

**SHAMROCK ENTERPRISES INC.**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED FEBRUARY 28, 2014**

**Notice of No Auditor Review of Financial Statements**

**Statements of Financial Position**

**Statements of Changes in Equity**

**Statements of Loss and Comprehensive Loss**

**Statements of Cash Flows**

**Notes to Financial Statements**

**NOTICE OF NO AUDITOR REVIEW OF  
INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**SHAMROCK ENTERPRISES INC.**  
**STATEMENTS OF FINANCIAL POSITION**

|   | Notes | February 28,<br>2014<br>(unaudited) | May 31,<br>2013<br>(audited) |
|---|-------|-------------------------------------|------------------------------|
|   |       | \$                                  | \$                           |
| <b>ASSETS</b>                                       |       |                                     |                              |
| <b>Current assets</b>                               |       |                                     |                              |
| Cash and cash equivalents                           | 6     | 18,334                              | 43,943                       |
| Sales tax receivable                                |       | 266                                 | 2,735                        |
|   |       | <u>18,600</u>                       | <u>46,678</u>                |
| <b>Exploration and evaluation asset</b>             | 7     | <b>1,108,296</b>                    | 1,089,296                    |
| <b>TOTAL ASSETS</b>                                 |       | <b>1,126,896</b>                    | 1,135,974                    |
| <b>LIABILITIES</b>                                  |       |                                     |                              |
| <b>Current liabilities</b>                          |       |                                     |                              |
| Bank overdraft                                      |       | -                                   | -                            |
| Accounts payable and accrued liabilities            |       | 52,360                              | 38,842                       |
| Due to related parties                              | 10    | 111,607                             | 8,974                        |
|   |       | <u>163,967</u>                      | <u>47,816</u>                |
| <b>SHAREHOLDERS' EQUITY</b>                         |       |                                     |                              |
| Share capital                                       | 8     | 2,238,907                           | 2,170,407                    |
| Reserves  | 8     | 293,674                             | 293,674                      |
| Accumulated deficit                                 |       | (1,569,652)                         | (1,375,923)                  |
|   |       | <u>955,929</u>                      | <u>1,088,158</u>             |
| <b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b> |       | <b>1,126,896</b>                    | 1,135,974                    |
| <b>Nature of operation (Note 1)</b>                 |       |                                     |                              |
| <b>Commitments (Note 9)</b>                         |       |                                     |                              |

*The accompanying notes are integral to the interim financial statements.*

**Approved on behalf of the Board of Directors**

/s/ Gordon Osinchuk  
 Director

/s/ Michael Dake  
 Director

**SHAMROCK ENTERPRISES INC.**  
**STATEMENT OF CHANGES IN EQUITY**

|                                   | Share Capital     |                  | Reserves                |               |                     | Total            |
|-----------------------------------|-------------------|------------------|-------------------------|---------------|---------------------|------------------|
|                                   | Number of Shares  | Amount           | Equity settled benefits | Warrants      | Accumulated deficit |                  |
|                                   |                   | \$               | \$                      | \$            | \$                  | \$               |
| <b>Balance, May 31, 20112</b>     | <b>12,651,300</b> | <b>2,148,407</b> | <b>182,919</b>          | <b>80,094</b> | <b>(1,013,311)</b>  | <b>1,398,108</b> |
| Property payment                  | 250,000           | 17,500           | -                       | -             | -                   | 17,500           |
| Property extension payment        | 100,000           | 7,000            | -                       | -             | -                   | 7,000            |
| Option vesting                    | -                 | -                | 28,745                  | -             | -                   | 28,745           |
| Loss for the period               | -                 | -                | -                       | -             | (242,631)           | (242,631)        |
| <b>Balance, February 28, 2013</b> | <b>13,001,300</b> | <b>2,172,907</b> | <b>211,664</b>          | <b>80,094</b> | <b>(1,255,943)</b>  | <b>1,208,722</b> |
| <b>Balance, May 31, 2013</b>      | <b>13,001,300</b> | <b>2,170,407</b> | <b>213,580</b>          | <b>80,094</b> | <b>(1,375,923)</b>  | <b>1,088,158</b> |
| Private placement:                |                   |                  |                         |               |                     |                  |
| Gross proceeds                    | 1,040,000         | 52,000           | -                       | -             | -                   | 52,000           |
| Property option payment           | 350,000           | 16,500           | -                       | -             | -                   | 16,500           |
| Loss for the period               | -                 | -                | -                       | -             | (193,729)           | (193,729)        |
| <b>Balance, February 28, 2014</b> | <b>14,391,300</b> | <b>2,238,907</b> | <b>213,580</b>          | <b>80,094</b> | <b>(1,569,652)</b>  | <b>962,929</b>   |

*The accompanying notes are integral to the interim financial statements.*

**SHAMROCK ENTERPRISES INC.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

|   |       | Three Months Ended |            | Nine Months Ended |            |
|---|-------|--------------------|------------|-------------------|------------|
|   | Notes | February 28        |            | February 28       |            |
|   |       | 2013               | 2013       | 2014              | 2013       |
|   |       | \$                 | \$         |                   |            |
| <b>EXPENSES</b>                               |       |                    |            |                   |            |
| Management fees                               | 10    | <b>19,500</b>      | 19,978     | <b>58,500</b>     | 58,978     |
| Office and general                            | 10    | <b>4,400</b>       | 21,681     | <b>21,196</b>     | 35,997     |
| Share-based compensation                      | 8     | -                  | 4,472      | -                 | 28,745     |
| Professional fees                             | 10    | <b>33,000</b>      | 30,500     | <b>99,000</b>     | 101,950    |
| Regulatory and filing                         |       | <b>3,427</b>       | 5,494      | <b>15,033</b>     | 16,961     |
| <b>Comprehensive Loss for the Period</b>      |       | <b>(60,327)</b>    | (82,125)   | <b>193,729</b>    | (242,631)  |
| Basic and diluted loss per share              |       | <b>(\$0.00)</b>    | (\$0.01)   | <b>(\$0.01)</b>   | (\$0.02)   |
| Weighted average number of shares outstanding |       | <b>13,302,146</b>  | 12,723,772 | <b>13,688,947</b> | 12,675,013 |

*The accompanying notes are integral to the interim financial statements.*

**SHAMROCK ENTERPRISES INC.  
STATEMENTS OF CASH FLOWS**

|  | Nine Months Ended<br>February 28 |           |
|--|----------------------------------|-----------|
|  | 2014                             | 2013      |
|  | \$                               | \$        |
| <b>CASH FLOWS USED IN OPERATING ACTIVITIES</b> |                                  |           |
| <b>Loss for the period</b>                     | <b>(193,729)</b>                 | (242,631) |
| Items not involving cash:                      |                                  |           |
| Share-based payments                           | -                                | 28,745    |
| Changes in non-cash working capital items:     |                                  |           |
| Sales tax receivable                           | <b>2,469</b>                     | 60,016    |
| Prepaid expenses                               | -                                | (17,500)  |
| Accounts payable and accrued liabilities       | <b>13,518</b>                    | (8,151)   |
| Due to related parties                         | <b>102,633</b>                   | -         |
|  | <b>(75,109)</b>                  | (179,521) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>    |                                  |           |
| Exploration and evaluation assets              | <b>(2,500)</b>                   | (52,958)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>    |                                  |           |
| Private placement proceeds                     | <b>52,000</b>                    | -         |
| Agent fees                                     | -                                | -         |
|  | <b>52,000</b>                    | (52,958)  |
| <b>Net increase (decrease) in cash</b>         | <b>(25,609)</b>                  | (232,477) |
| <b>Cash, beginning of the period</b>           | <b>43,943</b>                    | 338,658   |
| <b>Cash, end of the period</b>                 | <b>18,334</b>                    | 106,179   |
| <b>Supplemental information:</b>               |                                  |           |
| Interest paid                                  | <b>\$Nil</b>                     | \$Nil     |
| Income taxes paid                              | <b>\$Nil</b>                     | \$Nil     |

**Supplemental disclosure with respect to cash flows (Note 12)**

*The accompanying notes are integral to the interim financial statements.*

**SHAMROCK ENTERPRISES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2014**

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**1. NATURE OF OPERATIONS**

Shamrock Enterprises Inc. (the “Company”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on April 17, 2008. The BC Securities Commission issued a receipt for the Company’s final IPO prospectus on September 15, 2010. On November 10, 2010, the Company completed its Initial Public Offering of securities and commenced trading on the Canadian National Stock Exchange (“CNSX”) under stock symbol SRS. The Company’s registered corporate address is 891 Baycrest Drive, North Vancouver, BC V7G 1N7, Canada.

The Company’s interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company’s ability to continue as a going concern is however dependent upon its ability to obtain additional funding from loans or equity financings, option agreements or through other arrangements. There is no assurance that these activities will be successful. These financial statements do not contain any adjustments to the amounts and classifications of assets and liabilities, which might be necessary should the Company be unable to continue in business. The Company is in the process of exploring its mineral property and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral property is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral property in accordance with industry practice, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production. At February 28, 2014, the Company had cash and liquid cash investments of \$18,334 and negative working capital of \$145,367.

**2. BASIS OF PRESENTATION**

**Statement of compliance**

These condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting (“IAS 34”).

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 2 and 3 of the financial statements for the year ended May 31, 2013. These condensed interim financial statements should be read in conjunction with the Company’s financial statements for the year ended May 31, 2013.

The financial statements were authorized for issue by the Board of Directors on My 8, 2014.

**3. FUTURE ACCOUNTING POLICY CHANGES ISSUES BUT NOT YET IN EFFECT**

***New standard IFRS 9 “Financial Instruments”***

This new standard is a partial replacement of 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.

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The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

***New standard IFRS 10 “Consolidated Financial Statements”***

This new standard will replace IAS 27 “Consolidated and Separate Financial Statements”, and SIC-12 “Consolidation – Special Purpose Entities”. Concurrent with IFRS 10, the IASB issued IFRS 11 “Joint Ventures”; IFRS 12 “Disclosures of Involvement with Other Entities”; IAS 27 “Separate Financial Statements”, which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 “Investments in Associates and Joint Ventures”, which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013.

***New standard IFRS 11 “Joint Arrangements”***

This new standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

***New standard IFRS 12 “Disclosure of Interests in Other Entities”***

This new standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

***New standard IFRS 13 “Fair value measurement”***

This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is effect for annual periods beginning on or after January 1, 2013.

***New interpretation IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”***

This new IFRIC clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

***Amendments to IAS 32 “Financial Instruments: Presentation”***

These amendments address inconsistencies when applying the offsetting requirements, and is effective for annual periods beginning on or after January 1, 2014.



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**NOTES TO THE FINANCIAL STATEMENTS**  
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***Financial statement presentation***

In June 2011, the IASB and the Financial Accounting Standards Board (“FASB”) issued amendments to standards to align the presentation requirements for other comprehensive income (“OCI”). The IASB issued amendments to IAS 1 “*Presentation of Financial Statements*” to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for fiscal years beginning on or after July 1, 2012.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

**4. FINANCIAL INSTRUMENTS**

|                             |   | <b>February 28,<br/>2014</b> | May 31,<br>2013 |
|-----------------------------|---|------------------------------|-----------------|
|                             |   | \$                           | \$              |
| FVTPL financial assets      | a | <b>18,334</b>                | 43,943          |
| Other receivables           | b | <b>266</b>                   | 2,735           |
| Other financial liabilities | c | <b>163,967</b>               | 47,816          |

- a. Comprises cash, and short-term investments.
- b. Comprises receivables consisting of refundable sales tax credits paid for purchases.
- c. Comprises accounts payable, accrued liabilities and due to related parties.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Cash and short-term investments are carried at fair value using a level 1 fair value measurement. The fair values of accounts payable, accrued liabilities and due to related parties approximate their carrying values due to the short-term nature of these instruments.

**Management of Industry and Financial Risk**

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company’s financial instruments are exposed to certain financial risks, which include the following:

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***Credit risk***

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and HST recoverable. Risk associated with cash is managed through the use of major Canadian bank. The Company's HST recoverable is due from the Government of Canada; therefore, the credit risk exposure is low.

***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's cash. The Company's cash is held in corporate bank accounts available on demand.

***Market Risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

***Currency Risk***

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars; therefore, currency risk is minimal.

***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. The Company is not exposed to significant interest rate risk.

***Price Risk***

The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to finance due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

**5. CAPITAL MANAGEMENT**

The Company's primary source of funds comes from the issuance of share capital. The Company defines its capital as all components of shareholders equity. Capital requirements are driven by the Company's planned exploration and evaluation activities and general and administrative expenses. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities. Although the Company has been successful at raising funds in the past through the issuance of share capital, there can be no assurance that it will continue to be able to do so in the future. There were no changes in the Company's approach to capital management during the year ended November 30, 2013. The Company is not subject to externally imposed capital requirements.

**6. SHORT-TERM INVESTMENTS**

As at February 28, 2014, the Company has invested \$12,750 (May 31, 2013 - \$30,000) into Guaranteed Investment Certificates ("GICs") with a Canadian financial institution. These GICs yield interest at prime

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minus 2.05% and have original maturity date of 12 months and can be liquidated immediately for its face value. All short-term investments have been classified as financial assets measured at fair value through profit or loss. Their fair values approximate their carrying values due to their short-term nature.

**7. EXPLORATION AND EVALUATION ASSETS**

Title to mineral properties involves certain inherent risks due to difficulties of determining the validity of certain claims as well as potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to mineral properties optioned or otherwise, and to the best of its knowledge, the vendor's titles to all of its properties are in good standing.

Summary of exploration and evaluation expenditures:

|                                   | <b>Fireweed</b>  |
|-----------------------------------|------------------|
|                                   | \$               |
| <b>Balance, May 31, 2012</b>      | <b>1,014,338</b> |
| Acquisition incurred              | 22,000           |
| Exploration costs incurred:       |                  |
| Administration and legal          | 830              |
| Geological data processing        | 8,940            |
| Geologist fees                    | 38,795           |
| Lab and assays                    | 159              |
| Travel                            | 4,234            |
| <b>Balance, May 31, 2013</b>      | <b>1,089,296</b> |
| Acquisition incurred              | 16,500           |
| Exploration costs incurred:       |                  |
| Administration and legal          | -                |
| Geological data processing        | 2,500            |
| Geologist fees                    | -                |
| Lab and assays                    | -                |
| Travel                            | -                |
| <b>Balance, February 28, 2014</b> | <b>1,108,296</b> |

**Fireweed Property, British Columbia**

On February 17, 2010 ("Effective Date"), the Company entered into an option agreement with Regulus Resources Inc. ("Regulus") (formerly Pachamama Resources Ltd.) to acquire an initial 50% interest, with an option to earn up to 70% in 8 mineral property claims located in the Omineca Mining Division in British Columbia, Canada. On November 15, 2013 and January 21, 2013, the option agreement was re-negotiated to extend the expenditure commitment due dates and cash payment. This extension was further re-negotiated on November 25, 2013 revising the commitments as disclosed below. Under the terms of the option agreement extension, the Company issued an additional 100,000 shares with a fair value of \$7,000 for the January 21, 2013 extension, and issued an additional 100,000 shares valued at \$4,000 on

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November 26, 2013 for the second extension. The following is a schedule of the current work expenditure and share issuance commitments:

| <b>Year Ended On</b>  | <b>Annual Work Expenditure</b> | <b>Cumulative Total</b> |
|---|--------------------------------|-------------------------|
|   | \$                             | \$                      |
| 1 <sup>st</sup> Anniversary of Effective Date (completed fiscal 2011) | 200,000                        | 200,000                 |
| 2 <sup>nd</sup> Anniversary of Effective Date (completed fiscal 2012) | 450,000                        | 650,000                 |
| August 17, 2014   | 200,00                         | 850,000                 |
| 5 <sup>th</sup> Anniversary of Effective Date (due February 17, 2015) | 450,000                        | 1,300,000               |
| 6 <sup>th</sup> Anniversary of Effective Date (due February 17, 2016) | 1,250,000                      | 2,550,000               |
| <b>Total</b>  | <b>2,550,000</b>               |                         |

In addition to the work expenditures, Shamrock must also make the following cash payments to Regulus to maintain and exercise the Option:

| <b>Due Date</b>   | <b>Cash Payments</b> |
|---|----------------------|
|   | \$                   |
| Upon execution of option agreement (paid fiscal 2011)                     | 50,000               |
| 1 <sup>st</sup> Anniversary of the Effective Date (paid fiscal 2011)      | 50,000               |
| 2 <sup>nd</sup> Anniversary of the Effective Date (paid fiscal 2012)      | 100,000              |
| 5 <sup>th</sup> Anniversary of the Effective Date (due February 17, 2015) | 200,000              |
| 6 <sup>th</sup> Anniversary of the Effective Date (due February 17, 2016) | 250,000              |
| <b>Total</b>  | <b>650,000</b>       |

The Company is also committed to making land tenure payments to keep the property in good standing during the term of the option.

In addition to the work expenditures and cash, Shamrock must also issue and deliver the following shares of its capital stock to Regulus to maintain and exercise the option:

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| <b>Due Date</b>  | <b>Share<br/>Issuances</b> | <b>Amount</b>  |
|--|----------------------------|----------------|
|  |                            | \$             |
| Within 5 business days of the listing of the Company's shares on the Canadian National Stock Exchange (issued fiscal 2011) | 100,000                    | 35,000         |
| 1 <sup>st</sup> Anniversary of the Effective Date (issued fiscal 2011)   | 200,000                    | 66,000         |
| 2 <sup>nd</sup> Anniversary of the Effective Date (issued fiscal 2012)   | 200,000                    | 34,000         |
| 3 <sup>rd</sup> Anniversary of the Effective Date (issued fiscal 2013)   | 250,000                    | 15,000         |
| 4 <sup>th</sup> Anniversary of the Effective Date (issued fiscal 2014)   | 250,000                    | 12,500         |
| <b>Total</b>   | <b>1,000,000</b>           | <b>162,500</b> |

**8. EQUITY AND RESERVES**

**Share Capital**

The Company is authorized to issue an unlimited number of commons shares without par value.

***For the period ended February 28, 2014***

The Company announced it will carry out a private placement of 5,000,000 Units at \$0.05 per Unit for gross proceeds of \$250,000. Each Unit comprises one common share without par value in the capital of the Company and one common share purchase warrant of the Issuer. Each Warrant shall entitle the holder to acquire one common share of the Company for a period of two years from the date of issuance of the Warrant with an exercise price of \$0.10 per share in the first year, and an exercise price of \$0.14 per share in the second year. The Company may pay a finder's fee to authorized persons.

The Company completed a first tranche of non-brokered private placement Units at \$0.05 per Unit totalling 1,040,000 Units for gross proceeds of \$52,000. No finder's fees were paid.

The Company issued 100,000 common shares with a fair value of \$4,000 to Regulus to extend the terms of the option agreement.

***For the year ended May 31, 2013***

The Company issued 250,000 common shares with a fair value of \$15,000 to Regulus in accordance with its February 17, 2010 option agreement.

The Company issued 100,000 common shares with a fair value of \$7,000 to Regulus to extend the terms of the option agreement.

**Escrow shares**

As at May 31, 2013, 184,800 (May 31, 2012: 554,400) shares were held in escrow. The balance of 184,800 escrowed shares were released in November 2013.

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**Stock Options**

***Stock-Option Plan***

The Company has a stock option plan in place. Under the stock option plan the Company can issue up to 10% of the issued and outstanding Shares as incentive stock options to directors, officers, insiders, employees and other service providers to the Company. The stock option plan limits the number of incentive stock options which may be granted to any one individual to not more than 5% of the total issued Shares of the Company in any 12 month period. The number of incentive stock options granted to any one consultant or a person employed to provide investor relations activities in any 12 month period must not exceed 2% of the total issued Shares of the Company. The options granted under the Stock Option Plan are subject to the vesting schedule of the Stock Option Plan wherein 25% of the options will vest on the day which is 3 months from the day of grant and 25% of the options will vest every 3 months thereafter for a period of 12 months after the day of grant.

***For the period ended February 28, 2014***

There were no incentive stock option grants during this period.

***For the year ended May 31, 2013***

There were no incentive stock option grants during this year.

The Company incurred stock-based compensation expenses of \$30,661, which were charged to the statement of loss and comprehensive loss and credited to contributed surplus; these related to options granted in the previous year.

Summary of stock option activity:

|                                   | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average Life<br>Remaining<br>(Years) |
|-----------------------------------|----------------------|--|--|
|                                   |                      | \$                                       |  |
| <b>Balance, May 31, 2012</b>      | <b>1,235,000</b>     | 0.24                                     | 3.65   |
| <b>Balance, May 31, 2012</b>      | <b>1,235,000</b>     | 0.24                                     | 3.65   |
| <b>Balance, February 28, 2014</b> | <b>1,235,000</b>     | 0.24                                     | 1.70   |

A summary of the Company's outstanding and exercisable share options at February 28, 2014 is presented below:

| Outstanding Options |                      |  | Exercisable Options  |  |
|---------------------|----------------------|--|----------------------|--|
| Exercise<br>Price   | Number of<br>Options | Weighted<br>Average Life<br>Remaining<br>(Years) | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price |
| \$0.25              | 750,000              | 0.91   | 750,000              | \$0.25                                   |
| \$0.30              | 150,000              | 0.01   | 150,000              | \$0.30                                   |
| \$0.18              | 335,000              | 0.78   | 335,000              | \$0.18                                   |
|                     | <b>1,235,000</b>     | <b>1.70</b>                                      | <b>1,235,000</b>     | <b>\$0.24</b>                            |

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Summary of stock options outstanding:

| <b>Options</b>   | <b>Exercise Price</b> | <b>Expiry Date</b> |
|------------------|-----------------------|--------------------|
|                  | \$                    |                    |
| 335,000          | 0.18                  | May 1, 2017        |
| 750,000          | 0.25                  | November 10, 2015  |
| 150,000          | 0.30                  | April 4, 2014      |
| <b>1,235,000</b> |                       |                    |

**Warrants**

*For the period ended February 28, 2014*

In connection with the private placement completed during the quarter, the Company granted 1,040,000 share purchase warrants. Each Warrant shall entitle the holder to acquire one common share of the Company for a period of two years from the date of issuance of the Warrant with an exercise price of \$0.10 per share in the first year, and an exercise price of \$0.14 per share in the second year. The Company may pay a finder's fee to authorized persons.

*For the year ended May 31, 2013*

There were no share purchase warrants issued during the year.

Summary of warrant activity:

|                                   | <b>Number of Warrants</b> | <b>Weighted Average Exercise Price</b> | <b>Weighted Average Life Remaining (Years)</b> |
|-----------------------------------|---------------------------|--|--|
|                                   |                           | \$                                     |  |
| <b>Balance, May 31, 2012</b>      | <b>3,303,620</b>          | <b>0.45</b>                            | <b>1.45</b>                                    |
| Expired                           | (397,500)                 | -                                      | -  |
| <b>Balance, May 31, 2013</b>      | <b>2,906,120</b>          | <b>0.10</b>                            | <b>0.21</b>                                    |
| Granted                           | 1,040,000                 | 0.10                                   | 0.82   |
| Expired                           | (2,906,120)               | 0.45                                   | -  |
| <b>Balance, February 28, 2014</b> | <b>1,040,000</b>          | -                                      | <b>0.82</b>                                    |

**9. COMMITMENTS**

The Company is committed to certain contractual obligations described in Note 7.

**10. RELATED PARTY TRANSACTIONS**

The value of transactions and outstanding balances relating to key officers and directors and entities over which they have control or significant influence were as follows:

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The Company incurred \$58,500 (February 28, 2013 – \$58,978) in management fees. In addition, the Company incurred \$13,500 (February 28, 2013 – \$13,500 for office rent and storage costs from the consultant. As at February 28, 2014, the Company owed Gordon Osinchuk \$61,607 (May 31, 2013 - \$3,974) for expenses incurred on behalf of the Company, unpaid rent, and unpaid management fees.

The Company incurred \$22,500 (February 28, 2013 – \$22,500) of professional fees from Midland Management Ltd., a company controlled by an officer for accounting and administrative services performed. As at February 28, 2014, the Company owed \$25,000 (May 31, 2013 - \$2,500) to Midland Management Ltd. for accounting and administrative services rendered.

The Company incurred \$22,500 (February 28, 2013 – \$22,500) of professional fees from PubliCo Services Ltd., a company controlled by an officer for corporate secretarial services performed. As at February 28, 2014, the Company owed \$25,000 (May 31, 2013 - \$2,500) to PubliCo Services Ltd. for corporate secretarial services performed.

Amounts due to related parties are unsecured, non-interest bearing and without specified repayment terms. All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.