

Bonterra Resources Inc.

Condensed Consolidated Interim Financial Statements

For the six months ended November 30, 2013

Bonterra Resources Inc.

**Unaudited Condensed Interim Financial Statements
For the six months ended November 30, 2013**

Notice of No Auditor Review of Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements have been prepared by management and approved by
The Company's independent auditors have not performed a review of these condensed financial statements in

Bonterra Resources Inc.
Condensed Consolidated Interim Statements of Financial Position
(unaudited)

	Note	November 30, 2013	May 31, 2013
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 12,752	\$ 16,058
GST and other receivables		10,997	9,151
Investments	5	380,000	-
Prepaid expenses and deposits		31,846	10,757
		435,595	35,966
Equipment	6	18,242	20,886
Exploration and evaluation assets	7	5,835,078	6,484,001
		\$ 6,288,915	\$ 6,540,853
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		823,114	\$ 977,455
Other liabilities	8	94,691	94,691
Due to related parties	9	46,253	120,542
		964,058	1,192,688
SHAREHOLDERS' EQUITY			
Share capital	10	19,643,107	19,423,257
Share-based payment reserve	11	2,001,744	2,001,744
Deficit		(16,289,994)	(16,076,836)
Accumulated other comprehensive income		(30,000)	-
		5,324,857	5,348,165
		\$ 6,288,915	\$ 6,540,853

Approved on behalf of the Board:

"Nav Dhaliwal" Director

"Casey Forward" Director

Bonterra Resources Inc.
Condensed Consolidated Interim Statements of Comprehensive Loss
(unaudited)

	Note	For the three months ended November 30, 2013	For the three months ended November 30, 2012	For the six months ended November 30, 2013	For the six months ended November 30, 2012
Expenses					
Amortization		\$ 1,322	\$ 1,608	\$ 2,644	\$ 3,216
Bank charges and interest		1,631	589	2,349	863
Consulting fees	9	24,047	35,304	47,914	104,304
Management fees	9	30,000	30,000	60,000	62,000
Office and general		9,189	27,461	22,424	63,260
Pre-exploration costs		-	24,167	-	79,167
Professional fees	9	15,241	29,339	30,523	61,829
Rent (net of recovery)	9	8,460	11,098	25,380	27,800
Shareholder communications and investor relations		6,969	58,069	15,819	138,183
Stock-based compensation		-	191,585	-	191,585
Transfer agent and filing		3,694	8,578	5,265	9,646
Travel		-	32,798	2,547	51,174
Total expenses		(100,553)	(450,596)	(214,865)	(793,027)
Interest income		8	8	1,707	43
Other income		-	51,960	-	51,960
		(100,545)	(398,628)	(213,158)	(741,024)
Other comprehensive loss					
Unrealized loss on available-for-sale investments		(30,000)	-	(30,000)	-
Net loss and comprehensive loss for the period		(130,545)	(398,628)	(243,158)	(741,024)
Loss per share, basic and diluted					
		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of shares outstanding					
		96,812,283	84,548,698	96,812,283	84,548,698

Bonterra Resources Inc.
Condensed Consolidated Interim Statements of Cash Flows
(unaudited)

	Note	For the six months ended November 30, 2013	For the six months ended November 30, 2012
Operating Activities			
Net loss for the period		\$ (213,158)	\$ (741,024)
Items not involving cash			
Amortization		2,644	1,608
		(210,514)	(739,416)
Operating cash flows before movements in working capital			
Changes in non-cash working capital			
GST and other receivables		(1,846)	88,055
Prepaid expenses		(21,089)	37,491
Accounts payable and accrued liabilities		(228,630)	113,185
Due to related parties		-	(15,905)
Net cash used in operating activities		(462,079)	(516,590)
Financing Activities			
Shares issued for cash, net of issuance costs		219,850	-
Net cash provided from financing activities		219,850	-
Investing Activities			
Purchase of capital assets		-	(3,596)
Recovery of Quebec mineral credits		262,464	-
Acquisition and exploration of mineral properties		(23,541)	(104,118)
Net cash used in investing activities		238,923	(107,714)
Change in cash		(3,306)	(624,304)
Cash and cash equivalents, beginning of period		16,058	935,373
Cash and cash equivalents, end of period		\$ 12,752	\$ 311,069
Interest paid		\$ -	\$ -
Income taxes paid		\$ -	\$ -
Fair value of finder's warrants		\$ 17,500	\$ 29,673
Mineral property costs incurred in accounts payable		\$ 586,608	\$ 644,478

Bonterra Resources Inc.

Condensed Consolidated Interim Statements of Equity
(unaudited)

		Share Capital		Share-based Payment Reserves	Deficit	Accumulated other comprehensive income	Total
	Note	Shares	Amount				
Balance, May 31, 2012		82,005,501	\$ 18,813,522	\$ 1,972,071	\$ (9,304,870)	\$ -	\$ 11,480,723
Issued for cash							
Private placements		6,555,000	557,175	-	-	-	557,175
Issue costs		-	(92,533)	-	-	-	(92,533)
Fair value of agent's warrants		-	(29,673)	29,673	-	-	-
Stock-based compensation		-	-	191,585	-	-	191,585
Comprehensive loss		-	-	-	(741,024)	-	(741,024)
Balance, November 30, 2012		88,560,501	\$ 19,248,491	\$ 2,193,329	\$ (10,045,894)	\$ -	\$ 11,395,926
Balance, May 31, 2013		92,468,001	19,423,257	2,001,744	(16,076,836)	-	5,348,165
Issued for cash							
Private placement - September 2012		4,000,000	200,000	-	-	-	200,000
Private placement - February 2013		1,000,000	50,000	-	-	-	50,000
Issue costs		-	(30,150)	-	-	-	(30,150)
Comprehensive loss		-	-	-	(213,158)	(30,000)	(243,158)
Balance, November 30, 2013		97,468,001	\$ 19,643,107	\$ 2,001,744	\$ (16,289,994)	\$ (30,000)	\$ 5,324,857

See accompanying notes to the condensed consolidated interim financial statements

1. NATURE OF OPERATIONS

Bonterra Resources Inc. (the "Company") is an exploration stage company incorporated on May 1, 2007, under the laws of the Province of British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in the Provinces of British Columbia and Quebec, Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "BTR". The Company's head office and principal business address is 4006 – 1011 West Cordova Street, Vancouver, British Columbia, Canada, V6C 0B2.

The Company is in the process of acquiring and exploring its resource properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for resource properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 28, 2014.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting using accounting policies consistent with International Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in, and should be read in conjunction with, the Company's May 31, 2013 audited financial statements.

(b) Going Concern

The Company incurred a loss of \$243,158 for the six months ended November 30, 2013, and had working capital deficiency of \$528,463 and an accumulated deficit of \$16,289,994 at November 30, 2013 which has been funded primarily by the issuance of equity. These factors indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its resource properties when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at May 31, 2013. These unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended May 31, 2013.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

(a) Rehabilitation Provisions

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

As at November 30, 2013 the Company has no known rehabilitation requirements and accordingly, no provision has been made.

(b) Exploration and Evaluation Expenditure and Impairment

The application of the Company's accounting policy for exploration and evaluation expenditures and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

(c) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Bonterra Resources Inc.**Notes to Condensed Consolidated Interim Financial Statements (unaudited)****For the six months ended November 30, 2013****5. INVESTMENTS**

	November 30, 2013	May 31, 2013
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	\$ 380,000	\$ -
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On October 25, 2013 the Company entered into an agreement to dispose of a 1% net smelter return interest in the Eastern Extension property (note 7(b)(ii) to Gold Royalties Corporation (TSX-V: GRO). The purchase price was \$500,000 to be paid by way of the issuance of 500,000 shares issuable on approval by the TSX Venture exchange and 500,000 shares issuable in ten months for an aggregate of 1,000,000 shares of GRO at a deemed value of \$.50 per share. The Company received TSX Venture approval on November 7, 2013 and the Company received 500,000 shares subject to a hold period until March 8, 2014 and 500,000 shares held in trust until September 8, 2014. The market price of the shares was \$0.41 per share at the time of issuance. The Company recorded share consideration at \$410,000.

As at November 30, 2013, the fair value of the 1,000,000 GRO shares was estimated to be \$380,000. As the Company recorded the investment as available-for-sale, the unrealized loss of \$30,000 was recorded in other comprehensive income.

6. EQUIPMENT

Property and equipment	Furniture and equipment	Computer equipment	Total
June 1, 2012	\$ 18,130	\$ 17,979	\$ 36,109
Additions	-	3,597	3,597
May 31, 2013	18,130	21,576	39,706
Additions	-	-	-
November 30, 2013	\$ 18,130	\$ 21,576	\$ 39,706

Accumulated amortization			
June 1, 2012	\$ 5,897	\$ 6,490	\$ 12,387
Amortization	2,447	3,986	6,433
May 31, 2013	8,344	10,476	18,820
Amortization	979	1,665	2,644
November 30, 2013	9,323	12,141	21,464

Net book value, May 31, 2013	\$ 9,786	\$ 11,100	\$ 20,886
Net book value, November 30, 2013	\$ 8,807	\$ 9,435	\$ 18,242

Bonterra Resources Inc.
Notes to Condensed Consolidated Interim Financial Statements (unaudited)
For the six months ended November 30, 2013
7. EXPLORATION AND EVALUATION ASSETS
For the six months ended November 30, 2013

	Zacatecas North	Eastern Extension/ Urban Barry	Total
Balance, beginning of year	\$ 1	\$ 6,484,000	\$ 6,484,001
Acquisition costs			
Shares	-	-	-
Deferred exploration expenditures			
Assays	-	12,291	12,291
Drilling	-	-	-
Geological consulting (note 9)	-	11,250	11,250
Sale of 1% of net smelter return	-	(410,000)	(410,000)
Recovery of Quebec Mineral Credits	-	(262,464)	(262,464)
	-	(648,923)	(648,923)
Subtotal	1	5,835,077	5,835,078
Write-offs	-	-	-
Balance at November 30, 2013	\$ 1	\$ 5,835,077	\$ 5,835,078

For the year ended May 31, 2012

	Zacatecas North	Eastern Extension/ Urban Barry	Total
Balance, June 1, 2011	\$ 5,811,170	\$ 5,975,095	\$ 11,786,265
Acquisition costs			
Shares	-	-	-
Deferred exploration expenditures			
Assays	-	28,778	28,778
Drilling	-	356,155	356,155
Geological consulting (note 10)	-	123,972	123,972
Geophysical surveys	5,011	-	5,011
Recovery of Quebec Mineral Credits	(33,838)	-	(33,838)
	(28,827)	508,905	480,078
Total	5,782,343	6,484,000	12,266,343
Write-offs	(5,782,342)	-	(5,782,342)
Balance at May 31, 2012	\$ 1	\$ 6,484,000	\$ 6,484,001

7. EXPLORATION AND EVALUATION ASSETS continued

(a) Zacatecas North Property (Symphony)

By an asset purchase agreement dated April 30, 2008 and amended May 30, 2008 between Symphony and the property's vendor, Symphony purchased an undivided 100% interest in 18 mineral claims located adjacent to the Silver Queen mine property in central British Columbia, Canada, referred to as the Zacatecas North Property. In consideration for the claims, Symphony paid \$10,000 in cash and issued 500,000 of its common shares valued at \$0.125 per share based on the market value of the shares on share issue date.

On May 26, 2009, through the completion of the share exchange transaction, the Company acquired all of the issued and outstanding shares in the capital of Symphony from the Symphony shareholders in exchange for the issuance, by the Company, of 10,000,000 common shares to the Symphony shareholders and an additional 850,000 common shares for finders fees, all of which were capitalized as exploration and evaluation assets. The shares issued had a fair value of \$0.46 per share resulting in \$4,991,000 being capitalized as exploration and evaluation assets.

During the year ended May 31, 2010, the Company reduced the mineral claims to 6 claims.

During the year ended May 31, 2013, the Company has decided not to pursue this property and has written off the capitalized costs of \$5,782,342.

(b) Eastern Extension Properties/ Urban Barry

(i) Urban Barry (Windfall Lake)

During the year ended May 31, 2010, the Company acquired a 100-per-cent interest in 95 claim blocks in Quebec near Windfall Lake at a cost of \$20,000 (paid), the issuance of 1,000,000 common shares to the vendors and 108,800 common shares to a finder (issued) and incurring \$140,000 of exploration expenditures (incurred). The shares were valued at \$155,232 based on the market value of the shares on share issue date. The property is subject to a 2% net smelter returns royalty of which 0.5% can be purchased by the Company for \$1,000,000.

In addition the Company purchased a 100% interest in 27 mineral claims located in the James Bay area in Quebec. The aggregate consideration is \$3,900 (paid) and 2,000,000 common shares (issued). The fair value of the shares was \$360,000 based on the market value of the shares on the share issue date.

(ii) Eastern Extension

The Company entered into an option agreement on September 15, 2010, as amended on February 8, 2011 and March 19, 2012 to acquire 100% interest in 23 additional mineral claims adjacent to the Urban Barry claims in Quebec for aggregate consideration of \$10,000 cash (paid), 1,750,000 common shares (issued) and \$750,000 in exploration expenditures (incurred). The company has completed the acquisition and owns 100% subject to the NSR below.

The agreement is subject to a 2% NSR of which 1% can be purchased for \$500,000. A finder's fee of 56,890 shares was paid in connection with this acquisition.

On November 7, 2013 the Company sold a 1% net smelter royalty interest to Gold Royalties Corporation (TSX-V: GRO) ("Gold Royalties") to sell a 1% net smelter return royalty interest on the Eastern Extension property. The Company received 1,000,000 shares of Gold Royalties in exchange of a 1% interest in the net smelter return royalty attached to the Eastern Extension property..

(iii) Lavoie Property acquisition - adjacent to Eastern Extension

On December 30, 2010, the Company closed and received approval from the TSX Venture Exchange for a property purchase agreement entered into on December 10, 2010 to acquire 100% interest in 57 mineral claims east of the Urban-Barry Township in Quebec. Consideration paid was 2,000,000 common shares valued at \$860,000 based on the market price of the shares on the share issue date, and cash payments of \$35,000. The agreement is subject to a 2% NSR of which 1% may be purchased for \$1,000,000.

7. EXPLORATION AND EVALUATION ASSETS continued**(iv) Anderson Property acquisition - Urban Barry Area**

On December 3, 2010, the Company closed and received approval from the TSX Venture Exchange for an option agreement entered into on November 8, 2010 to acquire 100% interest in 37 mineral claims in Quebec. The Company must issue a total 3,000,000 common shares (issued) of which the fair value is \$1,320,000 based on the market value of the shares on the share issue date, and make cash payments of \$5,000 on closing (paid) and \$5,000 within one year, and incur total exploration expenditures of \$400,000 evenly over two years. The agreement is subject to a 2% NSR.

The Company decided not to continue with this acquisition and wrote off the costs incurred of \$1,325,000 in the year ended May 31, 2012.

8. OTHER LIABILITIES

Other liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through share issuances.

Flow-through shares

	Issued during the year ended May 31, 2013	Issued during the year ended May 31, 2012	Issued during the year ended May 31, 2011	Total
Balance, June 1, 2011	\$ -	\$ -	\$ 100,424	\$ 100,424
Liability incurred on flow-through shares issued	-	347,862	-	347,862
Settlement of flow-through share liability on incurring expenditures	-	(347,862)	(100,424)	(448,286)
Balance, May 31, 2012	-	-	-	-
Liability incurred on flow-through shares issued in September 2012	138,875	-	-	-
Liability incurred on flow-through shares issued in February 2013	44,625	-	-	-
Settlement of flow-through share liability on incurring expenditures	(88,809)	-	-	-
Balance, May 31, 2013	94,691	-	-	-

As at May 31, 2013, the Company has remaining commitment to incur exploration expenditures in relation to flow-through share financing totalling \$337,603.

In February 2013 the Company completed a non-brokered private placement consisting of the issue and sale of 1,487,500 flow-through units at \$0.08 per flow-through unit. All proceeds were received by December 31, 2012 giving flow through tax deductions to subscribers for 2012.

In September 2012 the Company completed a brokered private placement consisting of the issue and sale of 5,555,000 flow-through units at \$0.11 per flow-through unit. Each flow-through unit consisted of one flow-through common share and one half of one common share purchase warrant; each common share unit consisted of one common share and one half of one common share purchase warrant.

On July 15, 2011 the Company completed a brokered private placement consisting of the issue and sale of 4,347,826 flow-through units at \$0.23 per flow-through unit and 3,331,666 common share units at \$0.15 per NFT Unit for a total gross proceeds of \$1,499,750. Each flow-through unit consisted of one flow-through common share and one half of one common share purchase warrant; each common share unit consisted of one common share and one half of one common share purchase warrant.

As at May 31, 2012, the Company had fulfilled its commitment to incur exploration expenditures in relation to this flow-through share financing.

9. RELATED PARTY TRANSACTIONS AND BALANCES

The following expenses were incurred with directors and officers of the Company and companies controlled by directors:

	For the six months ended November 30, 2013	For the six months ended November 30, 2012
Key management personnel remuneration		
Management and director fees	\$ 60,000	\$ 62,000
Accounting fees	-	47,500
Consulting fees	-	20,000
Pre-exploration costs	-	30,000
Deferred exploration costs	-	50,500
Total key management personnel remuneration	\$ 60,000	\$ 210,000
Other		
Rent (recovery)	(12,690)	(22,000)
Total	\$ 47,310	\$ 188,000

As at November 30, 2013 amounts due to related parties of \$46,647 (May 31, 2013 - \$120,542) was owing to current and former officers and directors.

Amounts due to related parties are unsecured, do not bear interest and have no fixed repayment terms.

These charges were measured by the exchange amount, which is the amount agreed upon by the related parties.

10. SHARE CAPITAL

(a) Authorized

Unlimited common shares of no par value

(b) Issued and outstanding

For the six months ended November 30, 2013

In June 2013 the Company closed a non-brokered private placement of 4,000,000 flow-through units (the "FT Units") at a price of \$0.05 per FT Unit, and 1,000,000 non flow-through units (the "NFT Units") at a price of \$0.05 per NFT Unit. The FT Units are comprised of one flow-through common share and one-half of one common share purchase warrant (each whole warrant a "Warrant"). The NFT Units are comprised of one non flow-through common share and one-half of one Warrant. Each Warrant entitles the holder to purchase an additional non flow-through common share of the Company (a "Warrant Share") at a price of \$0.10 per Warrant Share for a period of one year from the date of issue. In connection with the Private Placement, the Company paid finder's fees consisting of cash fees totalling \$22,500 and warrants to acquire 200,000 common shares of the Company at an exercise price of \$0.10 per common share for a period of one year from the date of issue. Other issue costs totalled \$7,650.

For the year ended May 31, 2013

In February 2013 the Company completed a non-brokered private placement of 1,487,500 flow-through units of the Company at \$0.08 each and 2,420,000 non-flow through units of the Company at \$0.05 per for total gross proceeds of \$240,000. Each flow through unit consists of one flow-through common share of the Company and one non-transferable common share purchase warrant to purchase one non-flow through common share of the Company at a price of \$0.12 until February 4, 2015. Each non-flow through unit consists of one common share of the Company and one common share purchase warrant to purchase one common share at a price of \$0.10 until February 4, 2015. Share issue costs were \$19,609.

In September 2012 the Company completed a brokered private placement of 5,555,000 flow-through units of the Company at \$0.11 each and 1,000,000 non-flow through units of the Company at \$0.085 per unit for total gross proceeds of \$696,050. Each flow through unit consists of one flow-through common share of the Company and one-half of one non-transferable common share purchase warrant where each warrant entitles the holder to purchase one non-flow through common share of the Company at a price of \$0.15 until March 21, 2014. Each non-flow through unit consists of one common share of the Company and one common share purchase warrant where each warrant entitles the holder to purchase one common share at a price of \$0.12 until March 21, 2014. The Company paid a cash finder's fee of 8% of \$55,684 and granted 524,400 warrants valued at \$29,673, and incurred other share issue costs of \$37,849. Each agent's warrant entitles the holder to purchase one common share of the Company at a price of \$0.085 until March 21, 2014. The fair value of the warrants has been estimated as of the date of issuance using the Black-Scholes with the following assumptions: risk-free interest rate of 1.25%, dividend yield of 0%, volatility of 116% and expected life of 18 months.

Bonterra Resources Inc.
Notes to Condensed Consolidated Interim Financial Statements (unaudited)
For the six months ended November 30, 2013
10. SHARE CAPITAL continued
(c) Stock options

On January 14, 2013, the Company adopted the 2013 incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the issued and outstanding common shares of the Company. The options vest when granted except for options granted for investor relations activities which vest over a 12 month period with no more than 25% of the options vesting in any three month period.

On October 10, 2012 the Company granted 3,500,000 incentive stock options to officers, directors and consultants at a price of \$0.10 per share for period of two years.

	Number of stock options	Weighted Average Exercise Price
Balance outstanding, June 1, 2011	5,180,000	0.30
Options granted	3,500,000	0.18
Options granted to broker pursuant to financing (note 10b)	434,783	0.23
Options exercised	(1,075,000)	0.13
Options cancelled	(1,900,000)	\$ 0.38
Options expired	(1,750,000)	0.33
Balance outstanding, May 31, 2012	4,389,783	0.21
Options cancelled	(1,200,000)	0.24
Options expired	(755,000)	0.33
Balance outstanding, May 31, 2013	2,434,783	0.18
Options expired	(434,783)	0.23
Balance outstanding, November 30, 2013	2,000,000	\$ 0.18

The following table summarizes information about stock options, outstanding at November 30, 2013:

Exercise prices	Number outstanding at November 30, 2013	Number exercisable at November 30, 2013	Weighted average remaining contractual life (years)
\$ 0.175	2,000,000	2,000,000	0.3
	2,000,000	2,000,000	

(d) Warrants

	For the six months ended November 30, 2013	Weighted average exercise price \$	For the year ended May 31, 2013	Weighted average exercise price
(i) The changes in warrants were as follows:				
Balance of warrants at beginning of period	21,487,167	\$ 0.21	26,109,433	\$ 0.32
Issued	2,700,000	0.10	8,209,400	0.12
Expired	(5,416,771)	0.37	(12,831,666)	0.37
Balance of warrants at end of period	18,770,396	\$ 0.11	21,487,167	\$ 0.21

(ii) A summary of warrants outstanding is:

	Number of Warrants	Exercise Price	Expiry Date
	524,400	\$ 0.085	21-Mar-14
	2,420,000	\$ 0.10	1-Feb-15
	1,000,000	\$ 0.12	21-Mar-14
	1,487,500	\$ 0.12	1-Feb-15
	2,777,500	\$ 0.15	21-Mar-14
	7,860,996	\$ 0.20	12-Mar-14
	2,700,000	\$ 0.10	25-Jun-14
	18,770,396		

11. INCOME TAXES

At May 31, 2013, the Canadian parent company has accumulated Canadian Exploration and Development Expenditures of \$5,353,000 (2012 - \$5,263,000) and has accumulated non-capital losses totalling \$5,706,000 (2012 - \$4,418,000), which expire in various amounts from 2028 to 2033.

12. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of resource properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. There were no changes in the Company's approach to capital management during the year.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

13. FINANCIAL INSTRUMENTS AND RISKS

As at November 30, 2013, the Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and due to related parties. The carrying values of these financial instruments approximate their fair values.

Fair Value

The Company classifies its fair value measurements in accordance with an established hierarchy that priorities the inputs in valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and

Level 3 - Inputs that are not based on observable market data

The following table sets for the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 12,752	\$ -	\$ -	\$ 12,752

Credit Risk

Financial instruments that potentially expose the Company to credit risk are cash and cash equivalents. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution. The maximum exposure to loss arising from these advances is equal to their total carrying amounts. The Company is exposed to credit risk with respect to its cash and cash equivalents. However, the risk is minimized as they are held at a major Canadian Chartered Bank.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading and available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The Company is not exposed to significant market risk. The Company is not exposed to significant interest rate risk as the Company has no interest bearing debt. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. FINANCIAL INSTRUMENTS AND RISKS continued

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 12.

The Company monitors its ability to meet its short-term administrative expenditures by matching investment income received to expenditures to be incurred, and by disposing its investments when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Foreign Exchange Risk

The Company's operations are transacted in Canadian dollar and are not exposed to significant foreign exchange risk.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

14. RISK MANAGEMENT

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; however it is not possible to be certain that all aspects of environmental issues affecting the Company, if any, have been fully determined or resolved.

15. EVENTS OCCURRING AFTER THE REPORTING DATE

Nil