

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the Three and Nine Months Ended February 28, 2015

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

Under National Instrument 51 – 102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

CLEAR MOUNTAIN RESOURCES CORP.
Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended February 28, 2015
(Expressed in Canadian Dollars - Unaudited)

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CLEAR MOUNTAIN RESOURCES CORP.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

	February 28, 2015	May 31, 2014
	$	$
Assets		
Current		
Cash	118,887	264,929
Receivables	2,546	11,929
Prepaid expenses	13,409	6,224
	134,842	283,082
Equipment (Note 3)	1,175	1,382
Exploration and evaluation assets (Note 4)	-	1
	136,017	**284,465**
Liabilities		
Current		
Trade payables and accrued liabilities (Note 5)	523,455	417,213
Due to related parties (Note 6)	109,590	68,250
	633,045	485,463
Shareholders' deficit		
Share capital (Note 7)	2,479,103	2,470,624
Reserves (Note 7)	217,965	226,444
Deficit	(3,194,096)	(2,898,066)
	(497,028)	(200,998)
	136,017	**284,465**

Nature and Continuance of Operations (Note 1)
Commitment (Note 11)
Subsequent Event (Note 12)

These condensed interim consolidated financial statements are authorized for issuance by the Board of Directors on April 29, 2015.

On Behalf of the Board of Directors:

"Richard Barth"	"Michael Waldkirch"
Richard Barth, Director	Michael Waldkirch, Director

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

CLEAR MOUNTAIN RESOURCES CORP.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

	For the three months ended February 28,		For the nine months ended February 28,	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
EXPENSES				
Advertising and promotion	-	1,656	-	1,656
Consulting fees	5,000	-	5,000	-
Depreciation (Note 3)	69	86	207	259
Foreign exchange loss	33,079	-	50,316	-
Insurance	2,250	2,500	6,986	6,596
Investor relations	-	5,000	-	5,000
Management fees (Note 6)	50,756	49,778	151,395	151,003
Office and miscellaneous	192	17,744	716	19,122
Professional fees	5,640	339,722	19,244	368,123
Property investigation costs	-	-	39,582	-
Rent	-	1,850	-	12,946
Share-based compensation (Notes 6 and 7)	-	95,529	-	101,004
Transfer agent and filing fees	6,366	9,554	15,200	22,372
Travel and related	261	19,019	7,383	44,992
	(103,613)	(542,438)	(296,029)	(733,073)
Gain on advances forgiven (Note 6)	-	-	-	5,486
Write-off of exploration and evaluation assets (Note 4)	(1)	-	(1)	-
	(1)	-	(1)	5,486
Loss and comprehensive loss for the period	(103,614)	(542,438)	(296,030)	(727,587)
Basic and diluted loss per share	(0.01)	(0.03)	(0.01)	(0.05)
Weighted average number of common shares outstanding	20,468,337	18,418,825	20,468,337	14,920,492

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

CLEAR MOUNTAIN RESOURCES CORP.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	For the nine months ended February 28,	
	2015	**2014**
	$	**$**
Cash flows used in operating activities		
Net loss for the period	(296,030)	(727,587)
Items not affecting cash		
Depreciation	207	259
Share-based compensation	-	101,004
Gain on advances forgiven	-	(5,486)
Write-off of exploration and evaluation asset	1	-
	(295,822)	(631,810)
Changes in non-cash working capital items		
Decrease (increase) in receivables	9,383	(1,004)
Increase in prepaid expenses	(7,185)	(251)
Increase in trade payables and accrued liabilities	106,242	221,868
Increase in due to related parties	41,340	50,680
	(146,042)	(360,517)
Cash flows used in investing activity		
Exploration and evaluation assets expenditures	-	(850,324)
Cash flows from financing activities		
Proceeds from share issuances	-	1,413,667
Share issuance costs	-	(25,878)
	-	1,387,789
Net change in cash	(146,042)	176,948
Cash, beginning of period	264,929	269,304
Cash, end of period	118,887	446,252
Non-cash transactions		
Agent warrants as finders' fee	-	8,479
Share issuance costs in trade payables and accrued liabilities	-	4,063
Transfer from reserves to deficit on forfeiture/expiration of stock options	-	33,110
Expiration of agents warrants	8,479	-

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

CLEAR MOUNTAIN RESOURCES CORP.
Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit
(Expressed in Canadian Dollars - Unaudited)

	Number of Shares Issued	Share Capital	Warrant Reserves	Option Reserves	Total Reserves	Deficit	Total Shareholders' Deficit
		$	$	$	$	$	$
Balance at May 31, 2013	**13,200,000**	**992,249**	**63,128**	**180,022**	**243,150**	**(759,569)**	**475,830**
Shares issued for cash	7,068,337	1,413,667	-	-	-	-	1,413,667
Share issuance costs	-	(29,941)	-	-	-	-	(29,941)
Agent warrants issued	-	(8,479)	8,479	-	8,479	-	-
Share-based compensation	-	-	-	101,004	101,004	-	101,004
Stock options forfeited	-	-	-	(33,110)	(33,110)	33,110	-
Net loss for the period	-	-	-	-	-	(727,587)	(727,587)
Balance at February 28, 2014	**20,268,337**	**2,367,496**	**71,607**	**247,916**	**319,523**	**(1,454,046)**	**1,232,973**
Shares issued for acquisition of exploration and evaluation assets	200,000	40,000	-	-	-	-	40,000
Expiration of agents warrants	-	63,128	(63,128)	-	(63,128)	-	-
Stock options expired	-	-	-	(29,951)	(29,951)	29,951	-
Net loss for the period	-	-	-	-	-	(1,473,971)	(1,473,971)
Balance at May 31, 2014	**20,468,337**	**2,470,624**	**8,479**	**217,965**	**226,444**	**(2,898,066)**	**(200,998)**
Expiration of agents warrants	-	8,479	(8,479)	-	(8,479)	-	-
Net loss for the period	-	-	-	-	-	(296,030)	(296,030)
Balance at February 28, 2015	**20,468,337**	**2,479,103**	**-**	**217,965**	**217,965**	**(3,194,096)**	**(497,028)**

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

1. Nature and Continuance of Operations

Clear Mountain Resources Corp. (the "Company") was incorporated under the Business Corporations Act of British Columbia, Canada on May 11, 2010 and completed its initial public offering (the "IPO") and received the final exchange bulletin for the Transaction from the TSX Venture Exchange ("Exchange") on May 10, 2012. As a result, the Company's shares were listed for trading on the Exchange on May 15, 2012 under the trading symbol "CY".

The Company's head office and principal address is 67 East 5th Avenue, Vancouver BC V5T 1G7. The Company's registered and records office is located at Suite 650 – 1188 West Georgia Street, Vancouver, BC V6E 4A2. The principal business of the Company is the identification, evaluation and acquisition of mineral properties and the subsequent exploration and operation thereof.

These condensed interim consolidated financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. These condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The operations and exploration and acquisition activities of the Company were primarily funded by the issue of share capital. The Company has incurred losses since its inception and has an accumulated deficit of $3,194,096 at February 28, 2015. The Company's ability to continue its operations and to realize assets at their carrying values is dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient equity financing, and generate profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future, which raise significant doubts about the Company's ability to continue as a going concern.

2. Significant Accounting Policies and Basis of Presentation

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB").

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in the financial performance of the Company since the end of the last annual reporting period. Therefore, it is recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended May 31, 2014.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's financial statements for the year ended May 31, 2014.

2. Significant Accounting Policies and Basis of Presentation (continued)

Basis of presentation

These condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Clear Mountain Production LLC, Clear Mountain Assets LLC, and Clear Mountain Midstream LLC. All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its wholly owned subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit and loss.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, valuation of share-based compensation, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

2. Significant Accounting Policies and Basis of Presentation (continued)

Use of estimates (continued)

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model ("Black Scholes Model") for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Accounting pronouncements not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the nine months ended February 28, 2015 and have not been applied in preparing these condensed interim consolidated financial statements. The new and revised standards will be effective to the Company's consolidated financial statements for the year ending May 31, 2019 or later:

a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is tentatively effective for annual periods beginning on or after January 1, 2018 with early adopted permitted. The Company does not expect any effect on the Company's consolidated financial statements.

3. Equipment

	Furniture and fixtures
	$
Cost:	
As at May 31, 2013, 2014 and February 28, 2015	**3,000**
Accumulated depreciation:	
As at May 31, 2013	1,272
Charge for the year	346
As at May 31, 2014	1,618
Charge for the period	207
As at February 28, 2015	**1,825**
Net book value:	
As at May 31, 2014	1,382
As at February 28, 2015	**1,175**

4. Exploration and Evaluation Assets

Pemberton, British Columbia

Expenditures for the fiscal period related to the Pemberton exploration and evaluation assets are as follows:

	For the nine months ended February 28, 2015	For the year ended May 31, 2014
	$	$
Balance, beginning of the period	**1**	**255,122**
Acquisition - cash	-	25,000
Acquisition - shares	-	40,000
	-	65,000
Exploration expenditures:		
Accommodation	-	592
Consulting	-	5,250
Ground work	-	120
Meals	-	289
Supplies	-	78
Transportation	-	1,419
	-	7,748
BC mining tax credit	-	(3,800)
Write-down of exploration and evaluation asset	(1)	(324,069)
	-	(327,869)
Balance, end of the period	**-**	**1**

On October 30, 2010, and further amended on August 11, 2011, the Company entered into an agreement with Richard Billingsley and Dwayne Kress ("Optionors") to acquire a 100% undivided interest in certain mineral claims situated north of Pemberton, British Columbia (the "Property").

To keep the option granted to the Company in good standing, the Company must do the following:

a) pay to the Optionors $16,500 (paid), each as to one-half, on execution of this Agreement;

b) on or before August 25, 2012, pay to the Optionors a further $15,000 (paid), each as to one-half, and issue to the Optionors 100,000 common shares (issued at a value of $26,500) of the Company, each as to one-half, fully paid and non-assessable shares;

c) on or before May 10, 2013, pay to the Optionors a further $20,000 (paid), each as to one-half and issue to the Optionors 100,000 common shares (issued at a value of $16,000) of the Company, each as to one-half;

d) on or before May 10, 2014, pay to the Optionors a further $25,000 (paid), each as to one-half and issue to the Optionors 200,000 common (issued at a value of $40,000) shares of the Company, each as to one-half; and

4. Exploration and Evaluation Assets (continued)

Pemberton, British Columbia (continued)

e) on or before May 10, 2015, pay to the Optionors a further $30,000, each as to one-half and issue to the Optionors 250,000 common shares of the Company, each as to one-half.

This acquisition is subject to a 2% Net Smelter Return Royalty ("NSR") for a period of five years commencing from the date upon which the Property is put into commercial production. The NSR can be repurchased by the Company at $1,000,000 per percentage point.

On April 7, 2015, the Company terminated the Property option agreement (Note 12). Accordingly, as at February 28, 2015, the Company wrote-down the Property to $nil.

Osage County, Oklahoma

In October 2013, the Company entered into a binding Letter of Intent (the "LOI") to acquire all of the right, title and interest of the assets owned and operated by Performance Energy Resources, LLC ("PERL") in and to approximately 75,710 gross acres of leased lands in Osage County, Oklahoma (the "Osage Property").

The purchase price of the Osage Property was US$108 million cash and included approximately 700 producing oil and gas wells, equipment, inventory, improvements, leases, permits, licenses, surface rights, easements, agreements and other assets and interests owned or leased by PERL in the exploration, development, operation, production and maintenance of the Osage Property.

The effective date for the purchase and sale of the Osage Property was January 1, 2014 with a deadline to complete the transaction by January 31, 2014, later extended to February 28, 2014. The deadline to complete the transaction expired on February 28, 2014.

In February 2014, the Company entered into an assignment agreement effective as of October 1, 2013 with a vendor (the "Vendor") whereby the Vendor would sell, assign and transfer to the Company its interest, rights, duties and obligations in the Hominy Creek Concession Area (the "Concession Area") under the Lease Acquisition and Exploration Agreement (the "Original Agreement") dated February 15, 2012, initially between the Vendor and the Osage Tribe of Indians of Oklahoma ("Tribe"). On February 4, 2014, the Tribe consented to the assignment of the Original Agreement to the Company. The Original Agreement was amended to reflect new terms and considerations (the "Amended Agreement") as agreed upon by the Tribe and the Company. The Amended Agreement would terminate on December 31, 2015, unless earlier terminated.

To keep the Amended Agreement in good standing, the Company had to commence drilling of Commitment Wells, (each Commitment Well defined as one horizontal well or five vertical wells) (the "Exploration Commitment") in the Concession Area as follows:

a) Seven Commitment Wells prior to December 31, 2014; and
b) An additional seven Commitment Wells prior to December 31, 2015.

In the event the Company did not satisfy the Exploration Commitment and the Amended Agreement was not terminated, the Company would pay the Tribe US$50,000 multiplied by the number of Commitment Wells not drilled as liquidated damages. The penalty, if owed, was to be made no later than 30 days following December 31, 2015.

4. Exploration and Evaluation Assets (continued)

Osage County, Oklahoma (continued)

In addition to the Exploration Commitment, the Company had to make a payment of US$75 times the number of net mineral acres for rights to leases (the "Leases") in the Concession Area as follows:

a) US$25 multiplied by 50% of the net mineral acres, approximately 31,800 acres, on or before February 6, 2014 or US$791,875 (paid – $876,310); and
b) The remaining US$50 multiplied by 50% of the net mineral acres, approximately 31,800 acres, on or before July 31, 2014 or US$1,583,750.

The Company could obtain the balance of the remaining available acreage by making an additional payment of US$25 per net mineral acre by the end of February 15, 2015 and a payment of US$50 per net mineral acre by July 31, 2015. In the event the Company did not make the additional payments, then the exclusive option to obtain the additional acreage terminates.

In July 2014, the Company defaulted on the second lease cash payment in the amount of US$1,583,750 and as such, the agreement was terminated. Therefore, the Company wrote-off related exploration and evaluation asset costs of $876,310 at May 31, 2014.

5. Trade Payables and Accrued Liabilities

	February 28, 2015	May 31, 2014
	$	$
Trade payables	519,865	402,213
Accrued liabilities	3,590	15,000
	523,455	**417,213**

6. Related Party Transactions

During the nine months ended February 28, 2015, the Company entered into the following transactions with related parties, not disclosed elsewhere in these condensed interim consolidated financial statements:

- The Company recorded a gain of $5,486 on advances forgiven that was owed to a former director and officer of the Company during the nine months ended February 28, 2014.

As at February 28, 2015, $30,848 (May 31, 2014 - $3,250) was included in due to related parties owing to a director and officer of the Company.

As at February 28, 2015, $78,742 (May 31, 2014 - $65,000) was included in due to related parties owing to a company controlled by a director and officer of the Company.

6. Related Party Transactions (continued)

Summary of key management personnel compensation:

	For the nine months ended February 28,	
	2015	2014
	$	$
Management fees	151,395	151,003
Professional fees	-	65,000
Share-based compensation	-	98,781
	151,395	**314,784**

7. Share Capital and Reserves

Authorized and Issued Share Capital

Unlimited number of common shares without par value

During the year ended May 31, 2014

In December 2013, the Company completed the first tranche of a non-brokered private placement consisting of 5,345,868 common shares at a price of $0.20 per share for gross proceeds of $1,069,173. A finder's fee of $10,500 was paid and 52,500 agent warrants (valued at $5,847) were issued in connection with the first tranche of the private placement. Each agent warrant entitles the holder to purchase one common share at a price of $0.25 for a period of 12 months.

In January 2014, the Company completed the second and third tranche of a non-brokered private placement totaling 1,722,469 common shares at a price of $0.20 per share for gross proceeds of $344,494. A finder's fee of $4,800 was paid and 24,000 agent warrants (valued at $2,632) were issued in connection with the third tranche of the private placement. Each agent warrant entitles the holder to purchase one common share at a price of $0.25 for a period of 12 months.

On May 6, 2014, the Company issued 200,000 common shares valued at $40,000 in relation to the Pemberton Property option agreement (Note 4).

Shares Held in Escrow

As at February 28, 2015, 420,000 (May 31, 2014 – 840,000) of the issued and outstanding common shares were held in escrow (the "Escrow Shares"). The Escrow Shares will be released in six equal tranches every six months from the date of listing on May 10, 2012 for a period of 36 months.

7. Share Capital and Reserves (continued)

Stock Options

Under the Company's stock option plan, the Company may grant options to employees, consultants and directors up to 10% of the issued and outstanding share capital at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares and the maximum term of the options will be 5 years or such longer term as permitted by the Exchange.

On January 6, 2014, the Company granted 534,000 options to directors and officers to purchase 534,000 common shares of the Company at a price of $0.20 per share on or before January 6, 2019. The fair value of $95,529 was calculated using the Black-Scholes Model with the following assumptions: risk free interest rate of 1.91%, expected life of 5 years, expected dividends of zero, and expected annual volatility of 143%.

During the year ended May 31, 2014, 264,500 stock options with an exercise price of $0.15 were forfeited and 221,500 stock options with an exercise price of $0.15 expired. A value of $33,110 and $29,951, respectively, attributed to these forfeited and expired options previously recorded was transferred from reserves to deficit. The Company recognized share-based compensation of $101,004 for options granted and vested.

A summary of stock option activities is as follows:

	Number of options	Weighted average exercise price
		$
Outstanding at May 31, 2013	1,481,500	0.14
Granted	534,000	0.20
Forfeited	(264,500)	0.15
Expired	(221,500)	0.15
Outstanding at May 31, 2014 and February 28, 2015	1,529,500	0.16

A summary of the stock options outstanding and exercisable at February 28, 2015 is as follows:

Expiry Date	Number Outstanding and Exercisable	Exercise Price
		$
September 22, 2015	162,000	0.15
September 22, 2015	15,000	0.20
May 10, 2017	162,000	0.15
April 4, 2018	447,500	0.11
May 29, 2018	224,000	0.155
January 6, 2019	519,000	0.20
	1,529,500	

7. Share Capital and Reserves (continued)

Share Purchase Warrants

During the year ended May 31, 2014:

On December 18, 2013, 52,500 agent warrants were issued pursuant to the first tranche of a non-brokered private placement to purchase 52,500 common shares at a price of $0.25 per share on or before December 18, 2014. The fair value of $5,847 was calculated using the Black-Scholes Model with the following assumptions: risk free interest rate of 0.98%, expected life of 1 year, expected dividends of zero, and expected annual volatility of 168%.

On January 30, 2014, 24,000 agent warrants were issued pursuant to the third tranche of a non-brokered private placement to purchase 24,000 common shares at a price of $0.25 per share on or before January 30, 2015. The fair value of $2,632 was calculated using the Black-Scholes Model with the following assumptions: risk free interest rate of 0.95%, expected life of 1 year, expected dividends of zero, and expected annual volatility of 166%.

During the year ended May 31, 2014, 542,000 share purchase warrants with a weighted average exercise price of $0.15 expired. A value of $63,128 attributed to these expired warrants previously recorded was transferred from reserves to share capital.

During the nine months ended February 28, 2015:

During the nine months ended February 28, 2015, 76,500 agents' warrants with a weighted average exercise price of $0.25 expired. A value of $8,479 attributed to these expired agents' warrants previously recorded was transferred from reserves to share capital.

A summary of share purchase warrant activities is as follows:

	Number of warrants	Weighted average exercise price
		$
Outstanding at May 31, 2013	5,817,000	0.15
Issued	76,500	0.25
Expired	(542,000)	0.15
Outstanding at May 31, 2014	5,351,500	0.15
Expired	(76,500)	0.25
Outstanding at February 28, 2015	5,275,000	0.15

A summary of the share purchase warrants outstanding at February 28, 2015 is as follows:

Expiry Date	Number Outstanding	Exercise Price
		$
December 30, 2015	3,000,000	0.15
May 2, 2016	1,700,000	0.15
June 24, 2016	575,000	0.15
	5,275,000	

8. Capital Disclosure and Management

The Company considers its capital structure to include shareholders' deficit. The Company's objectives when managing capital are to (i) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to finance its growth using internally-generated cash flow and debt capacity; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and receivables.

There were no changes in the Company's approach to capital management during the nine months ended February 28, 2015. The Company is not subject to externally imposed capital requirements.

9. Segmented Information

The Company has one reportable operating segment – the acquisition and exploration of exploration and evaluation assets. All of the Company's assets are located in Canada.

10. Financial Instruments and Risk Management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, trade payables and accrued liabilities and due to related parties. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

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

a) Credit risk

Credit risk is risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and is not exposed to significant credit risk.

10. Financial Instruments and Risk Management (continued)

b) 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. The Company is exposed to limited interest rate risk as it only holds cash and does not have any interest bearing debt.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

d) Commodity price risk

The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to prices of crude oil, natural gas and gold. The Company monitors the commodity prices to determine the appropriate course of action to be taken.

e) Foreign currency risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate.

The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and United States dollar. At February 28, 2015, the Company has bank indebtedness denominated in US dollars of $7 and trade payables and accrued liabilities in US dollars of $335,628. Each 1% change in the Canadian dollar versus the US dollar would result in a gain/loss of approximately $3,356.

11. Commitment

In June 2013, the Company signed a consulting agreement with an officer and director of the Company to provide management consulting services to the Company for an indefinite term effective April 23, 2013. The agreement requires total payment of $10,833 per month. Included in the agreement is a provision for a two year payout in the event of termination without cause and three year payout in the event of a change of control.

12. Subsequent Event

In April 2015, the Company terminated the Property option agreement (Note 4).