

# **NORTHERN URANIUM CORP.**

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

**Unaudited - prepared by management**

**Expressed in Canadian dollars**

**JUNE 30, 2014**

**NOTICE TO READER:**

These condensed consolidated interim financial statements of Northern Uranium Corp. (the “Company”, formerly MPVC Inc.) for the six months ended June 30, 2014 have been prepared by and are the responsibility of the Company’s management.

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

**NORTHERN URANIUM CORP.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

		<b>June 30,</b>	<b>December 31,</b>
		<b>2014</b>	<b>2013</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 118,359	\$ 13,322
Receivables		99,492	19,421
Prepaid expenses		68,208	-
		286,059	32,743
<b>Non-current assets</b>			
Exploration and evaluation assets	4	602,500	35,025
<b>Total Assets</b>		<b>\$ 888,559</b>	<b>\$ 67,768</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	\$ 243,236	\$ 157,349
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	4,822,533	2,991,383
Reserves	8	1,188,400	130,625
Contributed surplus		197,911	197,911
Deficit		(5,563,521)	(3,409,500)
		645,323	(89,581)
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 888,559</b>	<b>\$ 67,768</b>

**Nature and continuance of operations** (Note 1)

**Approved by the Board of Directors:**

"Chad Ulansky"  
Chad Ulansky

"Lorie Waisberg"  
Lorie Waisberg

See accompanying notes to condensed interim financial statements.

**NORTHERN URANIUM CORP.**  
**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

		Three Months Ended		Six Months Ended	
		June 30,		June 30,	
	Note	2014	2013	2014	2013
<b>EXPENSES</b>					
Consulting		25,000	-	35,000	-
Exploration expenditures	5	1,161,417	15,788	1,765,124	15,788
Office and administrative		55,642	-	55,675	709
Professional fees (recovery)		41,801	-	(47,677)	1,100
Share-based compensation	8(d)	323,400	-	323,400	-
Transfer agent and filing fees		15,257	5,139	22,486	14,975
<b>Income (loss) before other items</b>		<b>(1,622,517)</b>	<b>(20,927)</b>	<b>(2,154,008)</b>	<b>(32,572)</b>
<b>OTHER ITEMS</b>					
Foreign exchange gain		(13)	-	(13)	-
		(13)	-	(13)	-
<b>Loss and comprehensive loss for the period</b>		<b>\$ (1,622,530)</b>	<b>\$ (20,927)</b>	<b>\$ (2,154,021)</b>	<b>\$ (32,572)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.04)</b>	<b>\$ (0.00)</b>	<b>\$ (0.04)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding</b>		<b>43,487,587</b>	<b>14,105,843</b>	<b>56,891,366</b>	<b>14,105,843</b>

See accompanying notes to condensed interim financial statements.

**NORTHERN URANIUM CORP.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Reserve	Contributed Surplus	Deficit	Total
<b>Balance at December 31, 2012</b>		14,105,843	\$2,395,645	\$ -	\$197,911	\$ (2,768,498)	\$ (174,942)
Loss for the period		-	-	-	-	(37,572)	(37,572)
<b>Balance at June 30, 2013</b>		14,105,843	\$2,395,645	\$ -	\$197,911	\$ (2,806,070)	\$ (212,514)
<b>Balance at December 31, 2013</b>		17,787,016	\$2,991,383	\$130,625	\$197,911	\$ (3,409,500)	\$ (89,581)
Share issuance	8(b)	22,622,000	1,683,200	579,000	-	-	2,262,200
Share issuance costs	8(b)		(219,175)	-	-	-	(219,175)
Shares issued as part of earn-in agreement	8(b)	4,500,000	361,500	156,000	-	-	517,500
Warrants exercised for shares		50,000	5,625	(625)	-	-	5,000
Share-based compensation	8(c)		-	323,400			323,400
Loss for the period			-	-	-	(2,154,021)	(2,154,021)
<b>Balance at June 30, 2014</b>		44,959,016	\$4,822,533	\$1,188,400	\$197,911	\$ (5,563,521)	\$ 645,323

See accompanying notes to condensed interim financial statements.

**NORTHERN URANIUM CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

		<b>Six Months Ended</b>	
		<b>June 30,</b>	
	<b>Notes</b>	<b>2014</b>	<b>2013</b>
<b>OPERATING ACTIVITIES</b>			
Loss for the period		\$ (2,154,021)	\$ (37,572)
Items not affecting cash:			
Share-based compensation		323,400	-
		(1,830,621)	(37,572)
Net changes in non-cash working capital items:			
Increase in GST/HST receivables		(80,071)	-
Increase in prepaid expenses		(68,208)	-
Increase in accounts payable and accrued liabilities		85,887	(47,203)
Net cash used for operating activities		(1,893,013)	(84,775)
<b>INVESTING ACTIVITIES</b>			
Acquisition of mineral property interests	4	(49,975)	-
Net cash used for investing activities		(49,975)	-
<b>FINANCING ACTIVITIES</b>			
Issuance of share capital	8(b)	2,267,200	-
Issuance cost	8(b)	(219,175)	-
Increase in loans payable		-	69,794
Net cash used for financing activities		2,048,025	69,794
<b>Net (decrease) increase in cash</b>		<b>105,037</b>	<b>(14,981)</b>
<b>Cash, beginning of period</b>		<b>13,322</b>	<b>15,948</b>
<b>Cash, end of period</b>		<b>\$ 118,359</b>	<b>\$ 967</b>
<b>Cash paid for interest during the period</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid for taxes during the period</b>		<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to condensed consolidated interim financial statements.

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Northern Uranium Corp. (the “Company”, formerly MPVC Inc.) was incorporated on July 19, 2005 under the Canada Business Corporations Act and is considered to be in the exploration stage with respect to its mineral properties. To date, the Company has not generated significant revenues from operations and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The Company’s common shares are listed on the TSX Venture Exchange under the trading symbol “UNO”.

The Company’s head office and location of books and records is 203-1634 Harvey Avenue, Kelowna, British Columbia, Canada, V1Y 6G2.

The recoverability of the amounts comprised in mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These condensed consolidated interim financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Continued operations of the Company are dependent on its ability to develop its mineral properties, receive continued financial support, complete equity financings, or generate profitable operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

## **2. BASIS OF PRESENTATION**

### **Statement of Compliance**

These unaudited condensed interim financial statements (the “Financial Statements”), including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). As a result, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS and should be read in conjunction with the Company’s audited consolidated financial statements for the fiscal year ended December 31, 2013. The accounting policies and methods of application are consistent with those used in the Company’s consolidated financial statements for the year ended December 31, 2013.

These Financial Statements were approved for issue by the Audit Committee on August 22, 2014.

### **Basis of Consolidation and Presentation**

These Financial Statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **New Standards Adopted**

Certain new standards, interpretations and amendments to existing standards are in effect as of March 31, 2014 and have been applied in preparing these condensed interim financial statements. The following new standards were effective for the Company for the fiscal year commencing January 1, 2014. The adoption of these policies had no impact on these condensed consolidated interim financial statements.

#### *IFRS 10, "Consolidated Financial Statements"*

IFRS 10, "Consolidated Financial Statements", requires an entity to consolidate an investee when it 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. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation - Special Purpose Entities", and parts of IAS 27, "Consolidated and Separate Financial Statements".

#### *IFRS 11, "Joint Arrangements"*

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

#### *IFRS 12, "Disclosure of Interests in Other Entities"*

IFRS 12, "Disclosure of Interests in Other Entities", establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

#### *IFRS 13, "Fair Value Measurement"*

IFRS 13, "Fair Value Measurement", is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that 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. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.



**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**New Standards Not Yet Adopted**

*IFRS 9 “Financial Instruments”*

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Its commencement date is currently unknown.

**4. EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties is in good standing.

The carrying values of the Company’s exploration and evaluation assets are as follows:

	Northern Manitoba
Balances as at December 31, 2013	\$ 35,025
Additions - cash payment	50,000
Additions - share issuance (note 8(b))	517,500
Adjustment to opening balance	(25)
<b>Balance, June 30, 2014</b>	<b>\$ 602,500</b>

**Northern Manitoba Project**

The Company has entered into an agreement with CanAlaska Uranium Ltd (“CanAlaska”) to acquire up to an 80% of its Northwest Manitoba Property which covers 143,603 hectares and is comprised of 3 licences (MEL-236B, MEL-166B, and MEL-247B).

Under the terms of the Option Agreement, the Company can earn up to 80% interest in the Property by carrying out a three-stage \$11.6 million exploration program. The first stage allows [the Company MPVC](#) to obtain a 50% interest by making a non-refundable cash deposit of \$35,000 and by issuing 2,250,000 common shares at a deemed price of \$0.10 per share, 1,000,000 common share purchase warrants with an exercise price of \$0.10 for a term of two years and 1,250,000 common share purchase warrants with an exercise price of \$0.15 for a term of two years, on or before March 21, 2014. An additional \$50,000 payment was incurred to extend the terms of the initial agreement. The Company must incur \$600,000 in exploration expenditures on or before March 31, 2014 and an additional 2,250,000 common shares are to be issued at a deemed price in accordance with TSX Venture Exchange pricing policies, on or before June 1, 2014. A further \$2,600,000 in exploration expenditures must be incurred by the Company on or before December 31, 2014.

**4. EXPLORATION AND EVALUATION ASSETS *(continued)***

Upon the Company having earned the 50% interest, it has the right to a 70% option. In order to exercise the 70% option, the Company must incur a further \$2.8 million in expenditures on the property within a two year period and by issuing an additional 2,500,000 common shares and 1,250,000 purchase warrants, which shall be exercisable into one common shares for a period of two years from the date of issue of the warrants at an exercise price per common share that is equal to the market price of the Company's shares on the date immediately preceding the date of issuance of such warrants. The Company may elect, prior to the end of the two year period, to pay Canalaska a cash fee of \$50,000 for each incremental year of such extension.

Upon the Company having earned the 70% interest, it has the right to a 80% option. In order to exercise the 80% option, the Company must incur a further \$5.6 million in expenditures on the property within a two year period and by issuing an additional 5,000,000 common shares and 2,500,000 purchase warrants, which shall be exercisable into one common shares for a period of three years from the date of issue of the warrants at an exercise price per common share that is equal to the market price of the Company's shares on the date immediately preceding the date of issuance of such warrants. The Company may elect, prior to the end of the two year period, to pay Canalaska a cash fee of \$50,000 for each incremental year of such extension.

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**NORTHERN URANIUM CORP.**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Unaudited)  
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**5. EXPLORATION EXPENDITURES**

	Northern Manitoba
<b>Cumulative expenditures, December 31, 2012</b>	\$ -
Net exploration expenditures during the period	15,788
<b>Cumulative expenditures, June 30, 2013</b>	15,788
Net exploration expenditures during the remainder of 2013	334,552
<b>Cumulative expenditures, December 31, 2013</b>	350,340
Additions	
Aircraft field transport	104,224
Camp and field supplies	241,337
Drill supplies and repairs	2,476
Equipment rental and amortization	103,214
Fuel	62,652
Licenses, rent and other	-
Labour	1,060,359
Sample laboratory analysis	-
Shipping and freight	95,214
Telephone and communication	3,612
Travel and accomodation	92,035
Total additions	1,765,123
Cost recoveries	-
Net exploration expenditures during the period	1,765,123
<b>Cumulative expenditures, June 30, 2014</b>	\$ 2,115,463

**NORTHERN URANIUM CORP.**  
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**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The Company's accounts payable and accrued liabilities are as follows:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Trade payables	\$ 31,516	\$ -
Accrued liabilities	-	91,593
Related party payables	211,720	65,755
<b>Total</b>	<b>\$ 243,236</b>	<b>\$ 157,348</b>

**7. RELATED PARTY DISCLOSURES**

During the six months ended June 30, 2014 and 2013, the Company had related party transactions with the following companies related by way of common directors or shareholders:

- Element 29 Ventures Ltd. ("Element 29") - a private company owned by the Company's CEO, Chad Ulansky. Element 29 provides geological consulting services to the Company.
- Kel-Ex Development Ltd. ("Kel-Ex") - a private company owned by Dr. Charles Fipke, a geological consultant to the Company. A director of the Company is the CFO of Kel-Ex. Kel-Ex provides administration, payroll and office services to the Company.
- Metalex Ventures Ltd. ("Metalex") - a publicly listed company with common directors and management. Metalex shares office space with the Company and thus have certain shared expenditures which get re-billed on a cost-recovery basis.
- Cantex Mine Development Corp. ("Cantex") - a publicly listed company with common directors and management. Cantex shares office space with the Company and thus have certain shared expenditures which get re-billed on a cost-recovery basis.
- Chad Ulansky, CEO and director of the Company – Mr. Ulansky provided equipment to the Company as part of its exploration activities.
- William Gennen McDowall, director of the Company – Mr. McDowall provided consulting services to the Company.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**7. RELATED PARTY DISCLOSURES** *(continued)*

The Company's related party transactions consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Geological consulting fees	\$ 105,982	\$ -	\$ 141,226	\$ -
Management and consulting fees	10,508	-	13,700	-
Shared field expenditures	598,238	-	1,162,586	-
Shared office and administrative costs	26,391	-	26,391	-
Property acquisitions costs	-	-	50,000	-
Licencing costs	-	-	100,000	-
	<b>\$ 741,119</b>	<b>\$ -</b>	<b>\$ 1,493,903</b>	<b>\$ -</b>
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Cantex Mine Development Corp.	\$ 100	\$ -	\$ 100	\$ -
Element 29 Ventures Ltd.	145,300	-	570,547	-
Kel-Ex Development Ltd.	280,030	-	602,900	-
Metalex Ventures Ltd.	303,906	-	303,906	-
W.G. McDowall	1,275	-	2,750	-
Chad Ulansky	10,508	-	13,700	-
	<b>\$ 741,119</b>	<b>\$ -</b>	<b>\$ 1,493,903</b>	<b>\$ -</b>

Included in accounts payable of the Company are the following amounts due to related parties:

	June 30,	December 31,
	2014	2013
Cantex Mine Development Corp.	\$ 105	\$ -
Element 29 Ventures Ltd.	21,804	\$ 65,755
Kel-Ex Development Ltd.	156,138	-
Metalex Ventures Ltd.	22,764	-
William Gennen McDowall	10,534	-
Chad Ulansky	375	-
	<b>\$ 211,720</b>	<b>\$ 65,755</b>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**7. RELATED PARTY DISCLOSURES** *(continued)*

The remuneration of directors and officers is as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Share-based compensation <sup>(1)</sup>	\$ 260,770	\$ -	\$ 260,700	\$ -
Wages and benefits <sup>(2)</sup>	33,744	-	144,610	-
	<b>\$ 294,514</b>	<b>\$ -</b>	<b>\$ 405,310</b>	<b>\$ -</b>

(1) Share-based compensation is the fair value of options granted to directors and management personnel.

(2) Wages and benefits includes amounts paid or accrued for geological consulting fees, management consulting fees and payroll costs due to related parties.

**8. SHARE CAPITAL AND RESERVES**

a) **Authorized share capital**

The authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares are fully paid.

The holders of the common shares are entitled to one vote per share. The holders of the common shares are entitled to dividends, when and if declared by the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at June 30, 2014.

b) **Issued share capital**

On March 25, 2014, the Company completed a non-brokered private placement for gross proceeds of \$2,262,200 through the issuance of 22,622,000 shares at a price of \$0.10 per share. Of these shares, 10,900,000 were flow through shares. Share issuance costs related to the private placement was \$219,175.

For each of the 11,722,000 non-flow through shares, a warrant was issued that allows the holder to acquire an additional common share by paying \$0.15 anytime during the 24 months following closing.

As part of the earn-in agreement with CanAlaska for the Northern Manitoba project (Note 4), 4,500,000 shares were issued in two tranches, as well as 2,250,000 warrants. The first 2,250,000 shares were issued at \$0.12 per shares, and included the 2,250,000 warrants. In May 2014, the Company issued a further 2,250,000 shares to CanAlaska at \$0.11 per share.

c) **Stock options and warrants**

The Company, in accordance with its shareholder approved stock option plan as amended, is authorized to grant options to directors, officers, employees and consultants, to acquire up to 10% of the issued and outstanding common shares. The exercise price of the options issued under the plan is determined by the Board of Directors at the time the options are granted. The options vest immediately upon grant, unless otherwise determined by the Board of Directors, and are exercisable for up to a period of ten years from the date of grant.

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**8. SHARE CAPITAL AND RESERVES** *(continued)*

c) **Stock options and warrants** *(continued)*

Stock options and share purchase warrant transactions are summarized as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2012 and June 30, 2013	-	\$ -	-	\$ -
Granted (expired)	-	-	10,450,000	0.10
Outstanding, December 31, 2013	-	-	10,450,000	0.10
Granted	3,550,000	0.15	13,972,000	0.15
Exercised	-	-	(50,000)	0.10
Outstanding, June 30, 2014	3,550,000	\$ 0.15	24,372,000	0.09
Number currently exercisable	3,550,000	\$ 0.15		

The following stock options and warrants were outstanding at January 31, 2014:

	Number	Exercise Price	Expiry Date
<b>Options</b>	300,000	\$ 0.15	April 12, 2024
	3,250,000	0.15	May 13, 2024
	3,550,000		
<b>Warrants</b>	10,400,000	\$ 0.10	August 30, 2014
	1,000,000	0.10	March 18, 2016
	1,250,000	0.15	March 18, 2016
	11,722,000	0.15	March 24, 2016
	24,372,000		

d) **Options – share-based compensation**

During the six months ended June 30, 2014, the Company recognized share-based compensation of \$323,400 (2013 - \$nil) in the statement of loss and comprehensive loss as a result of the granting and vesting of incentive stock options. The weighted average fair value of options granted was \$0.09 per option (2013 – N/A). The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the noted periods:

	<b>2014</b>
Risk-free interest rate	4.0%
Expected option life	1.5 year
Expected stock price volatility	161.8%
Expected dividend yield	0%

## **9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

The Company is exposed to a variety of financial risks by virtue of its activities including credit, interest rate, liquidity and commodity price risk.

*Credit risk* - Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is in large Canadian financial institutions and it does not have any asset-backed commercial paper. The Company's receivables consist mainly of GST receivable due from the Federal Government of Canada. As at the period end, there was a balance receivable related to the private placement made in March 2014. These funds were received in April 2014.

*Interest rate risk* - Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company holds no material interest bearing financial obligations or assets.

*Liquidity risk* - Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 10.

*Price risk* - The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of diamonds and other minerals. The Company's input costs are also affected by the price of fuel. Management monitors uranium and fuel prices to determine the appropriate course of action to be taken by the Company.

## **10. CAPITAL RISK MANAGEMENT**

The Company includes equity, comprised of issued common shares, reserves, contributed surplus and deficit, in the definition of capital.

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company expects its current capital resources will be sufficient to complete its currently budgeted exploration programs and operations through its current operating period. The Company is currently not subject to externally imposed capital requirements. The Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in secure deposits in large Canadian financial institutions.

The Company's primary objective with respect to capital management is to ensure adequate liquid capital resources are in place to fund the exploration and development of its mineral properties while maintaining its ongoing operations. To secure the additional capital to pursue these plans, the Company may attempt to raise additional funds through the issuance of debt and or equity.



**11. SUBSEQUENT EVENT**

On June 18, 2014, the Company announced that it was planning to raise up to \$2,000,000 through a flow through share and unit private placements. Subsequent to the period end, on August 7, 2014, the Company closed the first tranche of the private placement. The first tranche consists of \$500,000 in flow through shares at \$0.10 per share and \$100,000 of non-flow through units at \$0.10 per unit. Each unit is comprised of a share and one half of a two year warrant at \$0.15. In connection with the issuance of the units, the Company paid finder's fees of \$8,000 and issued 80,000 finders warrants having the same terms as the warrants forming part of the units. All securities are subject to a four month hold period, expiring December 7, 2014. The proceeds from this financing will be used to commence the Company's summer drill program at the Maguire Lake project.