Bonterra Resources Inc.

Condensed Consolidated Interim Financial Statements

Nine Months Ended February 28, 2015

(Unaudited - Expressed in Canadian Dollars)

Bonterra Resources Inc.

Nine Months Ended February 28, 2015

INDEX	**Page**
Condensed Consolidated Interim Financial Statements	
Notice of No Auditor Review	
Condensed Consolidated Interim Statements of Financial Position	1
Condensed Consolidated Interim Statements of Comprehensive Loss	2
Condensed Consolidated Interim Statements of Changes in Equity	3
Condensed Consolidated Interim Statements of Cash Flows	4
Notes to the Condensed Consolidated Interim Financial Statements	5-19

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED 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 condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated 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 condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

April 29, 2015

Bonterra Resources Inc.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

		February 28, 2015		May 31, 2014
Assets				
Current				
Cash	$	**195**	$	2,050
Marketable securities (note 7)		**10,604**		128,425
Receivables		**53,232**		13,362
Prepaid expenses (notes 10 and 12)		**109,233**		-
		173,264		143,837
Prepaid Expenses		**14,605**		-
Reclamation Deposit (note 8)		**-**		3,500
Equipment (note 9)		**12,677**		15,599
Exploration and Evaluation Assets (note 10)		**5,949,258**		5,920,077
	$	**6,149,804**	$	6,083,013
Liabilities				
Current				
Accounts payable and accrued liabilities	$	**265,541**	$	895,397
Other liabilities (note 11)		**89,336**		89,336
Due to related parties (note 12)		**-**		110,113
		354,877		1,094,846
Shareholders' Equity				
Share Capital (note 13)		**23,234,564**		19,600,100
Share-based Payments Reserve (note 13)		**2,122,381**		2,029,686
Accumulated Other Comprehensive Income (Loss)		**74,899**		(27,245)
Deficit		**(19,636,917)**		(16,614,374)
		5,794,927		4,988,167
	$	**6,149,804**	$	6,083,013

Going Concern (note 2)
Subsequent Event (note 17)

Approved on behalf of the Board:

"Robert Bryce"	*"Nav Dhaliwal"*
……………………………… Director	……………………………… Director
Robert Bryce	Nav Dhaliwal

The accompanying notes are an integral part of these consolidated financial statements.

Bonterra Resources Inc.

Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended		Nine Months Ended	
	February 28, 2015	February 28, 2014	**February 28, 2015**	February 28, 2014
Expenses				
Amortization	$ **974**	$ 1,321	$ **2,922**	$ 3,965
Consulting fees	**111,250**	53,500	**236,740**	101,414
Management fees (note 12)	**37,694**	30,000	**168,194**	90,000
Office and general	**8,783**	13,279	**14,336**	36,345
Pre-exploration costs	**-**	-	**3,500**	-
Professional fees (note 12)	**16,702**	24,582	**47,342**	55,105
Rent (note 12)	**17,059**	40,560	**34,489**	65,940
Share-based payments	**111,594**	-	**132,534**	-
Shareholder communications and investor relations	**75,719**	1,274	**185,720**	17,093
Transfer agent and filings fees	**21,245**	10,342	**27,588**	15,607
Travel	**4,474**	-	**6,196**	2,547
Net Loss Before Other Items	**(405,494)**	(174,858)	**(859,561)**	(388,016)
Other Items				
Realized loss on marketable securities	**-**	-	**(109,781)**	-
Loss on settlement of payables (note 14)	**(2,053,201)**	-	**(2,053,201)**	-
Net Loss for the Period	**(2,458,695)**	(174,858)	**(3,022,543)**	(388,016)
Items That May Be Reclassified Subsequently to Profit or Loss				
Reclassification of realized loss on marketable securities	**-**	-	**72,823**	-
Unrealized gain (loss) on marketable securities	**6,060**	-	**29,321**	(30,000)
	6,060	-	**102,144**	(30,000)
Comprehensive Loss for the Period	$ **(2,452,635)**	$ (174,858)	$ **(2,920,399)**	$ (418,016)
Basic and Diluted Loss Per Share	$ **(0.35)**	$ (0.04)	$ **(0.44)**	$ (0.08)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	**7,033,663**	4,851,422	**6,896,402**	4,851,422

The accompanying notes are an integral part of these consolidated financial statements.

Bonterra Resources Inc.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - Expressed in Canadian Dollars)

	Share Capital					
	Number of Shares	**Share Capital**	**Share-based Payments Reserve**	**Accumulated Other Comprehensive Income (Loss)**	**Deficit**	**Total**
Balance, May 31, 2013	**4,623,399**	**$ 19,423,257**	**$ 2,001,744**	**$ -**	**$ (16,076,836)**	**$ 5,348,165**
Private placements	250,000	223,921	26,079	-	-	250,000
Share issue costs	-	(45,215)	-	-	-	(45,215)
Fair value of agents warrants	-	(1,863)	1,863	-	-	-
Net loss and comprehensive loss for period	-	-	-	(30,000)	(213,158)	(243,158)
Balance, February 28, 2014						
Net loss and comprehensive loss for period	-	19,643,107	2,001,744	(30,000)	(16,464,852)	(5,149,999)
Balance May 31, 2014	**4,873,399**	**19,600,100**	**2,029,686**	**(27,245)**	**(16,614,374)**	**4,988,167**
Private placement	6,175,000	617,500	-	-	-	617,500
Share issue costs	-	(8,687)	-	-	-	(8,687)
Fair value of agents warrants	-	(1,639)	1,639	-	-	-
Shares issued on exercise of stock options	979,000	170,975	-	-	-	170,975
Stock options granted	-	-	132,534	-	-	132,534
Transfer of fair value on exercise of stock options	-	41,478	(41,478)	-	-	-
Shares issued on settlement of payables	7,607,668	2,814,837	-	-	-	2,814,837
Net loss and comprehensive loss for period	-	-	-	102,144	(3,022,543)	(2,920,399)
Balance, February 28, 2015	**19,635,067**	**$ 23,234,564**	**$ 2,122,381**	**$ 74,899**	**$ (19,636,917)**	**$ 5,794,927**

The accompanying notes are an integral part of these consolidated financial statements.

Bonterra Resources Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the Nine Months Ended February 28
(Unaudited - Expressed in Canadian Dollars)

	2015	2014
Operating Activities		
Net loss for the period	$ **(3,022,543)**	$ (388,016)
Items not involving cash		
Amortization	**2,922**	3,965
Write off of reclamation deposit	**3,500**	-
Share-based payments	**132,534**	-
Realized loss on sale of marketable securities	**109,781**	-
Loss on settlement of payables	**2,053,201**	-
Changes in non-cash working capital		
Receivables	**(39,870)**	(230)
Prepaid expenses	**(123,838)**	7,257
Accounts payable and accrued liabilities	**25,345**	(64,386)
Due to related parties	**(3,678)**	(33,395)
Cash Used in Operating Activities	**(862,646)**	(474,805)
Investing Activities		
Proceeds from sale of marketable securities	**110,184**	-
Exploration and evaluation assets recoveries (expenditures), net	**(29,181)**	(23,541)
Recovery of Quebec mineral credits	**-**	262,464
Cash Provided By Investing Activities	**81,003**	238,923
Financing Activity		
Shares issued for cash, net of issuance costs	**779,788**	219,850
Cash Provided by Financing Activity	**779,788**	219,850
Inflow (Outflow) of Cash	**(1,855)**	(16,032)
Cash, Beginning of Period	**2,050**	16,058
Cash, End of Period	$ **195**	$ 26

Supplemental Disclosure with Respect to Cash Flows (note 15)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND CONTINUANCE 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 510-744 West Hasting Street, Vancouver, British Columbia, Canada, V6C 1A1. The Company's registered and records office is 1000-595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1S8.

On September 2, 2014, the Company consolidated its common shares on a one new share for twenty old shares basis. All share and per share amounts have been revised to reflect the consolidation.

2. GOING CONCERN

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company incurred a comprehensive loss of $2,920,399 for the nine months ended February 28, 2015 (2014 - $418,016), and has an accumulated deficit of $19,636,917 and working capital deficiency of $181,613 at February 28, 2015 (May 31, 2014 - deficit of $16,614,374 and working capital deficiency of $951,009). These factors indicate the existence of a 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 exploration and evaluation assets 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 condensed consolidated interim financial statements do not give effect to any adjustments required to realize it assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance

The condensed consolidated interim financial statements ("financial statements") of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial statements of the Company should be read in conjunction with the Company's 2014 annual financial statements which 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 April 29, 2015.

(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION (Continued)

b) Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale ("AFS"), and fair value through profit or loss ("FVTPL"). These condensed consolidated interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

c) Subsidiaries

These condensed consolidated interim financial statements include the accounts of the Company and the following subsidiaries. All intercompany transactions and balances have been eliminated.

	Country of Incorporation	Percentage of Ownership at August 31, 2014	Percentage of Ownership at May 31, 2014
Symphony Resources Ltd. ("Symphony")	USA	100%	100%
0819904 B.C. Ltd.	Canada	100%	100%

4. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 4 to the audited financial statements for the year ended May 31, 2014.

5. 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 income/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.

Critical judgments in applying accounting policies

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 condensed consolidated interim financial statements within the next financial year are discussed below:

a) Impairment of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditure 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 expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

5. CRITICAL ACCOUNTING ESTIMATES (Continued)

Critical judgments in applying accounting policies (continued)

b) 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.

c) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the consolidated financial statements.

a) Decommissioning liabilities

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 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 February 28, 2015, the Company has no known rehabilitation requirements and accordingly, no provision has been made.

(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES (Continued)

Key sources of estimation uncertainty (continued)

b) Share purchase warrant valuation

The Company measures the value of share purchase warrants issued as part of private placement units using a pro rata method. The pro rata method requires each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components. The fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes pricing model. Estimating fair value for share purchase warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share purchase warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share purchase warrants are disclosed in note 13.

6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as financial assets at FVTPL; receivables as loans and receivables; marketable securities as AFS financial assets; reclamation deposit as HTM investments; and accounts payable and accrued liabilities and due to related parties as other financial liabilities. The carrying value of these instruments approximates their fair values due to their short term to maturity.

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

February 28, 2015	Level 1	Level 2	Level 3	Total
Cash	$ 195	$ -	$ -	$ 195
Marketable securities	$ 10,604	$ -	$ -	$ 10,604

May 31, 2014	Level 1	Level 2	Level 3	Total
Cash	$ 2,050	$ -	$ -	$ 2,050
Marketable securities	$ 23,925	$ 104,500	$ -	$ 128,425

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing at major Canadian financial institutions. The Company has minimal credit risk.

6. FINANCIAL INSTRUMENTS (Continued)

b) 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of February 28, 2015 equal $354,877 (May 31, 2014 - $1,094,846). All of the liabilities presented as accounts payable are due within 30 days of February 28, 2015.

The Company intends to address its working capital deficiency through a combination of debt settlement agreements and private placement financings.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

i) Currency risk - The Company has no funds held in a foreign currency and as a result is not exposed to significant currency risk on its financial instruments at period-end.

ii) Interest rate risk - Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and reclamation deposit is at nominal interest rates and, therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

iii) Other price risk - Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to other price risk with respect to its marketable securities.

d) Capital management

The Company considers its capital to be comprised of 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. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the period ended February 28, 2015. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

7. MARKETABLE SECURITIES

On October 25, 2013 the Company entered into an agreement to sell a 1% net smelter return interest in the Eastern Extension property (note 10(b)(ii)) to Gold Royalties Corporation (TSX-V: GRO). The Company received 1,000,000 common shares of GRO on November 7, 2013. 500,000 of the common shares are held in trust until September 8, 2014. The Company recorded share consideration of $325,000 based on the trading price of the GRO shares on November 7, 2013, discounted by the put option of the shares held in trust for the length of the escrow period, against the carrying amount of the exploration and evaluation assets.

During the nine months ended February 28, 2015, the Company sold 536,500 (2014 – nil) common shares for proceeds of $110,184 (2014 - $nil). The Company recorded a realized loss on sale of $109,781 (2014 - $nil).

At May 31, 2014, the Company held 587,000 common shares, of which 87,000 shares were valued at $23,925 based on the trading price of the shares at year-end. The remaining 500,000 shares were valued at $104,500, being the fair value based on the trading price of the shares at year-end, discounted by the put option for the length of the escrow period.

At February 28, 2015, the Company held 50,500 common shares valued at $10,604 based on the trading price of the shares at period-end.

The put options were calculated using the Black-Scholes option pricing model using the following assumptions:

	February 28, 2015	**May 31, 2014**	**November 7, 2013**
Escrow period (years)	N/A	0.27	0.83
Risk-free interest rate	N/A	1.05%	1.10%
Volatility	N/A	121%	121%
Dividend yield	N/A	N/A	N/A

The Company recorded a net unrealized gain of $102,144 (2014 - unrealized loss of $30,000) in accumulated other comprehensive loss.

8. RECLAMATION DEPOSIT

At May 31, 2014, the Company held a guaranteed investment certificate (“GIC”) with an interest rate of 0.20% per annum and a fair value of $3,500. The GIC was held as a resource reclamation deposit and was restricted from other uses. During the period ended February 28, 2015, the reclamation deposit was surrendered to the government and it was written-off to general exploration costs.

(Expressed in Canadian Dollars)

9. EQUIPMENT

	Furniture and Equipment	Computer Equipment	Total
Cost			
Balance, May 31, 2013, May 31, 2014 and February 28, 2015	$ 18,130	$ 21,576	$ 39,706
Amortization			
Balance, May 31, 2013	$ 8,344	$ 10,476	$ 18,820
Amortization	1,957	3,330	5,287
Balance, May 31, 2014	10,301	13,806	24,107
Amortization	1,174	1,748	2,922
Balance, February 28, 2015	$ 11,475	$ 15,554	$ 27,029
Net Book Value, May 31, 2014	$ 7,829	$ 7,770	$ 15,599
Net Book Value, February 28, 2015	$ 6,655	$ 6,022	$ 12,677

10. EXPLORATION AND EVALUATION ASSETS

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 decided not to pursue this property and has written off the capitalized costs of $5,782,342.

During the year ended May 31, 2014, the Company decided to write off the remaining cost of $1.

10. EXPLORATION AND EVALUATION ASSETS (Continued)

b) Gladiator Project (formerly Eastern Extension Properties/Urban Barry)

(i) Urban Barry (Windfall Lake)

During the year ended May 31, 2010, the Company acquired a 100% 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.

During the year ended May 31, 2013, the Company reduced the mineral claims located to 95 as the claims in the James Bay area were not renewed.

(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 an additional 1% NSR to GRO in exchange for 1,000,000 common shares of GRO, valued at $325,000 (note 7).

(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.

Included in prepaid expenses at February 28, 2015, is a retainer paid to an exploration company for work to be performed on the Gladiator Project. The principal of the exploration company is a significant shareholder of the Company (note 12).

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION ASSETS (Continued)

	Zacatecas North	Gladiator Project	Total
Balance, May 31, 2013	**$ 1**	**$ 6,484,000**	**$ 6,484,001**
Property exploration costs			
Assays	-	12,291	12,291
Geological	-	11,250	11,250
Sales of 1% NSR	-	(325,000)	(325,000)
Recovery of Quebec Mineral Credits	-	(262,464)	(262,264)
Total exploration costs	-	(563,923)	(563,923)
Write off of exploration and evaluation assets	(1)	-	(1)
Balance, May 31, 2014	**$ -**	**$ 5,920,077**	**$ 5,920,077**
Acquisition and claim renewals	-	3,568	3,568
Property exploration costs			
Geological	-	25,613	25,613
Balance, February 28, 2015	**$ -**	**$ 5,949,258**	**$ 5,949,258**

(Expressed in Canadian Dollars)

11. OTHER LIABILITIES

Other liabilities consist of 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.

	Issued During the Year Ended May 31, 2014 and Nine Months Ended February 28, 2015	Issued During the Year Ended May 31, 2013	Total
Balance, May 31, 2012	$ -	$ -	$ -
Liability incurred on flow-through shares issued September 2012	-	138,875	138,785
Liability incurred on flow-through shares issued February 2013	-	44,625	44,625
Settlement of flow-through share liability on incurring expenditures	-	(88,809)	(88,809)
Balance, May 31, 2013	-	94,691	94,691
Liability incurred on flow-through shares issued June 2013	-	-	-
Settlement of flow-through share liability on incurring expenditures	-	(5,355)	(5,355)
Balance, May 31, 2014 and February 28, 2015	$ -	$ 89,336	$ 89,336

During the nine months ended February 28, 2015

At February 28, 2015, the Company still had remaining flow-through share commitments from its 2012 renunciations of $314,062 (May 31, 2014 - $314,062). Accordingly, the Company will be required to pay Part XII.6 tax and penalties on the unspent commitment. Included in accounts payable and accrued liabilities is $39,577 related to Part XII.6 tax and penalties (May 31, 2014 - $39,577).

At February 28, 2015, the Company had a remaining commitment to incur exploration expenditures in relation to its 2013 and 2012 flow-through share financing of $510,062 (May 31, 2014 - $510,062).

During the year-end May 31, 2014

In June 2013, the Company issued 4,000,000 flow-through units at a price of $0.05 per unit. The Company renounced the flow-through tax deductions to subscribers on December 31, 2013 (“2013 flow-through share financing”). There was no premium paid by investors and nothing was recorded as other liabilities.

During the year-end May 31, 2013

In September 2012, the Company issued of 5,555,000 flow-through units at a price of $0.11 per flow-through unit. The Company renounced the flow-through tax deductions to subscribers on December 31, 2012. The premium paid by investors was calculated as $0.03 per unit. Accordingly, $138,875 was recorded as other liabilities.

(Expressed in Canadian Dollars)

11. OTHER LIABILITIES (Continued)

In February 2013, the Company issued 1,487,500 flow-through units at a price of $0.08 per unit. All proceeds were received by December 31, 2012 giving flow-through tax deductions to subscribers for 2012 ("2012 flow-through share financing"). The premium paid by investors was calculated as $0.03 per unit. Accordingly, $44,625 was recorded as other liabilities.

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

12. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the consolidated statements of comprehensive loss:

	Nine Months Ended February 28, 2015	Nine Months Ended February 28, 2014
Short-term compensation	$ 136,194	$ 117,000
Share-based payments	$ -	$ -

During the nine months ended February 28, 2015, short-term compensation to related parties consisted of $120,194 in management fees (2014 - $90,000) and $16,000 of professional fees (2014 - $27,000).

During the nine months ended February 28, 2015, the Company paid $11,614 for rent expense to a company related by a common director (2014 - received $12,690 as a rent expense recovery)

As at February 28, 2015, the Company had outstanding amounts payable to an officer and a director of the Company of $nil (May 31, 2014 - $37,450) and to companies related by common directors of $nil (May 31, 2014 - $72,663) for outstanding fees and expenses. The amounts payable are non-interest-bearing, uncollateralized and are repayable on demand.

At February 28, 2015, included in prepaid expenses was a $100,000 (May 31, 2014 - $nil) retainer for exploration expenses paid to a company of which the principal is a significant shareholder of the Company.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value

b) Issued and outstanding

During the nine months ended February 28, 2015

On December 22, 2014, the Company completed a non-brokered private placement for gross proceeds of $617,500. The Company issued 6,175,000 units at a price of $0.10 per unit. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.20 per share on or before December 22, 2016. The Company paid finder's fees and other costs in relation to the private placement of $8,687 and issued 25,000 agent's warrants with a value of $1,639 (note (13(c)). Each agent's warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.20 per share on or before December 22, 2016.

On February 18, 2015, the Company issued 7,607,668 common shares with a value of $2,814,837 as part of a payables settlement agreement with a group of creditors. The amount of indebtedness that was settled with the transaction was $757,915.

During the nine months ended February 28, 2015, the Company issued 979,000 common shares for proceeds of $170,975 on the exercise of 979,000 stock options. The fair-value of the stock options of $41,478 was transferred to share capital from share-based payments reserve upon exercise (note 11(d)).

During the year ended May 31, 2014

On June 25, 2013, the Company completed a non-brokered private placement for gross proceeds of $250,000. The Company issued 200,000 flow-through units and 50,000 non-flow-through units at a price of $1.00 per unit. Each flow-through unit consisted of one flow-through common share of the Company and half of one share purchase warrant. Each non-flow-through unit consisted of one non-flow-through common share of the Company and half of one share purchase warrant. Each whole warrant entitles the holder to acquire one non-flow-through common share of the Company at an exercise price of $2.00 per share on or before June 25, 2014. The Company paid commissions and other costs in relation to the private placement of $45,215 and issued 10,000 agent's warrants with a value of $1,863 (note 13(c)). Each agent's warrant entitles the holder to acquire one common share of the Company at an exercise price of $2.00 per share on or before June 25, 2014.

c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Nine Months Ended February 28, 2015		**Year Ended May 31, 2014**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	330,375	$ 2.09	1,074,358	$ 4.20
Issued	6,200,000	$ 0.20	135,000	2.00
Expired	(330,375)	$ 2.09	(878,983)	4.80
Outstanding, end of year	6,200,000	$ 0.20	330,375	$ 2.09

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

c) Warrants (continued)

The following warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**February 28, 2015**
December 22, 2016	1.82	$ 0.20	6,200,000
	1.82		6,200,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its agent's warrants granted. The fair value of each agent's warrant grant was calculated using the following weighted average assumptions:

	Nine Months Ended February 28, 2015	**Year Ended May 31, 2014**
Expected life (years)	2	1.00
Risk-free interest rate	1.02	1.27%
Volatility	129%	157%
Dividend yield	N/A	N/A
Stock price at grant date	$0.12	$0.03
Exercise price	$0.20	$0.10
Weighted average grant date fair value	$0.07	$0.01

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

d) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a 12 month period with no more than 25% of the options vesting in any three month period.

The following is a summary of option transactions under the Company's stock option plan for the nine months ended February 28, 2015 and year ended May 31, 2014:

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

d) Stock options (continued)

	Nine Months Ended February 28, 2015		Year Ended May 31, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	-	-	2,434,783	$ 0.18
Granted	1,435,000	$ 0.20	-	-
Exercised	(979,000)	$ 0.17		
Expired	-	-	(2,434,783)	0.18
Outstanding, end of year	456,000	$ 0.27	-	-

During the nine months ended February 28, 2015

During the nine months ended February 28, 2015, the Company granted 1,435,000 stock options to consultants at exercise prices ranging from $0.13 to $0.27 per share with expiry dates of one to two years from the date of grant. All the stock options vested upon grant. The Black-Scholes fair value of the options granted was $132,534.

During the nine months ended February 28, 2015, 979,000 stock options were exercised for gross proceeds of $170,975. The Company transferred the Black-Scholes fair value of the options exercised of $41,478 from share-based payment reserve to share capital.

During the year ended May 31, 2014

No options were granted during the year ended May 31, 2014.

The fair value of share options granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine Months Ended February 28, 2015	Year Ended May 31, 2014
Expected life (years)	1.20	N/A
Risk-free interest rate	0.81%	N/A
Volatility	117%	N/A
Dividend yield	N/A	N/A
Stock price at grant date	$0.19	N/A
Exercise price	$0.21	N/A
Grant date fair value	$0.09	N/A

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

(Expressed in Canadian Dollars)

14. LOSS ON SETTLEMENT OF PAYABLES

Loss on settlement of payables relates to $106,435 of amounts classified as due to related parties and $655,201 of accounts payable and accrued liabilities settled for 7,607,668 common shares of the Company issued on February 18, 2015 with a value of $2,814,837. Accordingly, the Company recorded a loss on settlement of payables of $2,056,922. Offset against this is a gain on settlement of payables with one creditor of $3,721 as a result of a settlement agreement.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2015		2014
Income tax paid	$	-	$	-
Interest paid (received)	$	-	$	(1,707)
Common shares issued to settle accounts payable	$	655,201	$	-
Common shares issued to settle due to related parties	$	106,435	$	-
Fair value of options exercised	$	41,478	$	-
Fair value of agent's warrants issued	$	1,639	$	1,863
Fair value of warrants issued as units	$	-	$	26,079
Exploration and evaluation expenditures in accounts payable and due to related parties	$	578,485	$	-

16. SEGMENTED DISCLOSURE

The Company has one operating segment, being mineral exploration and development. All of the Company’s assets are located in Canada.

17. SUBSEQUENT EVENT

Subsequent to the period end, the Company received $40,500 on the exercise of 150,000 stock options.