


# INTERIM FINANCIAL REPORT

# NINE MONTHS ENDED SEPTEMBER 30, 2014
# (UNAUDITED)

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**STATEMENT CONCERNING THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Management has compiled the unaudited interim condensed consolidated financial report as of September 30, 2014 and 2013. The statements have not been audited or reviewed by the Company's auditors or any other firm of chartered professional accountants.

**GLOBEX MINING ENTERPRISES INC.**

# Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Unaudited - In Canadian dollars)

| | Notes | Three months ended September 30, 2014 | Three months ended September 30, 2013 | Nine months ended September 30, 2014 | Nine months ended September 30, 2013 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Revenues** | 17 | **$ 271,692** | $ 142,000 | **$ 958,071** | $ 745,022 |
| **Expenses** | | | | | |
| Salaries | | **99,698** | 133,332 | **341,714** | 465,710 |
| Administration | 18 | **70,071** | 63,983 | **218,688** | 307,356 |
| Professional fees and outside services | 18 | **137,661** | 59,443 | **317,491** | 296,630 |
| Depreciation and amortization | 11 | **15,078** | 16,817 | **43,637** | 50,037 |
| Share-based compensation and payments | | **35,175** | 199,206 | **253,392** | 251,556 |
| Impairment of mineral properties and deferred exploration expenses | 12, 13 | **40,534** | 58,932 | **191,797** | 162,085 |
| Loss (gain) on foreign exchange | | **(26,968)** | 3,574 | **(22,658)** | (12,275) |
| | | **371,249** | 535,287 | **1,344,061** | 1,521,099 |
| **Loss from operations** | | **(99,557)** | (393,287) | **(385,990)** | (776,077) |
| **Other income (expenses)** | | | | | |
| Interest income | | **5,726** | 5,756 | **12,137** | 18,130 |
| Joint venture income (loss) | 10 | **38** | 1,379 | **(526)** | 1,379 |
| Increase (decrease) in fair value of financial assets | | **(241,256)** | 186,863 | **(504,387)** | 89,938 |
| Management services | 21 | **1,800** | - | **37,800** | 252,000 |
| Other | | **3,130** | 39,046 | **17,784** | 59,337 |
| | | **(230,562)** | 233,044 | **(437,192)** | 420,784 |
| **Loss before taxes** | | **(330,119)** | (160,243) | **(823,182)** | (355,293) |
| **Income and mining taxes (recovery)** | 16 | **166,804** | (498,866) | **487,079** | (741,687) |
| **Income (loss) and comprehensive income (loss) for the period** | | **$ (496,923)** | $ 338,623 | **$ (1,310,261)** | $ 386,394 |
| **Income (loss) per common share** | | | | | |
| Basic and diluted | 19 | **$ (0.01)** | $ 0.01 | **$ (0.03)** | $ 0.01 |
| **Weighted average number of common shares outstanding** | | **40,997,374** | 27,896,018 | **37,603,731** | 27,896,018 |
| **Shares outstanding at end of period** | | **41,243,755** | 27,896,018 | **41,243,755** | 27,896,018 |

The accompanying notes are an integral part of these financial statements

**GLOBEX MINING ENTERPRISES INC.**

# Interim Condensed Consolidated Statements of Cash Flows

(Unaudited - In Canadian dollars)

| | Notes | | Nine months ended Septembre 30, 2014 | | 2013 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Income (loss) and comprehensive income (loss) for the period | | **$** | **(1,310,261)** | | 386,394 |
| Adjustments for: | | | | | |
| Disposal of mineral properties for shares | | | **(9,750)** | | (53,000) |
| Decrease in fair value of financial assets | | | **504,387** | | (89,938) |
| Depreciation and amortization | 11 | | **43,637** | | 50,037 |
| Foreign exchange rate variation on USA net assets | | | **(6,714)** | | (3,757) |
| Impairment of mineral properties and deferred exploration expenses | 12, 13 | | **191,797** | | 162,085 |
| Current tax expense (recovery) | | | **219,050** | | (287,441) |
| Deferred income and mining taxes (recovery) | | | **268,029** | | (454,246) |
| Income and mining taxes recovery (paid) | | | **(199,243)** | | (7,981) |
| Share-based compensation and payments | | | **253,392** | | 251,556 |
| | | | **1,264,585** | | (432,685) |
| Share of net loss (income) from investment in joint venture | 10 | | **526** | | (1,379) |
| Changes in non-cash operating working capital items | 22 | | **(205,333)** | | 551,017 |
| | | | **(250,483)** | | 503,347 |
| **Financing activities** | | | | | |
| Issuance of common shares | 20 | | **2,501,000** | | - |
| Share capital issue costs | | | **(159,787)** | | - |
| | | | **2,341,213** | | - |
| **Investing activities** | | | | | |
| Acquisition of properties, plant and equipment | 11 | | **(10,310)** | | (5,793) |
| Related party payable | 21 | | **(1,069)** | | 139,376 |
| Recovery (investments) in joint venture | 23 | | **-** | | (122,921) |
| Deferred exploration expenses | 13 | | **(1,807,676)** | | (4,169,688) |
| Mineral properties acquisitions | 12 | | **(26,403)** | | (40,981) |
| Proceeds on mineral properties optioned | | | **40,229** | | - |
| | | | **(1,805,229)** | | (4,200,007) |
| Net increase (decrease) in cash and cash equivalents | | | **285,501** | | (3,696,660) |
| Cash and cash equivalents, beginning of period | | | **2,255,112** | | 4,896,981 |
| **Cash and cash equivalents, end of period** | | **$** | **2,540,613** | $ | 1,200,321 |
| Cash and cash equivalents | | **$** | **362,568** | $ | 822,627 |
| Cash reserved for exploration | | | **2,178,045** | | 377,694 |
| | | **$** | **2,540,613** | $ | 1,200,321 |

Supplementary cash flows information (note 22)

The accompanying notes are an integral part of these financial statements

**GLOBEX MINING ENTERPRISES INC.**

# Interim Condensed Consolidated Statements of Financial Position

(Unaudited - In Canadian dollars)

| | Notes | **Septembre 30, 2014** | December 31, 2013 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | **$ 362,568** | $ 164,380 |
| Cash reserved for exploration | 6 | **2,178,045** | 2,090,732 |
| Investments | 7 | **205,154** | 942,801 |
| Accounts receivable | 8 | **196,665** | 116,142 |
| Prepaid expenses and deposits | | **146,751** | 95,922 |
| | | **3,089,183** | 3,409,977 |
| Reclamation bonds | 9 | **132,354** | 127,039 |
| Investment in joint venture | 10 | **142,293** | 142,819 |
| Properties, plant and equipment | 11 | **474,666** | 507,993 |
| Mineral properties | 12 | **3,139,075** | 2,994,878 |
| Deferred exploration expenses | 13 | **18,958,483** | 17,382,627 |
| | | **$ 25,936,054** | $ 24,565,333 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Payables and accruals | 14 | **$ 327,634** | $ 401,615 |
| Dividend payable | 4 | **-** | 243,010 |
| Current income tax | | **18,409** | - |
| | | **346,043** | 644,625 |
| Related party payable | 21 | **276,132** | 277,201 |
| Other liabilities | 15 | **297,413** | 209,075 |
| Deferred tax liabilities | 16 | **4,368,115** | 3,966,050 |
| **Owners' equity** | | | |
| Share capital | 20 | **52,872,841** | 50,677,905 |
| Warrants | 20 | **41,902** | - |
| Deficit | | **(36,389,882)** | (35,079,621) |
| Contributed surplus - Equity settled reserve | | **4,123,490** | 3,870,098 |
| | | **20,648,351** | 19,468,382 |
| | | **$ 25,936,054** | $ 24,565,333 |

The accompanying notes are an integral part of these financial statements

Approved by the board

***"Jack Stoch"***
Jack Stoch, Director

***"Dianne Stoch"***
Dianne Stoch, Director

**GLOBEX MINING ENTERPRISES INC.**

# Interim Condensed Consolidated Statements of Equity

(Unaudited - In Canadian dollars)

| | Notes | **Nine months ended Septembre 30, 2014** | 2013 | Year ended December 31, 2013 |
|---|---|---|---|---|
| **Common shares** | | | | |
| Beginning of period | | **$ 50,677,905** | $ 48,278,353 | $ 48,278,353 |
| Fair value of shares issued under private placements | 20 | **2,235,642** | - | 2,538,270 |
| Fair value of shares issued in exchange for mineral property | 20 | **118,000** | - | - |
| Fair value of warrants | 20 | **(41,902)** | - | - |
| Share issuance costs, net of taxes (September 30, 2014 - $42,983 ; December 31, 2013 - $51,046) | 20 | **(116,804)** | - | (138,718) |
| End of period | | **$ 52,872,841** | $ 48,278,353 | $ 50,677,905 |
| **Warrants** | | | | |
| Issued under private placement and mineral property acquisition | 20 | **$ 41,902** | $ - | $ - |
| **Contributed surplus - Equity settled reserve** | | | | |
| Beginning of period | | **$ 3,870,098** | $ 3,614,903 | $ 3,614,903 |
| Share-based compensation | | **253,392** | 225,666 | 229,305 |
| Share-based payments | | **-** | 25,890 | 25,890 |
| End of period | | **$ 4,123,490** | $ 3,866,459 | $ 3,870,098 |
| **Deficit** | | | | |
| Beginning of period | | **$ (35,079,621)** | $ (34,234,815) | $ (34,234,815) |
| Income (loss) attributable to shareholders | | **(1,310,261)** | 386,394 | (844,806) |
| End of period | | **$ (36,389,882)** | $ (33,848,421) | $ (35,079,621) |
| **Total Equity** | | **$ 20,648,351** | $ 18,296,391 | $ 19,468,382 |

The accompanying notes are an integral part of these financial statements

# Notes to the Interim Condensed Consolidated Financial Statements
## Periods ending September 30, 2014 and 2013
## (in Canadian dollars)

### 1. General business description

Globex Mining Enterprises Inc. (“Globex”, “Corporation”) is a North American focused exploration, royalty and development corporation with a mineral portfolio in excess of 120 early to mid-stage exploration and development properties containing: Base Metals (copper, nickel, zinc, lead), Precious Metals (gold, silver, platinum, palladium), Specialty Metals and Minerals (manganese, iron, molybdenum, uranium, lithium as well as rare earths and associated elements) and Industrial Minerals (mica, apatite as well as talc, titanium, and magnesia). The Corporation currently generates royalty and/or option income from properties which contain gold, silver, copper, and zinc.

Globex was incorporated in the province of Quebec and following the approval of shareholders on June 12, 2014, it was continued under the Canada Corporations Act, effective October 28, 2014. Its head office is located at 89 Belsize Drive, Toronto, Ontario M4S 1L3 and principal business offices are located at 86, 14th Street, Rouyn-Noranda, Quebec, J9X 2J1, Canada.

On September 10, 2012, Globex and Chibougamau Independent Mines Inc. (“CIM”) entered into an Arrangement which resulted in the reorganization of the capital of Globex and CIM, transfer of cash and cash equivalents, certain investments held by Globex as well as the transfer of ten properties from Globex to CIM subject to a 3% “gross metal royalty” in favour of Globex.

On December 29, 2012 (the "Effective Date"), Globex completed the reorganization by way of a Plan of Arrangement under the Business Corporations Act (Québec) which resulted in the transfer of cash of $503,006, investments with a fair market value of $72,903 and ten mining properties with a fair market value of $6,429,175 to CIM, for an aggregate value of $7,005,084 to CIM.

The Arrangement was designed to maximize shareholder value on the exploration and evaluation assets forming part of the Chibougamau Mining Camp. Globex will continue to hold its other mineral resource properties.

Globex trades on the Toronto Stock Exchange under the symbol GMX, in Europe on the Frankfurt, Munich, Stuttgart, Berlin and Xetra exchanges under the symbol G1M and on the OTCQX International in the USA with the symbol GLBXF.

The Corporation seeks to create shareholder value by acquiring mineral properties, enhancing them and either optioning, selling or joint venturing them or developing them to production.

### 2. Basis of presentation and going concern

#### Basis of Presentation

These interim condensed consolidated financial statements were prepared on a going concern basis, under the historical cost basis, as modified by the revaluation of financial assets and financial liabilities at fair value through the Interim Condensed Consolidated Statement of Income (loss) and Comprehensive Income (loss). All financial information is presented in Canadian dollars.

## 2. Basis of presentation and going concern (continued)

The Corporation's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. The application of International Financial Reporting Standards (IFRS) on a going concern basis may be inappropriate, since there is a doubt as to the appropriateness of the going concern assumption.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mineral claims, the ability of the Corporation to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposal thereof.

These interim condensed consolidated financial statements have been prepared on a going-concern basis which contemplates that the Corporation 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 business. This assumption is based on the current net assets of the Corporation and management's current operating plans.

These interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

**Statement of compliance**

These interim condensed consolidated financial statements have been prepared by Management in accordance with *IAS 34 Interim Financial Reporting* . The disclosure contained in these interim condensed consolidated financial statements does not include all the requirements in IAS 1, *Presentation of Financial Statements.* Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013.

The preparation of interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical judgments and accounting estimates. It also requires management to exercise judgment when applying the Corporation's accounting policies.

The Corporation's Board of Directors approved these interim condensed consolidated financial statements for the periods ended September 30, 2014 and September 30, 2013 on November 11, 2014.

## 3. Summary of significant accounting policies

### (a) New and revised International Financial Reporting Standards issued, adopted.

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements (Note 4) of the Corporation for the year ended December 31, 2013 with the exception that the Corporation has adopted the following standards which are effective for annual periods on or after January 1, 2014:

## 3. Summary of significant accounting policies (continued)

*Amendments to IAS 36, Impairment of Assets:*

In May 2013, the IASB adopted amendments that more accurately reflect the IASB's previous decision to require:

- the disclosure of the recoverable amount of impaired assets; and
- additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The amendments are effective for annual periods on or after January 1, 2014. This amendment did not have an impact on the Corporation's interim condensed consolidated financial statements.

*IFRIC 21 - Levies:*

This new interpretation was issued by the IASB in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of *IAS 37 - Provisions, Contingent Liabilities and Contingent*

The main features of IFRIC 21 are as follows:

- defines a levy as an outflow of resources or economic benefits that is imposed by governments in accordance with laws and/or regulations, other than (a) those within the scope of *IAS 12 Income Taxes* and (b) fines or other penalties that are imposed for breaches of the legislation.
- the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation; and
- the liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

This interpretation is effective for annual periods on or after January 1, 2014. This interpretation did not have an impact on the Corporation's interim condensed consolidated financial statements.

### (b) New and revised International Financial Reporting Standards issued, but not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards are not yet effective, and have not been applied in preparing these interim condensed consolidated financial statements.

*IFRS 9 - Financial Instruments (replacement of IAS 39):*

In July 2014, the IASB completed the final element of the comprehensive responses to the financial crisis with the publication of IFRS 9 Financial Instruments. The package of improvements introduced to IFRS 9 includes a logical model for classification and measurement, a single, forward – looking "expected loss" impairment model and a substantially reformed approach to hedge accounting.

The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. Management is in the process of evaluating the impacts of this standard on the Corporation.

## 3. Summary of significant accounting policies (continued)

*IFRS 15 – Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* , which establishes the principles that an entity shall apply to report useful information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

IFRS 15, replaces a number of standards and interpretations including IAS 18 *Revenue* which provides the guidance that the Corporation currently employs in recording Option revenue and Net Metal Revenues.

IFRS 15 is effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. Management is in the process of evaluating the impacts of this standard on the Corporation.

## 4. Plan of Arrangement and dividend payable

| | **September 30, 2014** | December 31, 2013 |
|---|---|---|
| Dividend Payable | | |
| Investments | **$ -** | $ 243,010 |
| | **$ -** | $ 243,010 |

In accordance with the Plan of Arrangement, during the first quarter of 2013, Globex designated 4,860,200 Mag Copper Limited shares to be transferred to CIM which had an aggregate fair market value of $72,903. During 2013, the fair value increased by $170,107 which has been reflected in the $243,010 dividend payable at December 31, 2013.

The transfer of the legal ownership was completed on January 27, 2014.

## 5. Cash and cash equivalents

| | **September 30, 2014** | December 31, 2013 |
|---|---|---|
| Bank balances | **$ 362,568** | $ 164,380 |

## 6. Cash reserved for exploration

| | **September 30, 2014** | December 31, 2013 |
|---|---|---|
| Bank balances | **$ 149,595** | $ 90,732 |
| Short-term deposits | **2,028,450** | 2,000,000 |
| | **$ 2,178,045** | $ 2,090,732 |

The Corporation raises flow-through funds for exploration under subscription agreements which require the Corporation to incur prescribed resource expenditures. The Corporation must use these funds for exploration of mining properties in accordance with restrictions imposed by the financing. If the Corporation does not incur the resource expenditures, then it will be required to indemnify these shareholders for any tax and other costs payable by them.

## 7. Investments

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Equity investments [i,ii] | **$ 205,154** | $ 942,801 |

(i) At September 30, 2014, includes 8.6 million Mag Copper Limited shares valued at $43,199; 3.7 million Laurion Mineral Exploration Inc. shares valued at $37,000; 150,000 Integra Gold Corp. shares valued at $34,500, 1 million Xmet Inc. shares valued at $35,000 and other equity investments received under option agreements which total $55,455. The 8.6 million Mag Copper Ltd. shares held by Globex represented 11% of the outstanding shares at September 30, 2014.

(ii) At December 31, 2013, includes 13.5 million Mag Copper Limited shares valued at $675,000; 3.7 million Laurion Mineral Exploration Inc. shares valued at $55,500; 100,000 Integra Gold Corp shares valued at $18,000, 1 million Xmet Inc. shares valued at $130,000 and other equity investments received under option agreements which total $64,301. The 13.5 million Mag Copper Ltd. shares held by Globex represented 17.9% of the outstanding shares at December 31, 2013.

## 8. Accounts receivable

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Trade receivables | **$ 113,486** | $ 22,758 |
| Taxes receivable | **83,179** | 93,384 |
| | **$ 196,665** | $ 116,142 |

Trade receivables of $113,486 consist primarily of amounts recoverable under joint venture arrangements and royalties. These items are all current and the Corporation anticipates full recovery of these amounts.

The taxes receivable of $83,179 represent harmonized and Quebec sales tax ("GST", "HST", "QST") receivable from Canadian taxation authorities.

## 9. Reclamation bonds

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Nova Scotia bond - Department of Natural Resources | **$ 57,974** | $ 57,974 |
| Option reimbursement | **(50,000)** | (50,000) |
| Net Nova Scotia bond | **7,974** | 7,974 |
| Washington State bond - Department of Natural Resources | **124,380** | 119,065 |
| | **$ 132,354** | $ 127,039 |

The reclamation and environmental bonds were posted by the Corporation to secure clean-up expenses in the event of mine closure or property abandonment as required by regulations or laws in the various jurisdictions. The reclamation and environmental bonds are carried at amortized cost and represent management's estimate of their right to reimbursement. Changes in the carrying value of the rights are recognized in income or loss in the period in which these changes occur.

## 10. Investment in joint venture

| | | |
|---|---|---|
| **Balance, December 31, 2013** | **$** | **142,819** |
| Add: | | |
| Globex's 50% share of DAL's net income for the nine month period ended September 30, 2014 | | **(526)** |
| **Balance, September 30, 2014** | **$** | **142,293** |

The Corporation holds a 50% interest in the ownership of Duparquet Assets Limited ''DAL'', a separate legal entity. The Corporation's investment in DAL is classified as a joint venture under IFRS 11, *Joint Arrangements* . As a result, the standard requires the Corporation to account for its investment in DAL using the equity method.

## 11. Properties, plant and equipment

| | Land and buildings | Mining equipment | Office equipment | Vehicles | Computer Systems | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **2013** | | | | | | |
| January 1, | $ 497,627 | $ 81,310 | $ 146,274 | $ 56,177 | $ 220,802 | $ 1,002,190 |
| Additions | - | - | - | - | 10,001 | 10,001 |
| December 31, | $ 497,627 | $ 81,310 | $ 146,274 | $ 56,177 | $ 230,803 | $ 1,012,191 |
| **2014** | | | | | | |
| Additions | - | 6,900 | - | - | 3,410 | 10,310 |
| **September 30,** | **$ 497,627** | **$ 88,210** | **$ 146,274** | **$ 56,177** | **$ 234,213** | **$ 1,022,501** |
| **Accumulated depreciation** | | | | | | |
| **2013** | | | | | | |
| January 1, | $ (60,500) | $ (44,408) | $ (106,386) | $ (28,635) | $ (197,208) | $ (437,137) |
| Additions | (13,838) | (11,438) | (14,650) | (8,148) | (18,986) | (67,060) |
| December 31, | $ (74,338) | $ (55,846) | $ (121,036) | $ (36,783) | $ (216,194) | $ (504,198) |
| **2014** | | | | | | |
| **Additions** | **(10,379)** | **(8,813)** | **(10,989)** | **(6,110)** | **(7,346)** | **(43,637)** |
| **September 30,** | **(84,717)** | **(64,659)** | **(132,025)** | **(42,893)** | **(223,540)** | **(547,835)** |
| **Carrying value** | | | | | | |
| **2013** | | | | | | |
| January 1, | $ 437,127 | $ 36,902 | $ 39,888 | $ 27,542 | $ 23,594 | $ 565,053 |
| December 31, | $ 423,289 | $ 25,464 | $ 25,238 | $ 19,394 | $ 14,609 | $ 507,993 |
| **2014** | | | | | | |
| **September 30,** | **$ 412,910** | **$ 23,551** | **$ 14,249** | **$ 13,284** | **$ 10,673** | **$ 474,666** |

## 12. Mineral properties

| | Nova Scotia | Ontario | Quebec | Other | Total |
|---|---|---|---|---|---|
| Balance, beginning of period | $ 18,857 | $ 47,771 | $ 2,979,303 | $ - | $ 3,045,931 |
| Additions | - | - | 41,581 | - | 41,581 |
| Impairment provisions | - | - | (69,779) | - | (69,779) |
| Recoveries | - | - | (22,855) | - | (22,855) |
| December 31, 2013 | $ 18,857 | $ 47,771 | $ 2,928,250 | $ - | $ 2,994,878 |
| **Additions [(1)]** | **40** | **-** | **144,363** | **-** | **144,403** |
| **Impairment provisions** | **-** | **-** | **-** | **-** | **-** |
| **Recoveries** | **-** | **-** | **(206)** | **-** | **(206)** |
| **September 30, 2014** | **$ 18,897** | **$ 47,771** | **$ 3,072,407** | **$ -** | **$ 3,139,075** |

(1) The Santa Anna Gold deposit was acquired in two separate transactions, which resulted on August 27, 2014, in the issuance of 450,000 Globex shares with an average ascribed value of $0.26 per share. In addition, 150,000 share purchase warrants were issued. The warrants are exercisable for Globex shares at a price of $0.45 per share for a period of two years.

## 13. Deferred exploration expenses

| | New Brunswick | Nova Scotia | Ontario | Quebec | Other | Total |
|---|---|---|---|---|---|---|
| Balance, beginning of period | $ 139,095 | $ 124,890 | $ 5,095,050 | $ 8,305,484 | $ - | $ 13,664,519 |
| Additions | - | 2,799 | 1,493,262 | 3,303,567 | 8,628 | 4,808,256 |
| Impairment provisions | - | (1,083) | (6,000) | (997,479) | (8,628) | (1,013,190) |
| Recoveries | - | - | - | (76,958) | - | (76,958) |
| December 31, 2013 | 139,095 | 126,606 | 6,582,312 | 10,534,614 | - | 17,382,627 |
| **Additions** | **982** | **993** | **249,892** | **1,544,699** | **11,110** | **1,807,676** |
| **Impairment provisions** | **-** | **-** | **(373)** | **(180,314)** | **(11,110)** | **(191,797)** |
| **Recoveries** | **-** | **-** | **-** | **(40,023)** | **-** | **(40,023)** |
| **September 30, 2014** | **$ 140,077** | **$ 127,599** | **$ 6,831,831** | **$ 11,858,976** | **$ -** | **$ 18,958,483** |

The impairment provision reflects the expensing of general exploration and management's review of the exploration properties and future planned activities.

## 13. Deferred Exploration Expenses (continued)

| | **September 30, 2014** | December 31, 2013 |
|---|---|---|
| Balance - beginning of period | **$ 17,382,627** | $ 13,664,519 |
| Current exploration expenses | | |
| Consulting | **114,748** | 258,535 |
| Core shack, storage and equipment rental | **17,285** | 91,667 |
| Drilling | **507,524** | 1,855,208 |
| Environment | **1,395** | 172,242 |
| Geology | **106,676** | 445,909 |
| Geophysics | **59,163** | (52,691) |
| Laboratory analysis and sampling | **218,336** | 476,699 |
| Labour | **673,610** | 818,944 |
| Line cutting | **-** | 127,933 |
| Mapping | **-** | 41,337 |
| Mining property tax and permits | **31,328** | 82,587 |
| Prospecting and surveying | **-** | 72,693 |
| Reports, maps and supplies | **31,793** | 49,897 |
| Transport and road access | **45,818** | 367,296 |
| Total current exploration expenses | **1,807,676** | 4,808,256 |
| Impairment provisions | **(191,797)** | (1,013,190) |
| Option revenue offset | **(40,023)** | (76,958) |
| | **(231,820)** | (1,090,148) |
| Current net deferred exploration expenses | **1,575,856** | 3,718,108 |
| Balance - end of period | **$ 18,958,483** | $ 17,382,627 |

## 14. Payables and accruals

| | **September 30, 2014** | December 31, 2013 |
|---|---|---|
| Trade payable and accrued liabilities | **$ 249,565** | $ 332,317 |
| Sundry liabilities | **78,069** | 69,298 |
| | **$ 327,634** | $ 401,615 |

## 15. Other liabilities

| | **September 30, 2014** | December 31, 2013 |
|---|---|---|
| Balance, beginning of period | **$ 209,075** | $ 836,144 |
| Additions during the period | **265,357** | 230,546 |
| Reduction related to the incurrence of qualified exploration expenditures | **(177,019)** | (857,615) |
| Balance, end of period | **$ 297,413** | $ 209,075 |

## 16. Income taxes

### Income and mining tax expense (recovery)

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **September 30, 2014** | September 30, 2013 | **September 30, 2014** | September 30, 2013 |
| Current tax expense (recovery) | | | | |
| Tax expenses (recovery) for the period | **$ 50,504** | $ (271,672) | **$ 219,050** | $ (287,441) |
| Deferred tax provision for income tax and mining duties | **186,822** | 120,643 | **445,048** | 247,273 |
| Recovery of income and mining taxes as a result of the sale of tax benefits (flow-through shares) | **(70,522)** | (347,837) | **(177,019)** | (701,519) |
| | **116,300** | (227,194) | **268,029** | (454,246) |
| | **$ 166,804** | $ (498,866) | **$ 487,079** | $ (741,687) |

### Deferred tax balances

| | December 31, 2013 | **Recognized in income or loss** | **Recognized in equity** | **Other** | **September 30, 2014** |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Deferred tax assets | | | | | |
| Non-capital losses carry forward | $ 1,056,595 | **$ 178,531** | **$ -** | **$ -** | **$ 1,235,126** |
| Share issue expenses | 123,637 | **(39,666)** | **42,983** | **-** | **126,954** |
| Properties, plant & equipment | 53,778 | **22,841** | **-** | **-** | **76,619** |
| Financial assets at FVTPL | 339,275 | **67,840** | **-** | **-** | **407,115** |
| | 1,573,285 | **229,546** | **42,983** | **-** | **1,845,814** |
| Less valuation allowance | (339,275) | **(67,840)** | **-** | **-** | **(407,115)** |
| | 1,234,010 | **161,706** | **42,983** | **-** | **1,438,699** |
| Deferred tax liabilities | | | | | |
| Mining properties and deferred exploration expenses | (5,200,060) | **(606,754)** | **-** | **-** | **(5,806,814)** |
| Deferred tax liabilities | $ (3,966,050) | **$ (445,048)** | **$ 42,983** | **$ -** | **$ (4,368,115)** |

## 17. Revenues

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **September 30, 2014** | September 30, 2013 | **September 30, 2014** | September 30, 2013 |
| Net option income | **$ 100,000** | $ 142,000 | **$ 222,021** | $ 675,500 |
| Metal royalty income | **171,692** | - | **736,050** | 69,522 |
| | **$ 271,692** | $ 142,000 | **$ 958,071** | $ 745,022 |

## 18. Expenses by nature

The following is a breakdown of the nature of expenses included in administration expenses and professional fees and outside services:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **September 30, 2014** | September 30, 2013 | **September 30, 2014** | September 30, 2013 |
| Administration | | | | |
| Office expenses | **$ 29,522** | $ 37,160 | **$ 122,054** | $ 143,249 |
| Conventions and meetings | **22,013** | 12,515 | **50,627** | 80,187 |
| Advertising and shareholder information | **1,994** | 5,501 | **11,215** | 37,065 |
| Other administration expenses | **16,542** | 8,807 | **34,792** | 46,855 |
| | **$ 70,071** | $ 63,983 | **$ 218,688** | $ 307,356 |
| Professional fees and outside services | | | | |
| Investor relations | **$ 43,363** | $ 27,115 | **$ 79,664** | $ 114,405 |
| Legal fees | **20,153** | 2,828 | **53,562** | 26,910 |
| Audit and accounting fees | **30,371** | 28,500 | **102,071** | 88,457 |
| Other professional fees | **43,774** | 1,000 | **82,194** | 66,858 |
| | **$ 137,661** | $ 59,443 | **$ 317,491** | $ 296,630 |

## 19. Income (loss) per share

Basic income (loss) per common share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted income per common share is calculated by dividing the net income applicable to common shares by the weighted average number of common shares outstanding during the period, plus the effects of dilutive common share equivalents such as warrants and stock options. Diluted net income per share is calculated using the treasury method, where the exercise of options is assumed to be at the beginning of the period and the proceeds from the exercise of options and the amount of compensation expense measured, but not yet recognized in income are assumed to be used to purchase common shares of the Corporation at the average market price during the period.

**Basic and diluted loss per share**

The following table sets forth the computation of basic and diluted loss per share:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **September 30, 2014** | September 30, 2013 | **September 30, 2014** | September 30, 2013 |
| Numerator | | | | |
| Income (loss) for the period | **$ (496,923)** | $ 338,623 | **$ (1,310,261)** | $ 386,394 |
| Denominator | | | | |
| Weighted average number of common shares - basic | **40,997,374** | 27,896,018 | **37,603,731** | 27,896,018 |
| Effect of dilutive shares | | | | |
| Stock options ("in the money") [(i)] | **-** | - | **-** | - |
| Weighted average number of common shares - diluted | **40,997,374** | 27,896,018 | **37,603,731** | 27,896,018 |
| Income (loss) per share | | | | |
| Basic | **$ (0.01)** | $ 0.01 | **$ (0.03)** | $ 0.01 |
| Diluted | **$ (0.01)** | $ 0.01 | **$ (0.03)** | $ 0.01 |

(i) At September 30, 2014 and 2013, stock options have not been included in the diluted loss per share as they are anti-dilutive.

## 20. Share capital

### Common shares

**Authorized - Unlimited common shares with no par value**

**Changes in capital stock**

| | | **September 30, 2014** | | December 31, 2013 |
|---|---|---|---|---|
| Fully paid common shares | **Number of shares** | **Capital Stock** | Number of shares | Capital Stock |
| Balance, beginning of period | **33,536,612** | **$ 50,677,905** | 27,896,018 | $ 48,278,353 |
| Private placements [(i)] | | | | |
| Flow through shares | **5,307,143** | **1,592,142** | 5,640,594 | 2,538,270 |
| Common Share Units | **1,950,000** | **643,500** | - | - |
| Fair value of warrants | **-** | **(32,173)** | - | - |
| Shares issued in | **-** | **-** | - | - |
| connection with a mineral | **-** | **-** | - | - |
| property acquisition [(ii)] | **450,000** | **118,000** | - | - |
| Fair value of warrants | **-** | **(9,729)** | - | - |
| Share issuance costs [(iii)] | **-** | **(116,804)** | - | (138,718) |
| Balance, end of period | **41,243,755** | **$ 52,872,841** | 33,536,612 | $ 50,677,905 |

**2014 Issuances**

(i) The Corporation issued 5,307,143 flow-through shares under a private placement closing on May 5, 2014. The shares were issued at a price of $0.35 per share for total proceeds of $1,857,500 and the fair market value was determined as $1,592,142 representing the closing price of the shares on May 2, 2014.

In addition, the Corporation issued 1,950,000 Common Share Units at $0.33 per share for gross proceeds of $643,500. Each Unit is comprised of one common share of the Corporation and one-half common share purchase warrant. In addition to the issuance of common shares this resulted in the issuance of 975,000 warrants. Each warrant entitles the holder to acquire one additional common share at an exercise price of $0.50 per warrant share for a period of twelve months.

(ii) On August 27, 2014, the Corporation issued 450,000 Common Shares in two separate transactions in connection with the acquisition of the Santa Anna Gold Deposit. The Globex shares had an ascribed value of $0.26 per share. In addition, 150,000 share purchase warrants were issued. The warrants are exercisable at a price of $0.45 per share for a period of two years.

**Share Issuance costs**

(iii) Net of taxes of $42,983.

**2013 Issuances**

(i) The Corporation issued 4,610,930 flow-through shares under a private placement with closings on October 21, October 31, and December 11, 2013. The shares were issued at a price of $0.50 per share for total proceeds of $2,305,465 (fair market value - $2,074,919).

In addition, 1,029,664 common shares were issued at a price of $0.45 per share for total proceeds of $463,351.

**Share Issuance costs**

(ii) Net of taxes of $51,047.

At September 30, 2014, 36,100 (December 31, 2013 - 36,100) common share are held in escrow. These shares were issued as consideration for a property, which has since been abandoned, thus the shares will remain in escrow.

## 20. Share capital (continued)

### Warrants

| | September 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | **Number of warrants** | **Fair Value** | Number of warrants | Fair Value |
| Balance - beginning of period | **-** | **$ -** | - | $ - |
| Issued in connection with the private placement [(i)] | **975,000** | **32,173** | - | $ - |
| Issued in connection with a mineral property acquisition [(ii)] | **150,000** | **9,729** | | |
| Balance - end of period | **1,125,000** | **$ 41,902** | - | $ - |

(i) As outlined above, under the private placement which closed on May 5, 2014, 975,000 warrants were issued. Each warrant entitles the holder to acquire one additional common share at an exercise price of $0.50 per warrant for a period of twelve months.

The warrants have been valued using the Black-Scholes Model with the following assumptions:

- Stock Price - $0.30 per share
- Exercise Price - $0.50 per share
- Expected life 12 months
- Annualized volatility - 67.5%
- Annual rate of dividends - Nil.
- Interest rate -1.5%.

The fair value of each warrant has been estimated at $0.033 per warrant which results in a fair value for the 975,000 warrants of $32,173.

(ii) As outlined above, in connection with a property acquisition, on August 27, 2014, 150,000 share purchase warrants were issued. Each warrant entitles the holder to acquire one common share at an exercise price of $0.45 per warrant for a period of twenty four months.

The warrants have been valued using the Black-Scholes Model with the following assumptions:

- Stock Price - $0.29 per share
- Exercise Price - $0.45 per share
- Expected life 24 months
- Annualized volatility - 64.14%
- Annual rate of dividends - Nil.
- Interest rate -1.09%.

The fair value of each warrant has been estimated at $0.0648 per warrant which results in a fair value for the 150,000 warrants of $9,729.

### Stock options

Under the Corporation's stock option plan (the "Plan"), the Board of Directors may, from time to time, grant stock options to directors, officers, employees of and service providers to, the Corporation and its subsidiaries. Stock options granted under the Plan may have a term of up to ten years, as determined by the Board of Directors at the time of granting the stock options.

At September 30, 2014, no options may be granted in addition to the common share purchase options currently outstanding (December 31, 2013 - 1,767,500).

## 20. Share capital (continued)

The following is a summary of option transactions under the Plan for the relevant periods:

| | **September 30, 2014** | | December 31, 2013 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| Balance - beginning of period | **1,300,000** | **$ 0.59** | 1,927,900 | $ 1.22 |
| Cancelled | **-** | **-** | (1,392,900) | 1.44 |
| Price Modification on 550,000 Options [(i)] | **-** | **(0.36)** | - | - |
| Expired | **(330,000)** | **0.40** | (35,000) | 1.07 |
| Granted - Directors and employees | **2,097,500** | **0.24** | 750,000 | 0.81 |
| Granted - Service providers | **-** | **-** | 50,000 | 1.09 |
| Balance - end of period | **3,067,500** | **$ 0.28** | 1,300,000 | $ 0.59 |
| Options exercisable | **2,577,500** | **$ 0.29** | 1,210,000 | $ 0.61 |

(i) On June 16, 2014, 500,000 Option Contracts which had been issued on September 9, 2013, at a strike price of $0.54 per share were cancelled and replaced with new contracts with a strike price of $0.24 per share. These contracts expire on June 16, 2019.

On June 16, 2014, 30,000 options issued to a Service Provider on January 31, 2013 at a strike price of $1.50 per share were cancelled and replaced with the same number of options with a strike price of $0.50 per share and an expiry date of June 16, 2017. At the same time, 20,000 options issued on January 31, 2013 at a strike price of $1.25 per share were cancelled and replaced with the same number of options with a strike price of $0.50 per share and an expiry date of June 16, 2017.

In accordance with IFRS 2, these cancellations and re-issuances contracts were treated as a modification to equity-settled share-based payment arrangements. The changes of award values as a result of the modifications totalling $32,892 have been expensed in the nine month period ended September 30, 2014.

**Option Grants**

On June 16, 2014, 1,900,000 option contracts were issued at a strike price of $0.24 per share with 1,410,000 vesting immediately. These contracts expire on June 16, 2019.

On September 17, 2014, 197,500 Option Contracts were issued at a strike price of $0.205 per share. These contracts expire on September 17, 2019.

The following table summarizes information regarding the stock options outstanding and exercisable as at September 30, 2014:

| Range of prices | Number of options outstanding | Number of options outstanding and exercisable | Weighted average remaining contractual life (years) | Weighted average exercise price |
|---|---|---|---|---|
| $ 0.20 - 0.29 | 2,597,500 | 2,107,500 | 4.74 | $ 0.23 |
| 0.40 - 0.59 | 270,000 | 270,000 | 3.00 | 0.51 |
| 0.63 - 0.92 | 200,000 | 200,000 | 1.10 | 0.63 |
| | 3,067,500 | 2,577,500 | 4.27 | $ 0.29 |

## 20. Share capital (continued)

**Stock-based compensation and payments**

The Corporation uses the fair value method for stock options granted to directors, officers, employees and non-employees. Accordingly, the fair value of the options at the date of grant is charged to operations, with an offsetting credit to contributed surplus, over vesting periods (which can vary from immediate vesting to 3 years).

Globex uses the Black-Scholes model to estimate fair value using the following weighted average assumptions:

| | **Nine months ended** | |
|---|---|---|
| | **September 30, 2014** | September 30, 2013 |
| Expected dividend yield | **Nil** | Nil |
| Expected stock price volatility | **59.5%** | 64.4% |
| Risk free interest rate | **1.35%** | 1.66% |
| Expected life | **5 years** | 5.32 years |
| Weighted average fair value of granted options | **$0.11** | $0.30 |

During the nine month period ended September 30, 2014, the total expense related to stock-based compensation costs and payments amounting to $253,392 has been recorded and presented separately in the Interim Condensed Consolidated statements of Income (loss) and Comprehensive Income (loss) (September 30, 2013 - $251,556).

**Restricted Share Unit Plan**

On April 11, 2012, the Board of Directors adopted a Restricted Share Unit Plan (the "RSU Plan") for the Corporation's executives and key employees, subject to regulatory approval. The RSU Plan is designed to attract and retain qualified individuals, to serve as executives and key employees of the Corporation and its subsidiaries and to promote the alignment of interests of such executives and key employees, on the one hand, and the shareholders of the Corporation, on the other hand. A maximum of 600,000 common shares may be issued from treasury under the RSU Plan.

Under the RSU Plan, from time-to-time, the Board of Directors may, in its sole discretion, upon the recommendation of the Compensation Committee after consultation with the Chief Executive Officer of the Corporation, may grant RSUs to executives and key employees in lieu of a bonus or other similar arrangements.

The RSU Plan was approved by the Shareholders on June 1, 2012 and subsequently on June 19, 2012, the TSX confirmed that it had listed and reserved 600,000 common shares of the Corporation for issuance under the Plan.

To date, no shares have been issued under the RSU Plan.

## 20. Share capital (continued)

**Shareholders' Rights Plan**

On June 12, 2014, the Shareholders approved the adoption of a new Shareholder Rights Plan (the "Rights Plan"). The Rights Plan was adopted to: (i) provide shareholders and the Board of Directors with adequate time to consider and evaluate any take-over bid made for the outstanding shares of the Corporation; (ii) provide the Board of Directors with adequate time to identify, develop and negotiate value-enhancing alternatives to any such take-over bid; (iii) encourage the fair treatment of shareholders in connection with any take-over bid made for the outstanding shares of the Corporation; and (iv) generally prevent any person from acquiring beneficial ownership of or the right to vote more than 20% of the outstanding shares of the Corporation (or where such person already owns more than 20% of the shares, from acquiring ownership of or the right to vote any additional shares) while this process is ongoing or entering into arrangements or relationships that have a similar effect.

The Rights Plan will be in effect until the close of business on the date of the first annual meeting of the shareholders of the Corporation following the third anniversary of the date of the Rights Plan (June 12, 2014).

The objective of the Rights Plan is to ensure, to the extent possible, that all of the Corporation's shareholders will be treated equally and fairly in connection with any take-over bid for the Corporation.

The Rights Plan is designed to prevent the use of coercive and/or abusive take-over techniques and to encourage any potential acquirer to negotiate directly with the Board of Directors for the benefit of all of the Corporation's shareholders. In addition, the Rights Plan is intended to provide increased assurance that a potential acquirer would pay an appropriate control premium in connection with any acquisition of the Corporation.

The Rights Plan utilizes the mechanism of a "Permitted Bid" (as defined therein) to attempt to ensure that a person seeking to acquire beneficial ownership of 20% or more of the Corporation's shares gives shareholders and the Board of Directors sufficient time to evaluate the transaction, negotiate with the proposed acquirer, encourage competing bids to emerge, and ensure that all alternatives to the transaction designed to maximize shareholder value have been considered.

The Rights Plan will provide the Board of Directors with time to review any unsolicited take-over bid that may be made and to take action, if appropriate, to enhance shareholder value. The Rights Plan attempts to protect the Corporation's shareholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions, failing which such bidders are subject to the dilutive features of the Rights Plan. By creating the potential for substantial dilution of a bidder's position, the Rights Plan encourages an offeror to proceed by way of a Permitted Bid or to approach the Board of Directors with a view to negotiation.

## 21. Related party information

| **Related party payable** | **September 30, 2014** | December 31, 2013 |
|---|---|---|
| Jack Stoch Geoconsultant Services Limited ("GJSL") | **$ (6,717)** | $ (6,700) |
| Eco Refactory Solutions Inc. | **-** | 748 |
| WorldWide Magnesium Corporation | **-** | 453 |
| Duparquet Assets Limited | **282,849** | 282,700 |
| | **$ 276,132** | $ 277,201 |

## 21. Related party information (continued)

**Chibougamau Independent Mines Inc.**

CIM is considered a related party as Globex Management consisting of the President and CEO, Executive Vice-President and Chief Financial Officer hold the same positions with both entities. In addition, the President and CEO holds a large number of common shares of both organizations and therefore can significantly influence the operations of both entities.

**Management Services**

On December 29, 2012, Globex entered into a Management Services Agreement with CIM under which the Corporation agreed to provide management services including administrative, compliance, corporate secretarial, risk management support and advisory services to CIM.

Management Services fees of $1,800 (2013 – Nil) for the three month and $37,800 (2013 – $252,000) for the nine month period ended September 30, 2014 represent Globex's estimate of the specific costs related to performing these services plus a mark-up in accordance with the Management Services Agreement.

**Management compensation**

The total compensation for the respective periods paid to directors and key management personnel having authority and responsibility for planning, directing and controlling the activities of the Corporation (Management personnel includes President and CEO, Executive Vice-President, Vice-President Operations, as well as Chief Financial Officer, Treasurer and Corporate Secretary) follows:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **September 30, 2014** | September 30, 2013 | **September 30, 2014** | September 30, 2013 |
| Salary cost | | | | |
| Salaries and other benefits [(i)] | **$ 88,554** | $ 93,669 | **$ 245,493** | $ 305,518 |
| Fair value of share-based compensation | **34,632** | - | **196,875** | - |
| | **$ 123,186** | $ 93,669 | **$ 442,368** | $ 305,518 |

(i) The Vice-President Operations is an independent contractor and his compensation is included Other professional fees in the Expenses by nature (note 18) to the Interim Condensed Consolidated Financial Statements at September 30, 2014.

On June 16, 2014, 1,900,000 options were issued to Directors, Management and Employees of the Corporation with 1,410,000 options vesting immediately. This grant included 1,715,000 options to Directors and Management personnel.

On September 17, 2014, 192,500 options were re-issued to the President and CEO which is reflected in the share based compensation of $34,632 for the three month period. The share based compensation for the nine month period ended September 30, 2014 reflects the share based compensation related to options issued to directors and key management personnel. No options were issued to these individuals in the

## 22. Supplementary cash flows information

### Changes in non-cash working capital items

| | Nine months ended | |
|---|---|---|
| | **September 30, 2014** | September 30, 2013 |
| Accounts receivable | **$ (80,523)** | $ 81,355 |
| Prepaid expenses and deposits | **(50,829)** | (19,181) |
| Payables and accruals | **(73,981)** | 488,843 |
| | **$ (205,333)** | $ 551,017 |

### Non-cash financing and investing activities

| | Nine months ended | |
|---|---|---|
| | **September 30, 2014** | September 30, 2013 |
| Disposal of mineral properties for investments | **$ 9,750** | $ - |
| Transfer of investments to CIM [(i)] | **243,010** | 72,903 |
| Share capital and warrant issuance for mineral property acquisition | **118,000** | - |
| | **$ 370,760** | $ 72,903 |

(i) The transfer of the legal ownership of 4,860,200 Mag Copper Limited shares was completed on January 27, 2014.

## 23. Financial instruments

### Capital risk management

The Corporation manages its common shares, stock options and retained earnings (deficit) as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern while it pursues its objective of enhancing projects, properties or the development of properties to the benefit of all stakeholders. As a Canadian exploration Corporation, its principal sources of funds consist of; (a) Option income on properties; (b) Metal royalty income; (c) Investment income; (d) proceeds from the issuance of common and flow-through shares and (e) other working capital items.

The Corporation manages the capital structure and makes adjustments to it in light of operating results in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation issues shares, enters into joint venture property arrangements or disposes of properties.

The Corporation's investment policy is to invest its cash in low risk highly liquid short-term interest-bearing instruments selected with a duration which is expected to align with the Corporation's planned expenditures.

In order to facilitate the management of its capital requirements, the Corporation prepares annual expenditure budgets that are updated as necessary. The annual and updated budgets are approved by the Board of Directors. For capital management purposes, the Corporation has developed two objectives which are as follows:

- Retain cash and cash equivalents, cash reserved for exploration expenditures and accounts receivable which are equal to or greater than the committed exploration expenditures,
- Retain equity investments and debt instruments with a combined fair market value which are greater than twelve months of projected operating and administrative expenditures.

## 23. Financial instruments (continued)

The Corporation may need additional capital resources to complete or carry out its exploration and development plans for the next twelve months.

The Corporation is not subject to any externally imposed capital requirements. The Corporation's overall strategy remains unchanged from 2013.

The fair values of the Corporation's cash and cash equivalents, cash reserved for exploration, accounts receivable, accounts payable and accrued charges approximate their carrying values due to their short-term nature. The equity investments have been adjusted to reflect the fair market value at the period end based on quoted market rates.

The Corporation's financial instruments are exposed to certain financial risks including credit risk, liquidity risk, foreign exchange risk, and interest rate risk.

**Financial risk management objectives**

### (a) Credit risk

The Corporation had cash and cash equivalents as well as cash reserved for exploration which totalled $2,540,613 as at September 30, 2014, (December 31, 2013 - $2,255,112). These funds are subject to a combination of the $100,000 maximum guarantee per individual institution as provided by the Canadian Deposit Insurance Corporation ("CDIC"): CDIC, a federal Crown Corporation as well as a guarantee of $1,000,000 provided by the Canadian Investors Protection Fund ("CIPF").

The Corporation does not believe that it is subject to any significant concentration of credit risk. Cash and cash equivalents are in place with major financial institutions.

The maximum exposure to credit risk was:

| | **September 30, 2014** | December 31, 2013 |
|---|---|---|
| Cash and cash equivalents | **$ 362,568** | $ 164,380 |
| Cash reserved for exploration | **2,178,045** | 2,090,732 |
| Investments | **205,154** | 942,801 |
| Accounts receivable [(i)] | **196,665** | 116,142 |
| | **$ 2,942,432** | $ 3,314,055 |

(i) Accounts receivable of $196,665 (December 31, 2013 - $116,142) consist of trade receivables of $113,486 (December 31, 2013 - $22,758) and taxes recoverable of $83,179 (December 31, 2013 - $93,384). The trade receivables are secured by property interests.

### (b) Liquidity risk

Liquidity risk represents the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through its capital structure and by continuously monitoring actual and projected cash flows. The Corporation finances its exploration activities through flow-through shares, operating cash flows and the utilization of its liquidity reserves.

The Board of Directors reviews and approves the Corporation's operating and capital budgets, as well as any material transactions out of the ordinary course of business.

Contractual maturities of financial liabilities are all under one year.

## 23. Financial instruments (continued)

### (c) Equity market risk

Equity market risk is defined as the potential adverse impact on the Corporation's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Corporation closely monitors the general trends in the stock markets and individual equity movements, and determines the appropriate course of action to be taken by the Corporation.

The Corporation currently holds investments in a number of Optionee companies which are subject to fair value fluctuations arising from changes in the Canadian mining sector and equity markets and currently these amount to $205,154 (December 31, 2013 - $942,801). Based on the balance outstanding at September 30, 2014, a 10% increase or decrease would impact income and loss by $20,515 (December 31, 2013 - $94,280).

### (d) Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

| **September 30, 2014** | Level 1 | Level 2 | Level 3 | Total financial assets at fair value |
|---|---|---|---|---|
| Financial assets | | | | |
| Equity investments | $ 161,955 | $ 43,199 | $ - | $ 205,154 |
| Reclamation bonds | - | 132,354 | - | 132,354 |
| Total financial assets | $ 161,955 | $ 175,553 | $ - | $ 337,508 |

There were no transfer between level 1 and level 2 during the period.

The level 2 equity investments have been measured using the quoted price of the shares on the market which has been determined to be non-active.

For all other financial assets and liabilities, the fair value is equal to the carrying value.

| December 31, 2013 | Level 1 | Level 2 | Level 3 | Total financial assets at fair value |
|---|---|---|---|---|
| Financial assets | | | | |
| Equity investments | $ 267,801 | $ 675,000 | $ - | $ 942,801 |
| Reclamation bonds | - | 127,039 | - | 127,039 |
| Total financial assets | $ 267,801 | $ 802,039 | $ - | $ 1,069,840 |

There were no transfer between level 1 and level 2 during the year.

## 24. Commitments and contingencies

At the period end, the Corporation had no outstanding commitments other than in the normal course of business other than its commitment to incur qualified exploration expenditures to meet its flow-through obligations as described in note 6. At this time, Management anticipates meeting that obligation and as a result, no additional disclosures are required.