Vendetta Mining Corp.

(An Exploration Stage Company)

Financial Statements

For the Years Ended May 31, 2014 and 2013

Canadian Funds

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charlton & company
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
Vendetta Mining Corp.

We have audited the accompanying financial statements of Vendetta Mining Corp., which comprise the statements of financial position as at May 31, 2014 and 2013 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended May 31, 2014 and 2013 and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 company'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, these financial statements present fairly, in all material respects, the financial position of Vendetta Mining Corp. as at May 31, 2014 and 2013 and its financial performance and cash flows for the years ended May 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matters
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"Charlton & Company"
CHARTERED ACCOUNTANTS

Vancouver, British Columbia
September 24, 2014

Vendetta Mining Corp.
(An Exploration Stage Company)
Statements of Financial Position
In Canadian Dollars

ASSETS		**May 31, 2014**		**May 31, 2013**
Current				
Cash	$	18,601	$	138,529
GST / HST receivable		-		896
Prepaid expenses		3,900		3,900
		22,501		143,325
Resource Property Interests *(Note 4)*		14,561		14,561
	$	37,062	$	157,886
LIABILITIES				
Current				
GST / HST payable	$	624	$	-
Accounts payable and accrued liabilities *(Note 8)*		187,920		41,689
	$	188,544	$	41,689
SHAREHOLDERS' EQUITY (DEFICIT)				
Share Capital *(Note 5)*	$	819,209	$	819,209
Share subscriptions received *(Note 5 and 11)*		8,000		-
Reserves *(Note 5)*		285,438		285,438
Deficit		(1,264,129)		(988,450)
		(151,482)		116,197
	$	37,062	$	157,886

Nature and Continuance of Operations *(Note 1)*
Subsequent Events *(Note 11)*

Approved on behalf of the Board of Directors:

"Michael J. Williams" Director

"Jeff Sundar" Director

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Vendetta Mining Corp.
(An Exploration Stage Company)

Statements of Loss and Comprehensive Loss

For the Years Ended May 31, 2014 and 2013

In Canadian Dollars

		2014		2013
Expenses				
Audit and accounting (Note 8)	$	19,900	$	21,400
Exploration and evaluation costs / (recovery) (Note 4)		-		(1,066)
Filing and transfer agent fees		12,644		14,277
Insurance		-		5,156
Investor relations		1,413		548
Legal		3,248		4,099
Management fees (Note 8)		7,254		30,000
Office and administration (Note 8)		25,398		17,881
Property investigation costs (Note 11)		187,685		-
Rent expense (Note 8)		12,000		12,000
Travel		6,137		-
Loss and Comprehensive Loss for the Year		275,679		104,295
Loss per share – basic and diluted	$	0.02	$	0.01
Weighted average number of common shares outstanding		11,911,625		11,698,239

– See Accompanying Notes –

Vendetta Mining Corp.
(An Exploration Stage Company)
Statements of Cash Flows
For the Years Ended May 31, 2014 and 2013
In Canadian Dollars

Cash Provided By (Used In):	**2014**	**2013**
Operations:		
Loss for the year	$ (275,679)	$ (104,295)
Change in non-cash working capital:		
GST / HST receivable	1,520	8,014
Tax receivable	-	46,390
Prepaid expense	-	5,757
Accounts payable and accrued liabilities	146,231	(9,356)
	(127,928)	(53,490)
Financing:		
Share subscription received	8,000	-
Proceeds from exercise of Agent's options	-	43,200
Proceeds from exercise of warrants	-	57,000
	8,000	100,200
Net increase (decrease) in cash	(119,928)	46,710
Cash – beginning of year	138,529	91,819
Cash – end of year	$ 18,601	$ 138,529

Supplemental non-cash information:

Transfer of reserves on exercise of Agent's options	$ -	$ 24,000
Transfer of reserves on exercise of warrants	$ -	$ 5,293
Interest paid in cash during the year	$ -	$ -
Income taxes paid in cash during the year	$ -	$ -

- See Accompanying Notes -

Vendetta Mining Corp.
(An Exploration Stage Company)
Statements of Changes in Equity
In Canadian Dollars

	Share Capital						
	Shares	Amount $	Share Subscriptions $	Share Option Reserves $	Warrant And Other Reserves $	Deficit $	Total $
Balance, May 31, 2012	11,410,625	689,716	-	187,000	127,731	(884,155)	120,292
Exercise of Agent's options	216,000	43,200	-	-	-	-	43,200
Transfer of reserves on exercise of Agent's options	-	24,000	-	(24,000)	-	-	-
Exercise of warrants	285,000	57,000	-	-	-	-	57,000
Transfer of reserves on exercise of warrants	-	5,293	-	-	(5,293)	-	-
Loss for the year	-	-	-	-	-	(104,295)	(104,295)
Balance, May 31, 2013	11,911,625	819,209	-	163,000	122,438	(988,450)	116,197
Share subscriptions received in advance	-	-	8,000	-	-	-	8,000
Loss for the year	-	-	-	-	-	(275,679)	(275,679)
Balance, May 31, 2014	11,911,625	819,209	8,000	163,000	122,438	(1,264,129)	(151,482)

1. Nature and Continuance of Operations

Vendetta Mining Corp. ("the Company" or "Vendetta") was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on December 14, 2009 under the name of Azincourt Resources Inc. On July 16, 2010, the Company changed its name to Vendetta Mining Corp. The Company is in the business of exploration, development and exploitation of mineral resources in Canada.

The Company's registered address is: Suite 800 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

These financial statements were authorized for approval by the Board of Directors on September 24, 2014.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business. Several conditions discussed below indicate the existence of a material uncertainty that may cast substantial doubt regarding this assumption. The Company has no operating revenue, has an accumulated deficit of $1,264,129 since inception and expects to incur further losses in the development of its business. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations, exploration, and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

2. Basis of Presentation

a) Statement of Compliance

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

These financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale and financial assets at fair value through profit and loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting.

2. Basis of Presentation (Continued)

a) Statement of Compliance (Continued)

The accounting policies set out in Note 3 have been applied consistently by the Company during the current year.

b) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

3. Significant Accounting Policies

a) Cash

The Company considers cash to include amounts held in banks. The Company places its cash with major financial institutions in Canada.

b) Resource Property

(i) Exploration and Evaluation

Staking costs, property option payments, and other costs associated with acquiring exploration and evaluation assets are capitalized and classified as intangible assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred during the period. Exploration and evaluation expenditures include costs of conducting geological and geophysical surveys, equipment rental, helicopter charter, and geochemical analysis.

Management reviews the carrying value of capitalized exploration costs at least annually. The review is based on the Company's intentions for development of the undeveloped property.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

3. Significant Accounting Policies (Continued)

b) Resource Property (Continued)

(ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property acquisition and development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development costs are net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

(iii) Impairment

The carrying value of all categories of mineral property and exploration are reviewed at least annually by management for indicators that the recoverable amount may be less than the carrying value. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

3. Significant Accounting Policies (Continued)

b) **Resource Property (Continued)**

(iii) Impairment (Continued)

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Impairment losses are recognized in other expenses. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to risks uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

c) **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 statements 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. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

d) **Site Closure and Reclamation Provision**

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of resource properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. As at May 31, 2014, the Company had not recognized any decommissioning liabilities.

3. Significant Accounting Policies (Continued)

d) Site Closure and Reclamation Provision (Continued)

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in resource properties, plant and equipment. These costs are depreciated on a basis consistent with depreciation, depletion, and amortization of the underlying assets.

The obligation is accreted over time for the change in their present value, with this accretion charge recognized as a finance expense in the statements of comprehensive income. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the statements of comprehensive income.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

e) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in the statements of comprehensive income except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively. 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. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

3. Significant Accounting Policies (Continued)

e) Income Taxes (Continued)

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

f) Share Capital

i) The proceeds from the exercise of stock options, warrants and purchase of shares are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on market value of these shares.

iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis on relative fair values as follows: the fair value of common shares is based on the market close on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

All costs related to issuances of share capital are charged against the proceeds received from the related share capital.

g) Earnings (Loss) per Share

Basic loss per share is calculated using the weighted average number of shares issued and outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Diluted and basic loss per share are the same because the effects of potential issuances of shares under options and warrants would be anti-dilutive.

h) Comprehensive Income

Comprehensive income includes net income or loss and other comprehensive income or loss. Other comprehensive income or loss may include holding gains and losses on available-for-sale securities, gains and losses on certain derivative instruments and foreign gains and losses from self-sustaining foreign operations. During the current year, the Company did not have any other comprehensive income components.

3. Significant Accounting Policies (Continued)

i) Share-based Payments

From time to time, the Company grants options to directors, officers, employees and non-employees to purchase common shares. The Company accounts for share-based payments, including stock options, at their fair value on the grant date and recognizes the cost as a compensation expense over the period that the employees become entitled to the award. The fair value of the options on the grant date is determined using the Black-Scholes pricing model for stock option awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in shareholders' equity for these costs.

j) Financial Instruments

The Company accounts for its financial instruments as follows:

Cash	Loans and receivables
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost

Financial Assets

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than 12 months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company's loans and receivables consist of cash.

3. Significant Accounting Policies (Continued)

j) Financial Instruments (Continued)

Financial Assets at Fair Value Through Profit or Loss

An instrument is classified at fair value through profit or loss if it is held for trading. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not designated any financial assets as fair value through profit or loss.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has not designated any financial assets as available-for-sale.

Financial Liabilities

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified as fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit and loss are expensed as incurred. The Company's financial liabilities consist of accounts payable and accrued liabilities.

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets valued through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

3. Significant Accounting Policies (Continued)

j) Financial Instruments (Continued)

Impairment of Financial Assets (Continued)

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets valued through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

k) Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company separates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. When the resource property expenditures are incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. To the extent that the Company has available tax pools for which the benefit has not been previously recognized as being realizable, the premium is recognized in profit or loss as a deferred income tax recovery to recognize the deferred tax asset offsetting the liability at the time of renunciation of the tax pools.

3. Significant Accounting Policies (Continued)

l) Critical Accounting Judgments and Estimates

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used include, among others, the amounts recorded for the recoverability and impairment of mineral properties, valuation of share-based payments and provision for deferred income tax, including the effects of flow-through shares.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Information about critical judgments in applying accounting policies that have the most significant effect of amounts recognized in the financial statements is included in the going concern assessment (Note 1).

m) Comparative Figures

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

n) Recent Accounting Pronouncements

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for current or future accounting periods.

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. There was no impact on the Company's financial statements upon adoption of this standard on June 1, 2013.

IFRS 11, Joint Arrangements ("IFRS 11") establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. There was no impact on the Company's financial statements upon adoption of this standard on June 1, 2013.

In Canadian Dollars

3. Significant Accounting Policies (Continued)

n) Recent Accounting Pronouncements (Continued)

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and effective for the Company's fiscal year beginning on June 1, 2013, replaces the disclosure requirements currently found in IAS 28 Investments in Associates ("IAS 28"). The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows. There was no impact on the Company's financial statements upon adoption of this standard on June 1, 2013.

IFRS 13 Fair Value Measurement ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. There was no impact on the Company's financial statements upon adoption of this standard on June 1, 2013.

IAS 1 Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. There was no impact on the Company's financial statements upon adoption of this standard on June 1, 2013.

IFRS 9 Financial Instruments ("IFRS 9") partially replaces IAS 39 "Financial Instruments: Recognition and Measurement". 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective on or after January 1, 2018.

4. Resource Property Interests

The Company is actively investigating, evaluating and conducting exploration activities in Canada. The summary of accumulated costs as of May 31, 2014 and 2013 are as follows:

Honeymoon East Property, BC, Canada		**May 31, 2014**		**May 31, 2013**
Acquisition costs	$	14,561	$	14,561

In Canadian Dollars

4. Resource Property Interests (Continued)

Details of activities for the years ended May 31, 2014 and 2013 are as follows:

Honeymoon East Property, BC, Canada		**May 31, 2014**		**May 31, 2013**
Opening cumulative expenditure	$	220,649	$	221,715
Exploration costs:				
Geological		-		448
Total exploration costs		-		448
BC METC*		-		(1,514)
Net exploration costs		-		(1,066)
Ending cumulative expenditure	$	220,649	$	220,649

*The Company's exploration costs incurred in British Columbia for the Honeymoon East Project are eligible for British Columbia Mining Exploration Tax Credit ("BC METC"). During the year ended May 31, 2013, the Company filed and received an additional $1,514 of BC METC for exploration expenses incurred during the year ended May 31, 2012.

In January 2010, the Company acquired a 100% interest in 18 contiguous mineral claims covering 4,642 hectares called the Honeymoon East Project located near Clearwater in south central British Columbia by paying $14,561 as reimbursement for claim maintenance fees and other acquisition costs. During the period ended May 31, 2010, the Company completed an initial exploration program consisting of geological, geochemical and geophysical analysis in order to identify exploration prospects for Phase 1 of the exploration program. During the year ended May 31, 2011, the Company commenced Stage 1 of the new exploration program. The Company has an accumulated resource property expenditure of $220,649 as at May 31, 2014 (May 31, 2013 - $220,649).

5. Shareholders' Equity

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

a) Share Capital Transactions

During the year ended May 31, 2013, the Company issued 216,000 common shares on the exercise of 216,000 Agent's options.

During the year ended May 31, 2013, the Company issued 285,000 common shares on the exercise of 285,000 warrants.

During the year ended May 31, 2014, the Company received $8,000 in share subscriptions for the private placement that closed on August 27, 2014 (see Note 11).

In Canadian Dollars

5. Shareholders' Equity (Continued)

b) Reserves

The following is a summary of the reserves components relating to stock options and warrants:

		May 31, 2014		May 31, 2013
Warrants	$	122,438	$	122,438
Options		163,000		163,000
Total	$	285,438	$	285,438

c) Warrants

Details of warrants activity for the years ended May 31, 2014 and 2013 are as follows:

May 31, 2013	Issued	Exercised	May 31, 2014	Exercise Price	Expiry Date
1,815,000	-	-	1,815,000	$0.20	December 29, 2014
870,000	-	-	870,000	$0.20	January 31, 2015
3,924,625	-	-	3,924,625	$0.20	May 28, 2015
6,609,625	-	-	6,609,625	$0.20	

d) Stock Options

On June 8, 2010, the Company adopted a stock option plan, which authorizes the Board of Directors to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option may not be less than market price of the Company's stock calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's stock option plan contains no vesting requirements, but permits the board of directors to specify a vesting schedule in its discretion.

Details of activity in share purchase options for the years ended May 31, 2014 and 2013 are as follows:

May 31, 2013	Issued	Exercised	May 31, 2014	Exercise Price	Expiry Date
1,050,000	-	-	1,050,000	$0.20	October 18, 2015

In Canadian Dollars

5. Shareholders' Equity (Continued)

e) Escrow Shares

Pursuant to an escrow agreement dated June 8, 2010, 3,528,000 shares and 2,028,000 warrants were placed in escrow. 10% of the escrowed shares and warrants were released from escrow upon completion of the IPO on October 18, 2010, and 15% of the shares and warrants can be released from escrow every 6 months thereafter. As at May 31, 2014, all the shares and warrants were released from escrow.

6. Income Taxes

As at May 31, 2014, the Company had potential non-capital losses of approximately $129,000 expiring in 2030, $161,000 expiring in 2031, $216,000 expiring in 2032, $136,000 expiring in 2033 and $119,000 expiring in 2034 which may be applied against future income for income tax purposes. The Company also had approximately $130,000 (2013 - $130,000) of exploration and development costs which are available for deduction against future income for tax purposes.

Deferred income tax assets have not been recognized in respect of the following items:

		May 31, 2014		**May 31, 2013**
Substantively enacted tax rate		26.00%		25.00%
Deferred income tax assets:				
Non-capital losses	$	197,921	$	160,585
Resource property costs		30,069		28,912
Share issuance costs		7,989		15,363
Other		603		623
Deferred income tax assets	$	236,582	$	205,483

Reconciliations of income taxes at statutory rates are as follows:

		May 31, 2014		**May 31, 2013**
Loss for the year	$	275,679	$	104,295
Combined federal and provincial tax rate		26.00%		25.00%
Expected tax recovery		(71,677)		(26,074)
Tax Effect of:				
Change in future tax rate		(8,219)		-
Permanent differences		48,798		34,069
Change in unrecognized deferred tax assets		31,098		(7,995)
Deferred income tax recovery	$	-	$	-

In Canadian Dollars

7. Segmented Information

The Company has only one reportable operating segment, being resource property explorations in Canada.

8. Related Party Transactions

The Company's related parties include companies owned by executive officers and directors as follows:

Related Party	Company Owned or Controlled by	Nature of Transactions
CDM Capital Partners Inc.	Darryl Cardey, a former director of the Company	Accounting, consulting, office and administration, and office rent services
McLeod Williams Capital Corp.	Michael Williams, a director, President and CEO of the Company and Robert McLeod, a former director and CFO of the Company	Management services
Octavian Capital Corp.	Michael Williams, a director, President and CEO of the Company	Management services

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

Related Party	Nature of Transaction	May 31, 2014	May 31, 2013
CDM Capital Partners Inc.	Accounting fees	$ 12,000	$ 12,000
McLeod Williams Capital Corp.	Management fees (recovery)	(27,746)	30,000
Octavian Capital Corp.	Management fees	35,000	-
CDM Capital Partners Inc.	Office and administration	10,500	18,000
CDM Capital Partners Inc.	Rent	12,000	12,000

Related party balances included in accounts payable and accrued liabilities as at May 31, 2014 and 2013 are as follows:

Related Party	May 31, 2014	May 31, 2013
Octavian Capital Corp.	$ 36,750	$ -
McLeod Williams Capital Corp.	-	32,900
Total	$ 36,750	$ 32,900

9. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its resource properties to commercial production.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares and share purchase warrants. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, being resource properties. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major financial institutions.

10. Financial Instruments

The classification of the financial instruments as well as their carrying values is shown in the table below:

	May 31, 2014 $
Financial assets:	
Loans and receivables, measured at amortized cost:	
Cash	18,601
Financial liabilities, measured at amortized cost:	
Accounts payable and accrued liabilities	111,995

a) Fair Value of Financial Instruments

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

10. Financial Instruments (Continued)

b) Management of Risks Arising from Financial Instruments

The Company is exposed to various types of market risks including credit risk, liquidity risk, interest rate risk and commodity price risk. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed.

(i) Credit Risk – Credit risk is the risk that one party to a financial instrument will fail to fulfill and obligation and cause the other party to incur a financial loss. The Company's credit risk consists primarily of cash and accounts receivable. The credit risk is minimized by placing cash with major Canadian financial institutions. The Company does not invest in asset–backed commercial papers.

(ii) Liquidity Risk – Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company 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 under account existing cash and expected exercise of share purchase warrants. The Company's cash is held in business accounts which are available on demand for the Company's programs and are not invested in any asset backed deposits or investments.

(iii) Interest Rate Risk - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate smaller interest revenue. Presently the Company is not at risk of realizing a loss as a result of a decline in the fair value of its financial instruments because of the short-term nature of the investments.

(iv) Commodity Price Risk - The Company's future success is linked to the price of minerals, because the value of mineral resources and the Company's future revenues are tied to prices of minerals. Worldwide production levels also affect the prices. The prices of minerals are occasionally subject to rapid short-term changes due to speculative activities.

11. Subsequent Events

a) On August 27, 2014 the Company entered into a definitive agreement with Pegmont Mines Limited ("Pegmont") whereby the Company has an option to acquire 100% of the Pegmont property comprising of three mining leases and two exploration tenements by a combination of cash payments, exploration commitments and advanced royalty payments.

Cash option payments totaling AUD$3.0 million are as follows: AUD$250,000 within 2 days of approval of the TSX Venture Exchange ("TSXV") of the transaction; AUD$250,000 on the 12 month anniversary; AUD$500,000 on the 24 month anniversary; AUD$750,000 on the 36 month anniversary; and finally AUD$1,250,000 on the 48 month anniversary. In addition, the Company has agreed to reimburse Pegmont for AUD$350,000 of exploration expenses that they have incurred during the year. These expenditures will be applied to the overall expenditure requirements.

Exploration expenditures for the property comprise a minimum of AUD$800,000 per year or meeting minimum requirements by the State of Queensland (whichever is greater) by August 10th of each year during the first 3 years of the option for a minimum commitment of AUD$2.4 million. A minimum 17,000 m of drilling must be completed within a 42 month period commencing the day of TSXV approval of the transaction, with 2,000 m of this total to be drilled by the end of the 2014.

In the event of the Company exercising the option and as part of the final transfer of project titles, the Company has also agreed to pay an advance royalty to the Vendor of AUD$3 million. The company will receive a royalty credit of the cash option payments and advanced royalty for a total of AUD$6.0 million, to be credited against future royalty payments. The Vendor will retain a royalty right on future concentrate production from the property of 1.25% of net smelter return, subject to the credit of $6.0 million in favour of the Company. In the case where ore is sold rather than concentrate, a separate royalty formula allows for a royalty of AUD$1.05 per tonne of ore sold, indexed to lead prices and to be conveyed to the Vendor, again subject to the AUD$6.0 million credit. Where ore that is sold contains silver at concentrations above 64 ppm, an additional royalty amount is payable, starting at AUD$0.06 per gram, indexed to the price of silver.

A total of $187,685 of property investigation costs were incurred during the year ended May 31, 2014 relating to the review of the Pegmont property.

b) On August 27, 2014 the Company closed a non-brokered private placement for gross proceeds of $2,249,980. The Company issued 8,653,771 units at $0.26 per unit. Each unit is comprised of one common share and one-half share purchase warrant with each warrant exercisable into one additional common share at a price of $0.35 per share until August 27, 2017. The Company paid cash finder's fee of $46,982 in connection with the private placement. As at May 31, 2014, the Company received $8,000 of the proceeds which has been recorded to share subscriptions received.

c) On August 27, 2014, Robert McLeod resigned as CFO and director of the Company and Darryl Cardey resigned as director of the Company. The Company appointed Peter Voulgaris and Doug Ramshaw as directors of the Company and Cale Moodie as CFO of the Company.

11. Subsequent Events (Continued)

d) On September 4, 2014, 50,000 options were exercised at $0.20 per share for total proceeds of $10,000.