TINTINA RESOURCES

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE THREE AND NINE MONTHS ENDED

## June 30, 2014

(UNAUDITED – PREPARED BY MANAGEMENT)

# TINTINA RESOURCES INC.

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 the financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

August 19, 2014

**TINTINA RESOURCES INC.**

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**AS AT JUNE 30, 2014 AND SEPTEMBER 30, 2013**

(Unaudited - Expressed in Canadian Dollars)

| | June 30, 2014 | September 30, 2013 |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash and cash equivalents | $ 2,986,010 | $ 6,904,205 |
| Amounts receivable | 17,709 | 36,931 |
| Amounts due from related parties (Note 7) | 28,724 | - |
| Prepaid expenses and other assets | 92,790 | 146,681 |
| | 3,125,233 | 7,087,817 |
| Non-current | | |
| Property, plant and equipment (Note 3) | 27,092 | 36,758 |
| Resource properties (Note 4) | 1,534,861 | 1,009,411 |
| | 1,561,953 | 1,046,169 |
| Total assets | $ 4,687,186 | $ 8,133,986 |
| **LIABILITIES** | | |
| Current | | |
| Accounts payable and accrued liabilities | $ 306,072 | $ 322,224 |
| | 306,072 | 322,224 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 5) | 58,189,532 | 58,124,240 |
| Share-based payment reserve | 7,276,850 | 7,095,848 |
| Foreign currency reserve | (608,255) | (683,146) |
| Accumulated deficit | (60,477,013) | (56,725,180) |
| | 4,381,114 | 7,811,762 |
| Total equity and liabilities | $ 4,687,186 | $ 8,133,986 |

COMMITMENTS (Note 9)

Approved by the Board on August 19, 2014

*"Gerald Booth"*
Director

*"Steven Khan"*
Director

**TINTINA RESOURCES INC.**

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2014 AND 2013**

(Unaudited - Expressed in Canadian Dollars)

| | Three Months Ended June 30, 2014 | Three Months Ended June 30, 2013 | Nine Months Ended June 30, 2014 | Nine Months Ended June 30, 2013 |
|---|---|---|---|---|
| EXPENSES | | | | |
| Advertising, promotion and investor relations | $ 45,827 | $ 79,656 | $ 102,291 | $ 320,505 |
| Director and management fees | 94,064 | 209,267 | 280,456 | 430,529 |
| Depreciation | 2,900 | 3,415 | 9,666 | 10,002 |
| Salary and wages | 90,227 | 51,913 | 282,545 | 351,993 |
| Exploration and evaluation costs (Note 4) | 614,309 | 817,088 | 2,457,727 | 4,912,331 |
| Foreign exchange loss | 48,515 | (6,177) | 33,716 | (3,264) |
| Office, administration and miscellaneous | 94,749 | 130,318 | 297,576 | 391,060 |
| Professional fees | 64,974 | 108,553 | 196,998 | 249,053 |
| Share-based payments (Note 6) | 49,903 | 105,319 | 181,002 | 1,056,825 |
| Loss from operations | (1,105,468) | (1,499,352) | (3,841,977) | (7,719,034) |
| OTHER ITEMS | | | | |
| Interest income | 2,525 | 16,577 | 19,378 | 79,448 |
| Other income (Note 7) | 25,863 | 10,024 | 70,766 | 32,485 |
| Write-off of mineral property (Note 4) | - | (210) | - | (1,103,125) |
| Loss for the period | (1,077,080) | (1,472,961) | (3,751,833) | (8,710,226) |
| Other comprehensive income | | | | |
| Currency translation adjustment | (91,990) | 101,031 | 74,891 | 188,732 |
| COMPREHENSIVE LOSS FOR THE PERIOD | $ (1,169,070) | $ (1,371,930) | $ (3,676,942) | $ (8,521,494) |
| BASIC AND DILUTED LOSS PER SHARE | $ (0.01) | $ (0.01) | $ (0.03) | $ (0.06) |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | 142,178,364 | 142,139,580 | 142,152,508 | 142,139,580 |

**TINTINA RESOURCES INC.**

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE NINE MONTHS ENDED JUNE 30, 2014 AND 2013**

(Unaudited - Expressed in Canadian Dollars)

| | Common Shares | | | | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Share-based Payments Reserve | Foreign Currency Reserve | Accumulated Deficit | Total |
| Balance at October 1, 2012 | 142,139,580 | $ 58,124,240 | $ 5,911,397 | $ (780,355) | $ (46,936,712) | $ 16,318,570 |
| Loss for the period | - | - | - | - | (8,710,226) | (8,710,226) |
| Other comprehensive income (loss) | - | - | - | 188,732 | - | 188,732 |
| Share-based payments | - | - | 1,056,825 | - | - | 1,056,825 |
| Balance at June 30, 2013 | 142,139,580 | $ 58,124,240 | $ 6,968,222 | $ (591,623) | $ (55,646,938) | $ 8,853,901 |
| | | | | | | |
| Balance at October 1, 2013 | 142,139,580 | $ 58,124,240 | $ 7,095,848 | $ (683,146) | $ (56,725,180) | $ 7,811,762 |
| Loss for the period | - | - | - | - | (3,751,833) | (3,751,833) |
| Other comprehensive income (loss) | - | - | - | 74,891 | - | 74,891 |
| Shares issued for exploration and evaluation assets | 352,930 | 65,292 | - | - | - | 65,292 |
| Share-based payments | - | - | 181,002 | - | - | 181,002 |
| Balance at June 30, 2014 | 142,492,510 | $ 58,189,532 | $ 7,276,850 | $ (608,255) | $ (60,477,013) | $ 4,381,114 |

**TINTINA RESOURCES INC.**

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE NINE MONTHS ENDED JUNE 30, 2014 AND 2013**

(Unaudited - Expressed in Canadian Dollars)

| | Nine months ended June 30, 2014 | 2013 |
|---|---|---|
| CASH PROVIDED BY (USED IN): | | |
| OPERATING ACTIVITIES | | |
| Loss for the period | $ (3,751,833) | $ (8,710,226) |
| Items not involving cash | | |
| Depreciation | 9,666 | 10,002 |
| Write-off of mineral properties | - | 1,103,125 |
| Interest income | (19,378) | (80,614) |
| Unrealized foreign exchange loss (gain) | (88,337) | (213,078) |
| Share-based payments | 181,002 | 1,056,825 |
| | (3,668,880) | (6,833,966) |
| Working capital adjustments: | | |
| Amounts receivable | 19,222 | (13,648) |
| Due from related parties | (28,724) | (26,867) |
| Interest earned but not received | - | 42,065 |
| Prepaid expenses and other assets | 53,891 | (22,899) |
| Accounts payable and accrued liabilities | (16,152) | (437,466) |
| Asset retirement obligation | - | 686 |
| Interest received | 18,890 | 134,007 |
| Cash provided by (used in) operating activities | (3,621,753) | (7,158,088) |
| INVESTING ACTIVITIES | | |
| Purchase of equipment, net | - | (16,866) |
| Resource properties | (424,164) | (13,474) |
| Cash provided by(used in) investing activities | (424,164) | (30,340) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD | (4,045,917) | (7,188,428) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 127,722 | 101,468 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 6,904,205 | 14,969,000 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 2,986,010 | $ 7,882,040 |

1. NATURE OF OPERATIONS AND GOING CONCERN

Tintina Resources Inc. (the "Company") was incorporated (TSX.V TAU.V) on July 30, 1998 under the laws of British Columbia and is a mining exploration and development company. The address of the Company's corporate office and its principal place of business is Suite 2560-200 Granville Street, Vancouver, British Columbia, V6C 1S4, Canada.

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof.

Management has determined that the Company will be able to continue as a going concern for a reasonable period of time and realize its assets and discharge its liabilities and commitments in the normal course of business, and therefore, these financial statements are prepared on a going concern basis and do not reflect any adjustments that may be necessary of the Company is unable 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 obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These interim condensed consolidated financial statements are unaudited and have been prepared in compliance with International Financial Reporting Standards ("IFRS"), including IAS 34 - Interim Financial Reporting ("IAS 34"). For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These interim condensed consolidated financial statements do not contain all of the information required for full annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2013.

b) Basis of preparation

*Subsidiaries*

These interim condensed financial statements include the accounts of the Company and its wholly owned US subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. The Company consolidates subsidiaries where it has the ability to exercise control. Control of an investee is defined to exist when the investor is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Particularly, the Company controls investees, if and only if, the Company has all of the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) New and amended accounting standards

The Company has adopted the following changes to the IFRS and IFRIC, effective October 1, 2013.

*IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income ("OCI")*

The amendments of IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified or be 'recycled' (e.g. foreign currency translation) to net loss at a future point in time would be presented separately from items that will never be reclassified (e.g. fair value through OCI items under IFRS 9). The amendment affects presentation only and has been incorporated into the Company's interim condensed financial statements.

*IFRS 7 Financial Instruments: Disclosures*

IFRS 7 requires entities to provide additional information about offsetting of financial assets and financial liabilities that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The adoption of this IFRS did not impact the Company's financial statements.

*IFRS 10 Consolidated Financial Statements*

IFRS 10 provides definition of control under IFRS such that the same criteria applied to all entities. The revised definition of control focuses on the need to have power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. The adoption of IFRS 10 did not result in a change in the consolidation status of any of the Company's subsidiaries or investee.

*IFRS 11 Joint Arrangements*

The amendments of IFRS 11 reduce the types of joint arrangements to either joint ventures or joint operations. IFRS 11 requires the use of equity accounting for interests in joint ventures, eliminating the existing choice of proportionate consolidation for jointly controlled entities. Joint operations are arrangements where the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. With no joint arrangements, the adoption of IFRS 11 did not have an impact on the interim condensed consolidated financial statements. An amendment to IFRS 11 was issued in May 2014 (Note 2d).

*IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. IFRS 12 sets out a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements, associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structures entities. The Company adopted IFRS 12 and added additional disclosures in Note 2(b).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) New and amended accounting standards (continued)

*IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements to improve consistency and to reduce complexity by providing a precise definition of fair value and disclosure requirements. The full disclosure requirements of IFRS 13 will be incorporated in the Company's annual financial statements for the year ended September 30, 2014. In addition, IAS 34 - Interim Financial Reporting has been amended to include certain IFRS 13 disclosures in interim financial statements. The fair value disclosure requirements under IAS 34 are included in Note 10.

*IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*

IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The adoption of IFRIC 20 did not have an impact on the interim condensed consolidated financial statements as the Company is not yet in production phase.

d) Accounting standards issued but not yet effective

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

New accounting standards effective for annual periods on or after October 1, 2014:

IAS 32 - *Financial Instruments: Presentation*

In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

IAS 36 – *Impairment of Assets*

In May 2013, the IASB, as a consequential amendment to IFRS 13 *Fair Value Measurement*, modified some of the disclosure requirements in IAS 36 regarding measurement of the recoverable amount of impaired assets. The amendments resulted from the IASB's decision in December 2010 to require additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal.

IAS 39 – *Financial Instruments: Recognition and Measurement*

In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met.

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Accounting standards issued but not yet effective (continued)

IFRIC 21 – *Levies*

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

New accounting standards effective for annual periods on or after October 1, 2016:

IFRS 11 – *Joint Arrangements*

In May 2014, an amendment to IFRS 11 was issued addressing guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment now specifies the appropriate accounting treatment for such acquisitions and requires applying the principles in IFRS 3 – *Business Combinations,* when acquiring an interest in a joint operation that constitutes a business.

New accounting standards effective for annual periods on or after October 1, 2018:

IFRS 9 - *Financial Instruments*

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

3. PROPERTY, PLANT AND EQUIPMENT

| **Cost** | Computer Equipment | Computer Software | Office Equipment | Furniture and Fixtures | Total |
|---|---|---|---|---|---|
| As at October 1, 2012 | $ 72,758 | $ 72,349 | $ 1,716 | $ 1,802 | $ 148,625 |
| Additions | 20,181 | - | - | - | 20,181 |
| Disposals | (2,120) | - | - | - | (2,120) |
| As at September 30, 2013 | $ 90,819 | $ 72,349 | $ 1,716 | $ 1,802 | $ 166,686 |
| As at June 30, 2014 | $ 90,819 | $ 72,349 | $ 1,716 | $ 1,802 | $ 166,686 |

(Unaudited - Expressed in Canadian Dollars)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

| **Accumulated Depreciation** | Computer Equipment | Computer Software | Office Equipment | Furniture and Fixtures | Total |
|---|---|---|---|---|---|
| As at October 1, 2012 | $ 59,576 | $ 53,087 | $ 1,716 | $ 1,802 | $ 116,181 |
| Depreciation | 7,309 | 6,438 | - | - | 13,747 |
| As at September 30, 2013 | $ 66,885 | $ 59,525 | $ 1,716 | $ 1,802 | $ 129,928 |
| Depreciation | 6,294 | 3,372 | - | - | 9,666 |
| As at June 30, 2014 | $ 73,179 | $ 62,897 | $ 1,716 | $ 1,802 | $ 139,594 |

| **Net book value** | Computer Equipment | Computer Software | Office Equipment | Furniture and Fixtures | Total |
|---|---|---|---|---|---|
| As at September 30, 2013 | $ 23,934 | $ 12,824 | $ - | $ - | $ 36,758 |
| As at June 30, 2014 | $ 17,640 | $ 9,452 | $ - | $ - | $ 27,092 |

4. RESOURCE PROPERTIES

Expenditures as at June 30, 2014 and September 30, 2013:

| Resource properties | October 1, 2013 | Acquisition costs for the nine month period | Currency translation | June 30, 2014 |
|---|---|---|---|---|
| Black Butte Copper | $ 1,009,411 | $ 489,456 | $ 35,994 | $ 1,534,861 |
| Total | $ 1,009,411 | $ 489,456 | $ 35,994 | $ 1,534,861 |

| Resource properties | October 1, 2012 | Acquisition costs for the year | Currency translation | Property Write-down | September 30, 2013 |
|---|---|---|---|---|---|
| Black Butte Copper | $ 663,732 | $ 299,229 | $ 46,450 | $ - | $ 1,009,411 |
| Baird | 386,323 | 18,257 | 10,120 | (414,700) | - |
| Kugruk | 729,347 | 844 | (24,457) | (705,734) | - |
| Total | $ 1,779,402 | $ 318,330 | $ 32,113 | $ (1,120,434) | $ 1,009,411 |

| | Exploration and evaluation costs for the nine months ended | |
|---|---|---|
| Exploration and evaluation costs | June 30, 2014 | June 30, 2013 |
| Black Butte Copper | $ 2,455,619 | $ 4,762,147 |
| Baird | - | 138,907 |
| Kugruk | - | 7,564 |
| Other | 2,108 | 3,713 |
| Total | $ 2,457,727 | $ 4,912,331 |

(Unaudited - Expressed in Canadian Dollars)

4. RESOURCE PROPERTIES (continued)

**Black Butte Copper**

**i) Black Butte Copper 2010 Leases**

On May 2, 2010, the Company, through its wholly-owned subsidiary, Tintina Alaska Exploration Inc. ("TAEI"), entered into mining lease agreements and a surface use agreement (collectively, the "Black Butte Agreements") with the owners of the Black Butte copper-cobalt-silver property in central Montana, United States. The Black Butte property consists of approximately 7,684 acres of fee-simple lands and 4,541 acres in 239 Federal unpatented lode mining claims in central Montana.

The Black Butte Agreements provide the Company, through TAEI, with exclusive use and occupancy of any part of the property that is necessary for exploration and mining activities for an initial term of 30 years, which can be extended by the Company for additional periods of 10 years by giving prior notice within the time specified in the agreements. The Black Butte Agreements also provide for surface lease payments and, prior to commercial production, advance minimum royalty payments to be paid to the lessors, in total of US$12,200,000 in cash (schedule Payments 1), and a Net Smelter Returns ("NSR") royalty of 5% after commencement of commercial production, if any. At any time after completion of a feasibility study, the Company has the right to buydown the maximum 5% NSR to 2% by making payments to the lessors in total of US$10,000,000.

The following is a schedule of payments, translated to Canadian dollars, as at June 30, 2014:

**Payments 1**

| | |
|---|---|
| $ 147,934 | May 2, 2010, execution of agreement (Anniversary Date) (paid) |
| 147,934 | On May 2, 2011 (paid) |
| 147,934 | On May 2, 2012 (paid) |
| 242,541 | On May 2, 2013 (paid) |
| 337,126 | On May 2, 2014 (paid) |
| 458,385 | On May 2, 2015 |
| 11,459,625 | $458,385 annually on the Anniversary Date to May 2, 2040 |
| $ 12,941,479 | Total lease payments, excluding buydown of NSR royalty of 5% |

**ii) Black Butte Copper 2011 Leases**

During the year ended September 30, 2011, the Company, through its subsidiary, staked additional claims on federal lands and entered into mining lease agreements.

The additional mining lease agreements were entered under similar terms as the Black Butte Agreements as described above. The Company was granted the sole and exclusive use and occupancy of any part of the property that is necessary for exploration and mining activities for an initial term of 30 years, which can be extended by the Company for additional periods of 10 years by giving prior notice within the time specified in the agreements. The additional Black Butte Agreements provide for prior to commercial production, advance minimum royalty payments to be paid to the lessors, in total of US$1,250,000 in cash (schedule Payments 2), and a NSR royalty of 5% after commencement of commercial production, if any. At any time after completion of a feasibility study, the Company has the right to buydown the maximum 5% NSR to 2% by making payments to the lessors in total of US$5,000,000.

(Unaudited - Expressed in Canadian Dollars)

4. RESOURCE PROPERTIES (continued)

**Black Butte Copper (continued)**

**ii) Black Butte Copper 2011 Leases (continued)**

The following is a schedule of payments, translated to Canadian dollars, as at June 30, 2014:

**Payments 2**

| | |
|---|---|
| $ 5,335 | June 10, 2011, execution of agreement (Anniversary Date) (paid) |
| 16,005 | On December 10, 2011, six months following the Agreement date (paid) |
| 42,680 | On June 10, 2012 and June 10, 2013 ($21,340 each year) (paid) |
| 80,025 | On June 10, 2014 (paid), June 10, 2015, and June 10, 2016 ($26,675 each year) |
| 96,030 | On June 10, 2017, June 10, 2018, and June 10, 2019 ($32,010 each year) |
| 112,035 | On June 10, 2020, June 10, 2021, and June 10, 2022 ($37,345 each year) |
| 128,040 | On June 10, 2023, June 10, 2024, and June 10, 2025 ($42,680 each year) |
| 853,600 | $53,350 annually on the 15th Anniversary Date to June 10, 2041 |
| $ 1,333,750 | Total lease payments, excluding buydown of NSR royalty of 5% |

**iii) Additional Property at Black Butte Copper**

On June 24, 2014, the Company completed the purchase of additional property from Wyoming Gold Mining Company Inc. (“Wyoming”) comprised of 40 unpatented lode mining claims located in Meagher County, Montana, USA.

The Company paid Wyoming US$40,000 in cash and 352,930 common shares, having an aggregate value of US$60,000, for a total consideration of US$100,000.

5. SHARE CAPITAL

a) Authorized: The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and outstanding 142,492,510 (September 30, 2013 – 142,139,580) common shares. See Interim Consolidated Statements of Changes in Equity for details.

**Warrants**

As at June 30, 2014, the Company had no warrants outstanding (September 30, 2013 – 12,500,000). All warrants expired on February 2, 2014.

6. STOCK OPTION PLAN AND SHARE-BASED PAYMENTS

The Company adopted a rolling stock option plan (the “Plan”) to grant options to directors, senior officers, employees, independent contractors and consultants of the Company. The Plan reserves for issuance up to 10% of the issued and outstanding share capital of the Company from time to time, and provides that it is solely within the discretion of the Board or, if the Board so elects, by a committee consisting of not less than two of its members appointed by the Board, to determine who should receive options and in what amounts. Options granted under the Plan are for a term not to exceed 10 years from the date of their grant and are exercisable at a price not less than the discounted market price (which is the market price less a discount of 25% for a closing price of up to $0.50, a discount of 20% for a closing price of $0.51 to $2.00, and a discount of 15% for a closing price above $2.00, subject to a minimum of $0.10).

(Unaudited - Expressed in Canadian Dollars)

6. STOCK OPTION PLAN AND SHARE-BASED PAYMENTS (continued)

On October 23, 2012, the Company granted to directors, officers, employees and consultants a total of 4,779,264 stock options under the Company's Stock Option Plan. The options are exercisable at a price of $0.30 per share for a period of 5 years, and vest 1/3 on grant, 1/3 after one year and the remaining 1/3 after two years.

On November 14, 2012, the Company granted to directors and officers a total of 676,736 stock options under the Company's Stock Option Plan. The options are exercisable at a price of $0.30 per share for a period of 5 years, and vest 1/3 on grant, 1/3 after one year and the remaining 1/3 after two years.

On December 20, 2013, the Company granted to directors, officers, employees and consultants a total of 1,005,000 stock options under the Company’s Stock Option Plan. The options are exercisable at a price of $0.17 per share for a period of 5 years, and vest 1/3 on grant, 1/3 after one year and the remaining 1/3 after two years.

Stock option transactions are summarized as follows:

| | Number of options | Weighted average exercise price |
|---|---|---|
| Balance, October 1, 2012 | 8,576,293 | $0.64 |
| Granted | 5,456,000 | $0.30 |
| Forfeited | (403,337) | $0.38 |
| Cancelled | (3,334) | $0.50 |
| Expired | (426,662) | $0.47 |
| Balance, September 30, 2013 | 13,198,960 | $0.51 |
| Granted | 1,005,000 | $0.17 |
| Forfeited | (8,334) | $0.30 |
| Cancelled | (96,335) | $0.36 |
| Expired | (2,271,578) | $0.53 |
| Balance, June 30, 2014 | 11,827,713 | $0.48 |

The following table summarizes stock options outstanding and exercisable at June 30, 2014:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Exercise Price $ | Number of Options | Weighted Average Remaining Contractual Life (years) | Weighted Average Exercise Price $ | Number Exercisable | Weighted Average Exercise Price $ |
| 0.17 | 1,005,000 | 4.47 | 0.17 | 334,997 | 0.17 |
| 0.30 | 4,813,666 | 3.32 | 0.30 | 3,214,657 | 0.30 |
| 0.50 | 3,068,333 | 1.64 | 0.50 | 3,068,333 | 0.50 |
| 0.55 | 100,000 | 0.98 | 0.55 | 100,000 | 0.55 |
| 0.61 | 350,000 | 1.39 | 0.61 | 350,000 | 0.61 |
| 0.90 | 2,339,999 | 1.63 | 0.90 | 2,339,999 | 0.90 |
| 0.99 | 100,715 | 0.24 | 0.99 | 100,715 | 0.99 |
| 1.04 | 50,000 | 1.66 | 1.04 | 50,000 | 1.04 |
| | 11,827,713 | 2.54 | 0.48 | 9,558,701 | 0.53 |

Stock options outstanding at June 30, 2014 will expire between September 25, 2014 and December 20, 2018. No stock options were granted during the three months ended June 30, 2014.

(Unaudited - Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS AND BALANCES

The Company entered into the following transactions with related parties:

| | | Nine months ended June 30, 2014 | | 2013 |
|---|---|---|---|---|
| **Services provided to related parties:** | | | | |
| Rental income (a) | $ | 9,000 | $ | 9,000 |
| Administration and finance income (a) | | 50,782 | | 17,867 |
| | $ | 59,782 | $ | 26,867 |

a) Rental fees, geological services fees, and administration and finance fees were charged to a related parties as follows:

   i) AsiaBaseMetals Inc. is a related party having three directors and a major shareholder in common with the Company. The Company earned $4,500 and $16,610 of rental income and administrative and finance income respectively during the nine months ended June 30, 2014. As at June 30, 2014, rent and administrative fees of $13,945 (September 30, 2013 - $nil) were due from AsiaBaseMetals Inc.

   ii) Mantra Capital Inc. is a related party having three directors in common with the Company. The Company earned $4,500 and $34,172 of rental income and administrative and finance income respectively during the nine months ended June 30, 2014. As at June 30, 2014, outstanding balance was $14,779 (September 30, 2013 - $nil).

Key management personnel compensation:

The remuneration of directors and other members of key management is as follows:

| | | Nine months ended June 30, 2014 | | 2013 |
|---|---|---|---|---|
| Short-term benefits | $ | 698,758 | $ | 544,086 |
| Share-based payments | | 199,567 | | 650,770 |
| Total remuneration | $ | 898,325 | $ | 1,194,856 |

8. SEGMENT INFORMATION

The Company's operations are limited to a single industry segment being the acquisition, exploration and development of resource properties. The resource properties are located in the State of Montana in the United States.

**As at June 30, 2014**

| | | Canada | | United States | | Total |
|---|---|---|---|---|---|---|
| Other Assets | | 2,412,312 | | 740,013 | | 3,152,325 |
| Resource properties | | - | | 1,534,861 | | 1,534,861 |
| Total Assets | $ | 2,412,312 | $ | 2,274,874 | $ | 4,687,186 |
| Total Liabilities | $ | 99,369 | $ | 206,703 | $ | 306,072 |

(Unaudited - Expressed in Canadian Dollars)

8. SEGMENT INFORMATION (continued)

**As at September 30, 2013**

| | Canada | United States | Total |
|---|---|---|---|
| Other Assets | 5,807,554 | 1,317,021 | 7,124,575 |
| Resource properties | - | 1,009,411 | 1,009,411 |
| Total Assets | $ 5,807,554 | $ 2,326,432 | $ 8,133,986 |
| Total Liabilities | $ 98,688 | $ 223,536 | $ 322,224 |

| | Canada | United States | Total |
|---|---|---|---|
| Loss for the nine months ended June 30, 2014 | $ (1,038,643) | $ (2,713,190) | $ (3,751,833) |
| Loss for the nine months ended June 30, 2013 | $ (632,162) | $ (8,078,064) | $ (8,710,226) |

9. COMMITMENTS

a) In June 2012, the Company entered into a sublease lease agreement for office premises at a rate of $147,358 per annum for a three year term expiring on August 30, 2015. As at June 30, 2014, future payments committed are $171,917.

b) The Company has commitments to incur exploration and evaluation costs as disclosed in Note 4.

10. FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy has three levels to classify the inputs to valuation techniques used to measure fair value.

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 inputs are for the asset or liabilities that are not based on observable market data (unobservable inputs).

As at June 30, 2014, the carrying value of cash and cash equivalents, amounts receivable, due from related parties and accounts payable and accrued liabilities approximates their fair value due to their short terms to maturity. The Company's financial assets and liabilities are classified as Level 1.

(Unaudited - Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS (continued)

The following table provides the fair value of each classification of financial instruments:

| | | June 30, 2014 | | September 30, 2013 |
|---|---|---|---|---|
| Financial assets: | | | | |
| Cash and cash equivalents | $ | 2,986,010 | $ | 6,904,205 |
| Amounts receivable | | 17,709 | | 36,931 |
| Due from related parties | | 28,724 | | - |
| Total financial assets | $ | 3,032,443 | $ | 6,941,136 |
| Financial liabilities: | | | | |
| Accounts payable and accrued liabilities | $ | 306,072 | $ | 322,224 |
| Total financial liabilities | $ | 306,072 | $ | 322,224 |