

# **ZENYATTA VENTURES LTD.**

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the six months ended September 30, 2014 and 2013**

**(Unaudited)**

**(Expressed in Canadian Dollars)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of financial statements by an entity's auditor.

Management has prepared the information and representations in this interim report. The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgement. The financial information presented throughout this report is consistent with the data presented in the condensed interim financial statements.

Zenyatta Ventures Inc. maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors. This Committee meets periodically with management and the external auditors to review accounting, auditing, internal control and financial reporting matters.

Aubrey Eveleigh  
Chief Executive Officer

Tom Mustapic  
Chief Financial Officer

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**SEPTEMBER 30, 2014 AND 2013**

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**ZENYATTA VENTURES LTD.**

**CONDENSED INTERIM UNAUDITED STATEMENTS OF FINANCIAL POSITION**

(Stated in Canadian Dollars)	September 30, 2014 \$	March 31, 2014 \$
<b>ASSETS</b>		
<b>Non-current assets</b>		
Equipment [note 3]	61,554	65,106
Exploration and evaluation assets [note 4]	19,121,409	18,611,279
<b>Total non-current assets</b>	<b>19,182,963</b>	<b>18,676,385</b>
<b>Current assets</b>		
Cash	30,850	626,630
Temporary investments [note 5]	1,309,736	1,303,180
Amounts and other receivables	34,340	655,832
Prepays and deposits	19,780	31,469
<b>Total current assets</b>	<b>1,394,706</b>	<b>2,617,111</b>
<b>Total assets</b>	<b>20,577,669</b>	<b>21,293,496</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities [note 6]	94,470	272,331
<b>Total liabilities</b>	<b>94,470</b>	<b>272,331</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital [note 7(a)]	26,905,654	26,423,654
Warrants [note 7(b)]	110,000	110,000
Share-based payment reserve [note 7(c)]	3,726,409	3,070,411
Shares to be issued [note 4]	472,500	472,500
Deficit	(10,731,364)	(9,055,400)
<b>Total shareholders' equity</b>	<b>20,483,199</b>	<b>21,021,165</b>
<b>Total shareholders' equity and liabilities</b>	<b>20,577,669</b>	<b>21,293,496</b>
Going Concern [note 1]		
Commitments and Contingencies [notes 4 and 12]		
Subsequent events [note 14]		

*See accompanying notes to the condensed interim unaudited financial statements*

*These condensed interim unaudited financial statements were authorized for issue by the Board of Directors on November 26, 2014*

*Approved on behalf of the Board of Directors:*

\_\_\_\_\_, Director  
"Aubrey Eveleigh"

\_\_\_\_\_, Director  
"Barry Allan"

**ZENYATTA VENTURES LTD.**

**CONDENSED INTERIM UNAUDITED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

	<b>Three Months Ended September 30, 2014</b>	<b>Three Months Ended September 30, 2013</b>	<b>Six Months Ended September 30, 2014</b>	<b>Six Months Ended September 30, 2013</b>
(Stated in Canadian Dollars)	\$	\$	\$	\$
<b>EXPENSES</b>				
Amortization	3,584	4,273	6,839	7,873
Consulting fees	3,001	201,722	53,575	374,355
General and administrative [note 15]	251,708	341,305	634,404	709,954
Investor relations and promotion	18,395	57,397	22,769	63,611
Professional fees	45,440	78,331	118,810	118,037
Stock-based compensation [note 7 (c)]	732,237	217,595	865,998	479,042
Stock exchange and filing fees	-	-	8,786	-
<b>Loss from operating activities</b>	<b>1,054,365</b>	<b>900,623</b>	<b>1,711,181</b>	<b>1,752,872</b>
Interest and other revenue	19,864	14,699	35,217	26,100
<b>Net loss for the period, being total comprehensive loss for the period</b>	<b>1,034,501</b>	<b>885,924</b>	<b>1,675,964</b>	<b>1,726,772</b>
<b>Basic and diluted net loss per share [note 13]</b>	<b>0.02</b>	<b>0.02</b>	<b>0.03</b>	<b>0.03</b>

See accompanying notes to the condensed interim unaudited financial statements

**ZENYATTA VENTURES LTD.**

**CONDENSED INTERIM UNAUDITED STATEMENTS OF CASH FLOWS**

	Six Months Ended September 30, 2014 \$	Six Months Ended September 30, 2013 \$
(Stated in Canadian Dollars)		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(1,675,964)	(1,726,772)
Items not affecting cash		
Amortization	6,839	7,873
Stock-based compensation	865,998	479,042
	(803,127)	(1,239,857)
Net change in non-cash working capital balances [note 8]	490,191	(97,973)
<b>Cash (used in) operating activities</b>	<b>(312,936)</b>	<b>(1,337,830)</b>
<b>INVESTING ACTIVITIES</b>		
Mineral exploration and evaluation expenditures	(551,557)	(4,203,823)
Purchase of equipment	(3,287)	(11,723)
<b>Cash (used in) investing activities</b>	<b>(554,844)</b>	<b>(4,215,546)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from warrants exercised [note 7(a)]	-	6,690,000
Proceeds from stock options exercised [note 7(a)]	272,000	180,000
<b>Cash provided by financing activities</b>	<b>272,000</b>	<b>6,870,000</b>
 (Decrease) increase in cash during the period	 (595,780)	 1,316,624
<b>Cash, beginning of period</b>	<b>626,630</b>	<b>5,316,645</b>
<b>Cash, end of period</b>	<b>30,850</b>	<b>6,633,269</b>

Supplementary disclosures - see note 8

See accompanying notes to the condensed interim unaudited financial statements

**ZENYATTA VENTURES LTD.**

**CONDENSED INTERIM UNAUDITED STATEMENTS OF CHANGES IN EQUITY**

	Number of Shares	Share Capital \$	Warrants \$	Share-Based Payment Reserve \$	Shares to be Issued \$	Deficit \$	Total Equity \$
(Stated in Canadian Dollars)							
<b>Balance as at March 31, 2013</b>	48,369,862	19,061,351	410,185	2,039,812	472,500	(5,536,475)	16,447,373
Recognition of stock-based compensation [note 7(c)]	-	-	-	479,042	-	-	479,042
Warrants exercised [note 7(a)]	6,690,000	6,984,303	(294,303)	-	-	-	6,690,000
Warrants expired	-	-	(5,882)	-	-	5,882	-
Stock options exercised [note 7(a)]	300,000	324,000	-	(144,000)	-	-	180,000
Net loss and comprehensive loss for the period	-	-	-	-	-	(1,726,772)	(1,726,772)
<b>Balance as at September 30, 2013</b>	55,359,862	26,369,654	110,000	2,374,854	472,500	(7,257,365)	22,069,643
Recognition of stock-based compensation	-	-	-	719,557	-	-	719,557
Stock options exercised	50,000	54,000	-	(24,000)	-	-	30,000
Net loss and comprehensive loss for the period	-	-	-	-	-	(1,798,035)	(1,798,035)
<b>Balance as at March 31, 2014</b>	55,409,862	26,423,654	110,000	3,070,411	472,500	(9,055,400)	21,021,165
Recognition of stock-based compensation [note 7(c)]	-	-	-	865,998	-	-	865,998
Stock options exercised [note 7(a)]	200,000	482,000	-	(210,000)	-	-	272,000
Net loss and comprehensive loss for the period	-	-	-	-	-	(1,675,964)	(1,675,964)
<b>Balance as at September 30, 2014</b>	55,609,862	26,905,654	110,000	3,726,409	472,500	(10,731,364)	20,483,199

See accompanying notes to the condensed interim unaudited financial statements

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**ZENYATTA VENTURES LTD.**

**NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS**

(Stated in Canadian Dollars)

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

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**1. NATURE OF BUSINESS AND GOING CONCERN**

Zenyatta Ventures Ltd. (the "Company") was incorporated on July 29, 2008 under the laws of the province of Ontario, Canada. The principal business of the Company is to identify and evaluate opportunities for the acquisition of an interest in mineral exploration assets or businesses and, once identified, to negotiate an acquisition or participation. The address of the Company's executive office is 1224 Amber Drive, Thunder Bay, Ontario, P7B 6M5, Canada.

The Company is engaged in the acquisition, exploration and development of properties for the mining of precious and base metals. The Company is in the process of exploring its resource properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The recovery of the amounts shown for the exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the exploration, and upon future profitable production.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

These condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, the ability of the Company to obtain necessary financing, and the ability of the Company to identify, evaluate, and negotiate an acquisition of, a participation in or an interest in properties, assets, or businesses. Management feels that sufficient working capital will be obtained from public share offerings to meet the Company's liabilities and commitments as they come due. These condensed interim financial statements do not reflect any adjustments to amounts that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.



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**ZENYATTA VENTURES LTD.**

**NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS**

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(Stated in Canadian Dollars)

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

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## **2. SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 - Interim Financial Reporting. The accounting policies followed in these condensed interim financial statements were applied on a consistent basis as those applied in the Company's audited annual financial statements for the year ended March 31, 2014, except as noted below.

The condensed interim financial statements do not contain all disclosures required under IFRS and should be read in conjunction with the Company's audited annual financial statements and the notes thereto for the year ended March 31, 2014.

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

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds and income taxes. Differences may be material.

### **New Accounting Standards and Interpretations Adopted**

IAS 32 - Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. At April 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement 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. At April 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. At April 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

IFRIC 21 – Levies ("IFRIC 21") was issued in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. At April 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

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**ZENYATTA VENTURES LTD.**

**NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS**

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(Stated in Canadian Dollars)

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

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

**New Accounting Standards and Interpretations not yet Adopted**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2015. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine the impact on the Company.

IFRS 8 - Operating Segments ("IFRS 8") was amended to require an entity to disclose the judgments made by management in aggregating segments. IFRS 8 was also amended to clarify that an entity needs to present a reconciliation between the total reporting segment's assets to the entities' total assets if this information is usually provided to the chief operating decision maker. The amendments are effective for annual periods beginning on or after July 1, 2014.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 11 - Joint Arrangements ("IFRS 11") was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

IFRS 13 – Fair Value Measurement ("IFRS 13") was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32. The amendment is effective for annual periods beginning on or after July 1, 2014.

IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014.

IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment were amended in May 2014 to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after July 1, 2014.

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**ZENYATTA VENTURES LTD.**

**NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS**

(Stated in Canadian Dollars)

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

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**3. EQUIPMENT**

	<b>September 30, 2014</b>		<b>March 31, 2014</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Cost</b>	<b>Accumulated Amortization</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equipment - Automotive	31,083	16,760	31,083	15,169
Equipment - Office	20,767	12,490	20,767	11,571
Equipment - Field	37,762	19,454	37,762	17,420
Computers	36,542	15,896	33,255	13,601
Computer Software	538	538	538	538
	<b>126,692</b>	<b>65,138</b>	<b>123,405</b>	<b>58,299</b>
<b>Net Book Value</b>		<b>61,554</b>		<b>65,106</b>

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**ZENYATTA VENTURES LTD.**

**NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS**

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(Stated in Canadian Dollars)

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

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**4. EXPLORATION AND EVALUATION ASSETS**

During the year ended March 31, 2010, the Company signed an option agreement which was subsequently superseded and replaced effective November 2, 2010 (the "Albany Agreement"), to earn an interest in the Albany Property located in Northern Ontario. Under the terms of the Albany Agreement, the Company can acquire, upon exercise of the first option, a 25% interest in the Albany Property, and upon exercise of the second option, an additional 55% interest in the Albany Property. The Albany Property consists of two groupings of claims, the "Block 4F Claims" and the other claims. The first option was exercised after completion of a helicopter borne geophysical survey on the property and issuance of 1,000,000 units to the optionor, each unit being comprised of one common share and one warrant to purchase one additional common share at a price of \$1.50 any time before December 23, 2015.

The second option was exercised on the Block 4F Claims after making certain payments totaling \$140,000 and incurring aggregate expenses on the property of not less than \$10,000,000. Both parties to the agreement acknowledge that the second option has been acquired.

The Albany Property is subject to payment of a 2.0% net smelter royalty ("NSR"), which may be reduced to 1.0% upon payment of \$1,000,000, and success fees of \$250,000 upon commencement of the first pre-feasibility study and \$500,000 upon commencement of each additional pre-feasibility study on each of the Block 4F Claims and the other claims. The success fees and NSR are payable to a corporation controlled by the President, Chief Executive Officer and Director of the Company.

On November 21, 2012, the Company reached an agreement with the optionor to amend the Albany Agreement and to acquire the remaining 20% interest in the Block 4F Claims bringing the Company's total interest in the claims to 100%. Pursuant to the terms of the transaction, the Company and the optionor agreed to the following with respect to this agreement which are in addition to the above terms:

- a) The Company will issue to the optionor a total of 1,250,000 shares as follows: (i) 500,000 shares upon signing the agreement (issued and valued at \$315,000 based on the fair market value at the agreement date); (ii) 250,000 shares to be issued upon completion of a pre-feasibility study (valued at \$157,500 based on the fair market value at the agreement date); (iii) 500,000 shares to be issued upon completion of a feasibility study (valued at \$315,000 based on the fair market value at the agreement date). Total shares to be issued are 750,000 common shares valued at \$472,500.
- b) The Company will grant the optionor a net smelter return royalty of 0.75% on the Block 4F Claims, of which 0.5% can be purchased at any time for \$500,000.
- c) Assumption of all liabilities of the property.

The second option on the other claims is subject to a covenant to conduct drilling, a payment of \$55,000 on July 1, 2013 (paid) and an obligation not to be in default of the terms under the Albany Agreement. The Albany Agreement provides a clawback right that allows the optionor to reduce the Company's interest in the other claims to 30% subsequent to the exercise of the second option by giving notice within 30 days that the optionor intends to commence sole funding up to completion of a feasibility study within 48 months and within 30 days deliver a payment of \$27,500,000.

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**ZENYATTA VENTURES LTD.**

**NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS**

(Stated in Canadian Dollars)

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

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

The amounts shown below represent costs incurred to date, and do not necessarily represent present or future value as these are entirely dependent upon the economic recovery of future ore reserves.

	Opening Balance \$	Expenditures \$	Ending Balance \$
<b>Albany Property</b>			
<b>For the year ended March 31, 2014</b>	<b>10,018,567</b>	<b>8,592,712</b>	<b>18,611,279</b>
<b>For the six months ended September 30, 2014</b>	<b>18,611,279</b>	<b>510,130</b>	<b>19,121,409</b>

Expenditures include acquisition costs of \$1,292,500 for the Albany Property as at September 30, 2014 (March 31, 2014 - \$1,292,500). The remaining balances are comprised of exploration expenditures.

**5. TEMPORARY INVESTMENTS**

	September 30, 2014 \$	March 31, 2014 \$
Guaranteed investment certificates		
Non-cashable, 1.30%, maturing November 15, 2014	25,000	25,000
Cashable, variable rate, maturing January 7, 2015	1,275,159	1,275,159
Accrued interest	9,577	3,021
	<b>1,309,736</b>	<b>1,303,180</b>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	September 30, 2014 \$	March 31, 2014 \$
Trade payables	69,470	187,331
Accrued liabilities	25,000	85,000
	<b>94,470</b>	<b>272,331</b>

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**ZENYATTA VENTURES LTD.**

**NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS**

(Stated in Canadian Dollars)

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

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**7. SHARE CAPITAL**

**(a) Share Capital**

The Company is authorized to issue an unlimited number of common shares, with no par value.

During the six month period ended September 30, 2014, the Company completed the following share capital transactions:

A total of 100,000 common shares were issued upon exercise of 100,000 stock options at a price of \$2.12 per option for total proceeds of \$212,000. The carrying value of the options, being \$162,000, was removed from Share-based payment reserve and added to Share Capital.

A total of 100,000 common shares were issued upon exercise of 100,000 stock options at a price of \$0.60 per option for total proceeds of \$60,000. The carrying value of the options, being \$48,000, was removed from Share-based payment reserve and added to Share Capital.

During the six month period ended September 30, 2013, the Company completed the following share capital transactions:

A total of 6,690,000 common shares were issued upon exercise of 6,690,000 share purchase warrants at a price of \$1.00 per warrant for total proceeds of \$6,690,000. The carrying value of the warrants, being \$294,303, was removed from Warrants and added to Share Capital.

A total of 300,000 common shares were issued upon exercise of 300,000 stock options at a price of \$0.60 per option for total proceeds of \$180,000. The carrying value of the options, being \$144,000, was removed from Share-based payment reserve and added to Share Capital.

**(b) Share Purchase Warrants**

Details of share purchase warrants outstanding as of September 30, 2014 are as follows:

<b>Expiry Date</b>	<b>Exercise Price \$</b>	<b>Grant Date Fair Value \$</b>	<b>September 30, 2014 #</b>
December 23, 2015	1.50	110,000	1,000,000

The following is a summary of warrants activity for the periods ended September 30, 2014 and March 31, 2014:

	<b>September 30, 2014</b>		<b>March 31, 2014</b>	
	<b>Number</b>	<b>Weighted average exercise price \$</b>	<b>Number</b>	<b>Weighted average exercise price \$</b>
Balance, beginning of period	1,000,000	1.50	7,810,000	1.06
Exercised	-	-	(6,690,000)	1.00
Expired	-	-	(120,000)	1.00
Balance, end of period	1,000,000	1.50	1,000,000	1.50

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**ZENYATTA VENTURES LTD.**

**NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS**

(Stated in Canadian Dollars)

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

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**7. SHARE CAPITAL (continued)**

**(c) Stock Options and Share-Based Payment Reserve**

The Company has a stock option plan (the "Plan") for directors, officers, employees and consultants. The Plan authorizes the granting of options to purchase up to a maximum of 10% of the issued and outstanding common shares at the time of grant, of which 4,300,000 options are outstanding as at September 30, 2014.

The Plan provides that:

- a) any options granted pursuant to the Plan shall expire no later than ten years after the date of grant;
- b) any options granted pursuant to the Plan shall be non-assignable and non-transferable;
- c) the number of common shares issuable pursuant to the Plan to any one person in any 12 month period shall not exceed 5% of the outstanding common shares;
- d) the number of common shares issuable pursuant to the Plan to any one consultant in any 12 month period may not exceed 2% of the outstanding common shares;
- e) the number of common shares issuable pursuant to the Plan to persons employed in investor relation activities may not exceed 2% of the outstanding common shares in any 12 month period.
- f) the Plan provides that options shall expire and terminate 90 days following the date the optionee ceases to be an employee, director or officer of, or consultant to, the Company, provided that if such termination is as a result of death of the optionee, the optionee's personal representative shall have one year to exercise such options.
- g) the number of common shares: (1) reserved for issuance to insiders of the Company may not exceed 10% of the issued and outstanding common shares; and (2) which may be issued to insiders within a one year period may not exceed 10% of the issued and outstanding common shares.
- h) the Plan provides that options granted under the Plan shall vest in the optionee, and may be exercisable by the optionee under certain vesting terms.

During the six month period ended September 30, 2014, the Company issued the following stock options:

On August 12, 2014, the Company issued 625,000 stock options to a number of directors, officers and consultants with an exercise price of \$2.11 and an expiry date of August 12, 2019. The grant date fair value of these stock options was \$1.91. The remaining contractual life of the stock options issued and outstanding at September 30, 2014 was 4.87 years. The fair value of these options was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 148.3%; risk-free interest rate of 1.1%; and expected life of 5 years. The vesting period for 125,000 of these options is as follows: 50% at August 12, 2014; 50% at February 12, 2015. The vesting period for 500,000 of these options is as follows: 33% at August 12, 2014; 33% at February 12, 2015; 34% at August 12, 2015.

There were no stock option transactions during the six month period ended September 30, 2013.

The Company's computation of expected volatility for the six months ended September 30, 2014 and 2013 is based on the Company's market close price over a prior period equal to the expected useful life of the options.

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**7. SHARE CAPITAL (continued)**

**(c) Stock Options and Share-Based Payment Reserve (continued)**

The Company applies the fair value method of accounting for share-based payment awards to directors, officers, employees and non-employees. Accordingly, the following amounts have been recognized as compensation expense and under capital stock as share-based payment reserve:

Six Months Ended September 30, 2014	Six Months Ended September 30, 2013
\$	\$
<b>865,998</b>	<b>479,042</b>

Stock option and share-based payment activity for the periods ended September 30, 2014 and March 31, 2014 are summarized as follows:

	September 30, 2014		March 31, 2014	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance, beginning of period	3,875,000	1.02	3,950,000	0.86
Granted	625,000	2.11	275,000	2.78
Exercised	(200,000)	1.36	(350,000)	0.60
Balance, end of period	<b>4,300,000</b>	<b>1.16</b>	<b>3,875,000</b>	<b>1.02</b>

At September 30, 2014 outstanding options to acquire common shares of the Company were as follows:

Expiry Date	Exercise Price \$	Number of Options Issued #	Number of Options Exercisable #	Grant date fair value \$	Weighted average remaining contractual life (years)
November 18, 2015	2.78	75,000	37,500	123,000	1.13
December 23, 2015	0.60	1,725,000	1,725,000	828,000	1.23
October 10, 2017	0.44	250,000	166,666	107,500	3.03
January 30, 2018	0.94	100,000	100,000	88,000	3.34
February 7, 2018	1.27	1,325,000	993,750	1,576,750	3.36
August 12, 2019	2.11	625,000	229,167	1,193,750	4.87
November 18, 2023	2.78	200,000	100,000	520,000	9.14
		<b>4,300,000</b>	<b>3,352,083</b>	<b>4,437,000</b>	<b>2.93</b>



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**8. SUPPLEMENTAL DISCLOSURES ON STATEMENT OF CASH FLOWS**

Changes in non-cash working capital balances consist of:

	<b>September 30, 2014</b>	September 30, 2013
	<b>\$</b>	<b>\$</b>
Accrued interest income	<b>(6,556)</b>	(7,128)
Amounts and other receivables	<b>621,492</b>	(192,349)
Prepays and deposits	<b>11,689</b>	13,135
Accounts payable and accrued liabilities	<b>(136,434)</b>	88,369
	<b>490,191</b>	(97,973)

**Supplementary disclosures:**

Change in accrued exploration property expenditures	<b>\$ (41,427)</b>	<b>\$ 785,578</b>
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**9. RELATED PARTY TRANSACTIONS**

The remuneration of directors and other members of key management personnel during the six month periods ended September 30, 2014 and 2013 were as follows:

	<b>2014</b>	2013
	<b>\$</b>	<b>\$</b>
Short-term benefits	<b>252,500</b>	128,750
Share-based payments	<b>514,402</b>	283,415
	<b>766,902</b>	412,165

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

See also notes 4 and 12(c).

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**10. FINANCIAL INSTRUMENTS AND RELATED RISKS**

The Company's operations include the acquisition and exploration of mineral properties in Canada. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors. There have been no significant changes in the risks, objectives, policies and procedures for managing risks during the six month period ended September 30, 2014.

**a) Credit Risk**

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

**i) Trade Credit Risk**

The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior period.

**ii) Cash and Temporary Investments**

In order to manage credit and liquidity risk the Company invests only in highly rated investment grade instruments that have maturities of one year or less. Limits are also established based on the type of investment, the counterparty and the credit rate.

**b) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

**c) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a significant loss as a result of a decline in the fair market value of investments or items held within cash and cash equivalents is limited given that the majority have a relatively short maturity. The Company manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates. The Company believes that its interest rate risk is minimal.

**d) Currency Risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Company is the Canadian dollar. The Company is involved with a small number of foreign vendors in the United States of America. Changes in the currency exchange rates between the Canadian dollar relative to the U.S. dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations as the exposure has been deemed to be minimal.

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**10. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)**

**e) Fair Value of Financial Instruments**

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2014, temporary investments which are measured based on fair value are classified as Level 2 within the fair value hierarchy.

The fair values of all of the Company's financial instruments approximate their carrying values, given their short-term nature.

**f) Sensitivity Analysis**

Based on management's knowledge and experience in the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

Temporary investments are invested in guaranteed investment certificates. Sensitivity to a plus or minus 1% change in rates, based on the current balance of temporary investments, would affect the net loss by approximately plus or minus \$13,000 during a twelve-month period.

**11. MANAGEMENT OF CAPITAL**

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. In the management of capital, the Company monitors its adjusted capital which comprises all components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended September 30, 2014 and the year ended March 31, 2014.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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**12. COMMITMENTS AND CONTINGENCIES**

**a) Leases**

On January 10, 2013, the Company entered into three leases for vehicles. The lease terms are for a period of two years expiring January 9, 2015. The Company must pay an aggregate of \$1,953 per month under the terms of the leases.

On January 20, 2014, the Company entered into a lease for commercial purposes. The lease term is for a period of two years expiring March 31, 2016. The Company must pay \$4,200 per month under the terms of the lease.

Minimum lease payments in the Company's fiscal years to the expiration of the leases are as follows:

2015	\$	33,016
2016	\$	50,400

Operating lease payments expensed by the Company for the six month periods ended September 30 were as follows:

2014	2013
\$	\$
<b>36,924</b>	<b>32,718</b>

**b) Environmental Contingencies**

The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

**c) Employment Agreement**

The Company's President and Chief Executive Officer is the only officer who currently has an employment agreement with the Company with a change of control provision. The agreement, dated August 1, 2010, provides that in the event that the employment is terminated by the Company other than for cause, or within six months of a change of control of the Company, then the officer is entitled to (i) a lump sum payment equal to the greater of 24 months' salary or six months' salary for each year or partial year of service, (ii) all outstanding and accrued regular and vacation pay and expenses and (iii) the immediate vesting of his options which shall continue to be available for exercise for a period of 30 days following the date of termination. The current salary level for this individual pursuant to the employment agreement is \$225,000 per annum.

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**12. COMMITMENTS AND CONTINGENCIES (continued)**
**d) Exploration Agreement**

The Company has entered into an agreement with Constance Lake First Nation ("CLFN") governing the relationship in regard to the Company's exploration on traditional lands of CLFN, pursuant to which, the Company has the following commitments.

**Cost of Implementation Committee:**

On a yearly basis, commencing on the date that an implementation committee is formed and continuing for the following twelve (12) months, the Company shall make a total contribution of \$22,000, and in years following the year in which this agreement is executed, an additional amount equivalent to the increase in the Ontario consumer price index for the preceding year, to pay: the reasonable expenses of the Implementation Committee members and the reasonable costs of an archaeologist for any archaeological assessments.

**Cost of Annual Gathering:**

The Company will pay on an annual basis, \$1,200, and in years following the year in which this agreement is executed, an additional amount equivalent to the increase in the Ontario consumer price index for the preceding year, for CLFN and the Company to have a community "feast" and conduct an information session with CLFN members about the exploration, this agreement and any issues pertaining to this agreement's implementation.

**13. LOSS PER SHARE**

Basic loss per share figures are calculated using the weighted average number of common shares outstanding. The weighted average number of common shares issued and outstanding for the six months ended September 30, 2014 is 55,519,152 (2013: 53,397,945). Diluted loss per share figures are calculated after taking into account all warrants and stock options granted. Exercise of the outstanding warrants and stock options would be anti-dilutive with respect to loss per share calculations, and therefore diluted loss per share is equal to basic loss per share. The number of potentially dilutive common shares resulting from the exercise of outstanding warrants and stock options that were not included in the calculation of diluted loss per share was 5,300,000 (2013: 4,650,000).

**14. SUBSEQUENT EVENTS**

Subsequent to the six month period ended September 30, 2014, 250,000 share purchase options were exercised at a price of \$0.60 per option for total proceeds of \$150,000.

Subsequent to the six month period ended September 30, 2014, 262,500 share purchase options were exercised at a price of \$1.27 per option for total proceeds of \$333,375.

Subsequent to the six month period ended September 30, 2014, 250,000 share purchase options were exercised at a price of \$0.44 per option for total proceeds of \$110,000.

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**15. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Three Months Ended September 30, 2014 \$</b>	<b>Three Months Ended September 30, 2013 \$</b>	<b>Six Months Ended September 30, 2014 \$</b>	<b>Six Months Ended September 30, 2013 \$</b>
Salaries and benefits	<b>143,682</b>	121,571	407,408	299,695
Meals and entertainment	<b>8,433</b>	21,397	20,892	47,268
Accommodations	<b>13,975</b>	20,645	32,782	45,061
Investor communications	<b>21,099</b>	80,362	38,295	135,199
Travel	<b>8,383</b>	46,406	29,066	83,331
Other	<b>56,136</b>	50,924	105,961	99,400
	<b>251,708</b>	341,305	634,404	709,954

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