

Diluted income (loss) per share is calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options and warrants. The denominator is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all stock options and warrants with exercise prices below the average market price for the year.

Shares potentially issuable on exercise of stock options and warrants totaling 6,766,666 (March 31, 2013 – 4,866,666) were not included in the computation of diluted income (loss) per share for the years ended March 31, 2014 and 2013 because the effect would have been anti-dilutive.

(xi) Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, dismantling operating facilities, and restoration, reclamation and re-vegetation of affected areas.

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The obligation generally arises when the asset is installed or the ground and/or environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore or expensed if incurred during the exploration and evaluation stage. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of operations and comprehensive income (loss) as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of operations and comprehensive income (loss).

See Note 8.

(xii) Operating segments

The Company's operating segments are organized around the geographical locations of the projects. Since the Company only has interests in properties in Canada, it only has one operating segment.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(xiii) New accounting policies

On April 1, 2013, the Corporation adopted the following new standards and amendments which became effective for annual periods on or after January 1, 2013:

- (a) IFRS 10, "Consolidated Financial Statements," supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". This standard provides a single model to be applied in control analysis for all investees including special purpose entities. The adoption of this standard had no impact on the amounts recorded in the Corporation's consolidated financial statements.
- (b) IFRS 11, "Joint Arrangements," whereby joint arrangements are classified as either joint operations or joint ventures, each with their own accounting treatment. All joint arrangements are required to be reassessed on transition to IFRS 11 to determine their type to apply the appropriate accounting. The adoption of this standard had no impact on the amounts recorded in the Corporation's consolidated financial statements.
- (c) IFRS 12, "Disclosure of Interest in Other Entities," combines the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, and associates as well as unconsolidated structured entities. The adoption of this standard had no impact on the Corporation's consolidated financial statements.
- (d) IFRS 13, "Fair Value Measurement," establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard 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. The adoption of this standard had no material impact on the Corporation's financial statements except for the expanded disclosure on the fair value measurement.
- (e) IFRS 7, "Financial Instruments: Disclosures" was amended to develop common disclosure requirements for financial assets and financial liabilities that are offset in the financial statements, or that are subject to enforceable master netting arrangements or similar agreements. The adoption of this amendment had no material impact on the Corporation's consolidated financial statements.

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- (f) The Corporation has adopted the amendments to IAS 1, Presentation of Financial Statements, effective April 1, 2013. These amendments required the Corporation to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to net and other comprehensive income or loss.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for the Company's accounting periods beginning on April 1, 2014 or later periods. Many of these updates are not applicable or are not consequential to the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 effective date has yet to be determined. Early adoption is permitted.

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.

5. AMOUNTS RECEIVABLE

	March 31, 2014	March 31, 2013
HST/GST receivable	\$ 6,626	\$ 23,451

6. PREPAID EXPENSES

	March 31, 2014	March 31, 2013
Advances	\$ 367,454	\$ 367,454
Other	12,636	3,941
	\$ 380,090	\$ 371,395

During the year ended March 31, 2011, the Company entered into an agreement with a supplier whereby the Company advanced \$600,000 to be applied against future invoices. As at March 31, 2014, there was a remaining balance of \$367,454 (March 31, 2013 - \$367,454). Other prepaid expenses are for advances to legal counsel and technical consultants to perform work related to the Company's B.C. property.

7. EXPLORATION AND EVALUATION PROPERTIES

(a) COPPERMINE RIVER, NUNAVUT

The Company holds a 100% interest in certain mineral leases and mineral claims in the Coppermine

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River area of Nunavut. The leases are subject to a 1% net smelter royalty and/or a 1% gross diamond royalty to a maximum of \$10,000,000.

(b) **UNAD JV, NUNAVUT**

Pursuant to agreements dated December 31, 2006, the Company holds a 50% interest in certain mineral claims in the Coppermine River area of Nunavut.

(c) **ONTARIO GOLD PROPERTIES**

The Company holds a 100% interest in certain gold leases near Timmins, Ontario.

(d) **B.C. PROPERTIES**

The Company holds a 100% interest in certain Crown grants in the Camsell and Similkameen area of British Columbia and a 5% net smelter return royalty interest on certain parts of the Similkameen Copper Mine.

8. PROVISION FOR ENVIRONMENTAL REMEDIATION

During the year ended March 31, 2013, the Company was made aware by Nunavut's Aboriginal Affairs and Northern Development Canada that some upgrades were required to be made to the Company's camp facilities in order to comply with current environmental regulations. The Company hired a consultant to visit the camp and assess the cost of such upgrades. As at March 31, 2013, a provision in the amount of \$86,278 was recognized. These costs were included under camp and support costs on the consolidated statements of operations and comprehensive income (loss) for the year then ended. The provision represents the final cost of the remediation work remaining to be done as at the year end date, which was completed by July 2013. The total cost to rehabilitate the camp including, but not limited to, preliminary air surveys and other flights, assessment work, rehabilitation and upgrades, and report writing, was \$112,983.

9. LOAN PAYABLE

On March 20, 2014, the Company completed a private placement financing of \$100,000 principal amount of unsecured promissory notes ("Notes") from an unrelated party. The Notes are due 18 months from the date of closing and bear interest at a rate of 9% per annum, payable monthly. In addition, each lender has been issued 2,000 common shares of the Company for every \$1,000 principal amount of Notes subscribed for in the financing for an aggregate issuance of 200,000 shares. The securities issued in connection with this financing are subject to a regulatory-imposed 4-month hold period from the date of closing.

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10. CAPITAL STOCK

- (i) As at March 31, 2014 and March 31, 2013, the Company's authorized number of common shares was unlimited without par value.

(ii) **Common Shares**

Issued	Number of Shares	Amount
57,959,989 common shares		
Balance at March 31, 2011, March 31, 2012 and March 31, 2013	56,785,405	\$38,858,623
Issuance of flow-through common shares ¹	1,000,000	100,000
Fair value of warrants issued ¹	-	(23,000)
Premium on flow-through shares	-	(20,200)
Issuance of shares as cost of loan financing (Note 9)	200,000	17,000
Cancellation of shares ²	(25,161)	-
Reconciliation adjustment ³	(255)	-
Balance at March 31, 2014	57,959,989	\$38,932,423

- 1 On June 21, 2013, the Company announced that it had closed a non-brokered private placement (the "Offering") consisting of 1,000,000 flow-through units (the "FT Units") of the Company at a price of \$0.10 per FT Unit, for aggregate gross proceeds of \$100,000. Each FT Unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of \$0.20 per common share for a period of two years following the closing of the Offering. A fair value in the amount of \$23,000 was allocated to the warrants issued in connection with this private placement (Note 9).
- 2 Effective November 17, 2013, 25,161 shares of the Corporation were cancelled pursuant to a 100:1 share consolidation and subsequent 1:100 split. The result of the transaction was the elimination of all shareholdings of less than 100 shares. Shareholders whose shares were eliminated pursuant to this process are entitled to receive a cash payment equal to the number of pre-consolidation common shares held by such holder multiplied by the volume weighted average trading price per pre-consolidation common share on the TSX Venture Exchange during the five consecutive trading days prior to November 18, 2013, which is equal to \$0.055 per share. The cost to the Company to compensate those shareholders whose shares were eliminated in the transaction will be less than \$1,399.
- 3 Adjustment made to reconcile to the transfer agent's record of issued and outstanding common shares of the Company.

11. SHARE-BASED PAYMENTS RESERVE

	Number of Options	Weighted Average Exercise Price	Grant Date Value of Options	Number of Warrants	Weighted Average Exercise Price	Grant Date Value of Warrants	Total Value
Balance March 31, 2012	3,149,999	\$ 0.21	\$ 343,739	710,500	\$ 0.16	\$56,840	\$400,579
Granted	2,000,000	0.10	33,525	-	-	-	33,525
Expired	(283,333)	(0.34)	(46,621)	(710,500)	(0.16)	(56,840)	(103,461)
Balance March 31, 2013	4,866,666	\$ 0.16	\$ 330,643	-	\$ -	\$ -	\$330,643
Granted	900,000	0.12	67,458	1,000,000	0.20	23,000	90,458
Balance March 31, 2014	5,766,666	\$ 0.15	\$ 398,101	1,000,000	\$ 0.20	\$ 23,000	\$421,101

Warrants

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Pursuant to the issuance of 8,346,820 flow-through common shares at \$0.16 per share in connection with a rights offering completed in September 2010, the Company issued 710,500 broker warrants pursuant to standby commitments. Each broker warrant entitles the holder to acquire one common share of the Company at a price of \$0.16 for two years. The grant date fair value of the warrants was estimated to be \$56,840, using the Black-Scholes option pricing model assuming a risk-free interest rate of 2% on the date of issue, an expected life of two years, an expected volatility of 150% and expected dividends of \$Nil. The warrants expired on September 9, 2012.

Pursuant to the issuance of FT Units on June 21, 2013 (Note 8(ii)¹), the Company issued 1,000,000 common share purchase warrants. Each warrant is exercisable to purchase one common share at a price of \$0.20 per common share for a period of two years following the closing of the Offering. The grant date fair value of the warrants was estimated to be \$23,000, using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.23% on the date of issue, an expected life of two years, an expected volatility of 172% and expected dividends of \$Nil.

Options

The Company's stock option plan (the "Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed five years at exercise prices not less than the closing sale price of the shares on the TSX Venture Exchange on the trading day immediately preceding the date the options are granted, and are not transferrable. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 10% of the issued and outstanding common shares.

On August 23, 2013, 900,000 options to purchase common shares of the Company were granted to directors, officers and consultants of the Company at an exercise price of \$0.12 per share for a period of three years. The shares issuable upon exercise of the options are subject to a four-month hold period from the original date of grant. The grant date fair value of the options was estimated to be \$67,458, using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.34% on the date of issue, an expected life of three years, an expected volatility of 137% and expected dividends of \$Nil.

Options to purchase common shares outstanding at March 31, 2014 carry exercise prices and remaining terms to maturity as follows:

Number of options	Options Exercisable	Exercise price	Fair value at grant date	Expiry date	Remaining contractual life outstanding
#	#	\$	\$		(Years)
66,666	66,666	0.30	6,000	16-Jun-14	0.46
2,500,000	2,500,000	0.20	261,818	11-Aug-15	1.61
200,000	200,000	0.20	18,300	27-Oct-15	1.82
100,000	100,000	0.20	11,000	9-Nov-15	1.86
2,000,000	2,000,000	0.10	33,525	26-Oct-15	1.82
900,000	900,000	0.12	67,458	22-Aug-16	2.65
5,766,666	5,766,666	0.15	398,101		1.70

The fair values of options granted have been estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions used in the pricing model are as follows:

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Expiry Date	Grant date share price \$	Exercise price \$	Expected volatility %	Expected option life (Years)	Expected dividend yield %	Risk-free interest rate %
16-Jun-14	0.30	0.30	65	5	0	2.0
11-Aug-15	0.20	0.20	109	5	0	2.0
26-Oct-15	0.03	0.10	129	3	0	1.2
27-Oct-15	0.20	0.20	116	5	0	2.1
9-Nov-15	0.20	0.20	135	5	0	2.2
22-Aug-16	0.10	0.12	137	3	0	1.3

12. 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 evaluation of its properties. The capital of the Company consists of shareholder's loan, debenture, capital stock and share-based payments reserve. 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.

Several properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it 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 ended March 31, 2014 or 2013. The Company and its subsidiary are not subject to externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the bases for recognition of income and expenses) for each class of financial asset, and financial liability are disclosed in Note 3.

Financial assets and financial liabilities as at March 31, 2014, and March 31, 2013 were as follows:

March 31, 2014	Loans and receivables	Other liabilities	Total
Cash	\$ 5,893	\$ -	\$ 5,893
Accounts payable and accruals	-	(741,683)	(741,683)
Shareholder's loan	-	(556,947)	(556,947)
Loan payable	-	(100,000)	(100,000)
Debenture	-	(423,150)	(423,150)
	\$ 5,893	\$ (1,821,780)	\$ (1,815,887)

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March 31, 2013	Loans and receivables	Other liabilities	Total
Cash	\$ 4,743	\$ -	\$ 4,743
Accounts payable and accruals	-	(762,078)	(762,078)
Shareholder's loan	-	(208,618)	(208,618)
Debenture	-	(352,625)	(352,625)
	\$ 4,743	\$ (1,323,321)	\$ (1,318,578)

Financial Instrument Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies or procedures during the years ended March 31, 2014 and 2013.

Credit risk

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consists of bank deposits which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2014, the Company had cash and an amounts receivable balance of \$12,519 (March 31, 2013 - \$28,194) to settle current liabilities of \$1,298,631 (March 31, 2013 - \$1,056,974). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, except for the provision described in Note 8, the loan described in Note 9 and the debenture described in Note 14. The shareholder's loan is described in Note 14.

Market risk

(a) Interest rate risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management considers interest rate risk to be minimal given that, as at March 31, 2014 and 2013, no amounts were held in short-term deposit certificates.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral exploration properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not currently a revenue producing entity.

(d) Fair value

Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash, amounts receivable, and accounts payable and accruals on the statement of financial position approximate fair value because of the limited term of the instruments. It is not possible to determine if the

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shareholder's loan or the debenture are at fair value as there is no comparable market value for such loans.

At March 31, 2014 and 2013 the Company had no financial instruments that are carried at fair value.

14. RELATED PARTY TRANSACTIONS

During the years ended March 31, 2014 and 2013, the Company entered into the following transactions with related parties that are not subsidiaries of the Company:

	<u>Amounts owed to related parties</u>	
	<u>31-Mar-14</u>	<u>31-Mar-13</u>
Officers and directors	\$ 70,668	\$ 39,980
Shareholder's loan	\$ 556,947	\$ 208,618
Interest and accretion on debenture	\$ 70,796	\$ 27,125
Debenture	\$ 423,150	\$ 352,625

The amount owing to officers and directors relates to \$65,018 (2013 - \$39,980) for legal services provided by a director of the Company prior to and during the year ended March 31, 2014, and the remaining \$5,650 (2013 - \$Nil) is owed to an officer of the Company for management services rendered during the year. During the year ended March 31, 2014, professional fees paid to this officer and director for legal services totaled \$3,757 (2013 - \$16,509).

On November 1, 2012, the shareholder's loan, which was previously due on demand and non-interest bearing, was cancelled and a secured debenture for principal of \$1,500,000 was issued in its place. The debenture bears interest at 3% per annum which is payable at maturity and matures on November 1, 2017. The Company may extend the maturity date to November 1, 2022 with 30 days notice. Advances to the Company and payments made on its behalf by the shareholder in excess of the \$1,500,000 principal loan amount are included on the statement of financial position as shareholder's loan. The shareholder's loan continues to be unsecured, due on demand and non-interest bearing. As security for the debenture, the Company has granted a security interest to the holder over its 5% net smelter return royalty on certain parts of the Similkameen Copper Mine located in British Columbia.

The fair value of the debenture was estimated at \$325,500 on the date of issuance using an interest rate of 20%. The debenture will be accreted to its maturity value using the effective interest rate method at an annual interest rate of 20%. Interest and accretion on the debenture of \$70,796 (2013 - \$27,125) was recorded during the year ended March 31, 2014.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the years ended March 31, 2014 and 2013 was as follows:

	<u>Year ended March 31,</u>	
	<u>2014</u>	<u>2013</u>
	\$	\$
Salaries including bonuses	60,000	60,000
Share-based payments ¹	33,729	30,173
	<u>93,729</u>	<u>90,173</u>

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

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¹Share-based payments are measured at fair value using the Black-Scholes options pricing model. During the year ended March 31, 2014, 450,000 options were granted to related parties of the Company.

15. COMMITMENTS AND CONTINGENCIES

- a) Pursuant to the issuance of 8,346,820 flow-through shares on September 9, 2010, the Company has renounced \$1,318,421 of qualified exploration expenditures with an effective date of December 31, 2010. The Company was required to spend these flow-through funds by December 31, 2011 but was unable to do so. As of December 31, 2011, the amount remaining to be spent was approximately \$882,000. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments. As a result of this indemnification, the Company recorded a provision of \$580,537 during the year ended March 31, 2012, which is included in Accounts payable and accruals on the consolidated statement of financial position. No adjustments have been made to the provision as at and during the year ended March 31, 2014.
- b) Pursuant to the issuance of 1,000,000 flow-through shares on June 21, 2013, the Company will renounce \$100,000 of qualified exploration expenditures with an effective date of December 31, 2013. The Company has spent the full amount of the flow-through funds prior to its deadline of December 31, 2014. A premium liability on flow-through shares in the amount of \$20,200 had been recognized on the consolidated statement of financial position, which represented the premium between the quoted market price and the price paid by investors for the flow-through shares. The related flow-through expenditures were renounced to shareholders in February 2014 and the premium liability was reversed and recognized in the consolidated statement of operations and comprehensive loss.
- c) The Company had been named a defendant in legal proceedings brought by a former officer of the Company. The former officer had claimed approximately \$30,000 in settlement of a promissory note and approximately \$170,000 damages for breach of contract.

During the year ended March 31, 2011, the Company paid \$30,000 in settlement of the promissory note that was outstanding. During the year ended March 31, 2013, these legal proceedings were fully and finally settled between the parties without cost.

- d) An action had been brought by the Company against a former officer of the Company and his spouse for damages in the amount of \$72,166 for breach of fiduciary duty and conversion. During the year ended March 31, 2013, this action was fully and finally settled between the parties without cost.
- e) Environmental Contingencies

The Company's exploration and evaluation activities are subject to various federal and provincial 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. A provision for environmental remediation was recognized at March 31, 2013 in the amount of \$86,278. This provision was reversed during the year ended March 31, 2014 when the work was completed. The nature of this provision is disclosed in Note 8.

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16. INCOME TAXES

(a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of 26.5% (2013 – 26.5%) were as follows:

	2014 \$	2013 \$
(Loss) Income before income taxes	(583,420)	477,147
Expected income tax recovery	(154,600)	126,400
Adjustments to benefit resulting from:		
Share-based payments	22,400	8,900
Change in tax rates	-	(282,200)
	(132,200)	(146,900)
Benefit of tax losses not recognized	132,200	146,900
Deferred income tax recovery	-	-

(b) The deferred income tax assets consist of the following temporary differences:

	2014 \$	2013 \$
Equipment	32,000	30,300
Non-capital loss carry-forwards	401,000	343,600
Resource expenditures	5,919,300	5,447,500
Share issue costs	5,000	9,500
Total benefits not recognized	(6,357,300)	(5,830,900)
	-	-

(c) As at March 31, 2014, the Company has accumulated losses for income tax purposes of approximately \$1,512,300 that are available to be carried-forward to reduce taxable income of future years. These losses expire as follows:

<u>Year</u>	<u>Amount</u> \$
2015	95,000
2026	169,000
2027	66,000
2028	200,000
2029	238,000
2030	275,000
2031	129,000
2032	87,000
2033	300
2034	253,000
	<u>1,512,300</u>

The Company has approximately \$845,000 and \$21,400,000 Canadian development expenses and Canadian exploration expenditures respectively, as at March 31, 2014 which, under certain circumstances, may be utilized to reduce taxable income of future years.

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17. INTERESTS IN JOINT VENTURES

The Company does not have any significant assets, liabilities, revenues, expenses or cash flows from its interests in joint ventures as at and for the years ended March 31, 2014 and March 31, 2013.

18. SUBSEQUENT EVENTS

- a) Subsequent to the year ended March 31, 2014, a director and officer of the Company advanced \$5,500 to the Company and paid invoices of \$5,907 on the Company's behalf. In June 2014, the Company repaid \$30,000 to this director and officer as a return of advances. The terms of the shareholder loan are detailed in Note 14.
- b) Subsequent to the year ended March 31, 2014, the Company announced that it had issued a \$55,000 principal amount of unsecured convertible promissory note (the "Note"). The Note will bear interest at a rate of 9% per annum, calculated annually and will be due two years from the date of issuance. Each \$0.10 of the principal amount of the Note is convertible into units, each unit consists of one common share ("Common Share") in the capital of the Company and one Common Share purchase warrant ("Warrant"). Each Warrant is exercisable to purchase one Common Share at a price of \$0.20 per Common Share for a period of two years following the issuance of the Note. The securities issued in connection with the loan are subject to a statutory four month hold period from the date of issuance. The proceeds of the Financing will be used for general working capital purposes
- c) On June 27, 2014, the Company announced that it had completed a non-brokered private placement financing of \$100,000 principal amount of unsecured promissory notes (the "Notes"). The Notes are due 18 months from the date of closing and bear interest at a rate of 9% per annum, payable monthly. The Notes are senior in rank to all other indebtedness of the Company. In addition, each lender has been issued 2,000 common shares of the Company for every \$1,000 principal amount of Notes subscribed for in the financing for an aggregate issuance of 200,000 shares. The securities issued in connection with this financing are subject to a regulatory-imposed 4-month hold period from the date of closing. The proceeds of the financing will be used for general working capital purposes.
- d) On June 16, 2014, 66,666 options expired unexercised.