ELCORA RESOURCES CORP.

Condensed Interim Financial Statements (unaudited)

For the Period Ended June 30, 2014

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, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim 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 financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

August 29, 2014

	June 30, 2014	March 31, 2014
	$	$
		(Audited)
Assets		
Current assets		
Cash	**528,929**	-
Restricted cash	**-**	526,400
Investment in marketable securities	**462,569**	754,094
Accounts receivable (note 7)	**538,532**	31,791
Prepaid expenses	**198,470**	95,155
	1,728,500	1,407,440
Non-current assets		
Investment in associate (note 8)	**5,011,343**	-
Exploration and evaluation assets *(note 9)*	**294,700**	294,700
Total assets	**7,034,543**	1,702,140
Liabilities and shareholders' equity		
Current liabilities		
Bank overdraft	**-**	54,217
Accounts payable and accrued liabilities *(note 10)*	**395,660**	400,047
Subscriptions received in advance	**-**	662,400
	395,660	1,116,664
Long-term liabilities		
Flow-through premium liability *(note 12)*	**11,250**	11,250
Total liabilities	**406,910**	1,127,914
Shareholders' equity		
Share capital *(note 12)*	**6,350,109**	1,989,416
Contributed surplus *(note 12)*	**2,423,395**	131,034
Deficit	**(2,145,871)**	(1,546,224)
Total shareholder's equity	**6,627,633**	574,226
Total liabilities and shareholder's equity	**7,034,543**	1,702,140

-See Accompanying Notes-

Nature of business and going concern (*notes 1 & 2*)
Subsequent events (note 13)

Approved on behalf of the Board on August 29, 2014

"Troy Grant"	*"Greg Isenor"*
Director	Director

	June 30, 2014 $	June 30, 2013 $
Property investigation	**67,599**	24,898
Professional fees	**39,385**	8,350
General and administration expenditures	**7,897**	12,580
Management and consulting fees	**110,417**	64,500
Regulatory, transfer agent and filing fees	**8,405**	9,905
Investor relations expense	**53,240**	-
Stock-based compensation	**11,995**	-
Loss before other items	**(298,938)**	(120,233)
Other items:		
Unrealized loss on marketable securities	**(284,604)**	-
Unrealized gain on foreign exchange	**(16,105)**	-
Loss before income taxes	**(599,647)**	(120,233)
Income tax recovery	**-**	5,000
Net loss and comprehensive loss for the periods attributable to shareholders	**(599,647)**	(115,233)
Loss per share		
Loss per share - Basic and diluted	**(0.03)**	(0.01)
Weighted average number of outstanding common shares – Basic and diluted	**23,013,063**	12,493,163

-See Accompanying Notes-

	Attributable to equity shareholders of the Company				
	Share capital #	**Share capital $**	**Contributed surplus and other $**	**Deficit $**	**Total shareholders' equity $**
Balance – April 1, 2014	**22,453,163**	**1,989,416**	**131,034**	**(1,546,224)**	**574,226**
Net loss and comprehensive loss for the period	**-**	**-**	**-**	**(599,647)**	**(599,647)**
Shares issued for cash	**8,976,875**	**1,436,300**	**-**	**-**	**1,436,300**
Shares issued for investment in associate	**6,827,442**	**2,730,977**	**-**	**-**	**2,730,977**
Warrants issued for investment in associate	**-**	**-**	**2,280,366**	**-**	**2,280,366**
Shares issued for debt	**1,062,500**	**170,000**	**-**	**-**	**170,000**
Share issuance costs	**-**	**(6,584)**	**-**	**-**	**(6,584)**
Agent options exercised	**300,000**	**30,000**			**30,000**
Stock-based compensation	**-**	**-**	**11,995**	**-**	**11,995**
Balance – June 30, 2014	**39,619,980**	**6,350,109**	**2,423,395**	**(2,145,871)**	**6,627,633**
Balance – April 1, 2013	12,493,163	890,243	107,043	(465,443)	531,843
Net loss and comprehensive loss for the period	-	-	-	(115,233)	(115,233)
Balance –March 31, 2013	12,493,163	890,243	107,043	(580,676)	416,610

-See Accompanying Notes-

	June 30, 2014	June 30, 2013
	$	$
Cash flows from operating activities		
Net loss for the periods	**(599,647)**	(115,233)
Adjustments for items not involving cash:		
Deferred tax recovery	**-**	(5,000)
Stock-based compensation	**11,995**	-
Unrealized loss on marketable securities	**284,604**	-
Unrealized gain on foreign exchange	**6,921**	-
Changes in non-cash working capital items:		
Decrease in accounts receivable	**(304,704)**	40,600
(Increase) decrease in prepaid expenses	**(103,315)**	3,500
Increase (decrease) in accounts payable and accrued liabilities	**(4,387)**	14,514
Net cash used for operating activities	**(708,533)**	(61,619)
Investing activities		
Exploration and evaluation assets	**-**	(20,000)
	-	(20,000)
Financing activities		
Proceeds on issuance of common shares, net of subscriptions received in advance	**773,900**	-
Proceeds on exercise of warrants	**30,000**	-
Subscriptions receivable	**(202,037)**	-
Share issuance costs	**(6,584)**	-
Shares issued for debt	**170,000**	-
	765,279	-
Net increase in cash	**56,746**	(81,619)
Cash, beginning of the periods	**472,183**	405,380
Cash end of the periods	**528,929**	323,761

The significant non cash investing and financing activities for the period ended June 30, 2014 included:

a) The issuance of 1,062,500 common shares in exchange for debt of $170,000, included in accounts payable and accrued liabilities;
b) The issuance of 6,827,442 shares to complete the purchase of 40% of the issued and outstanding shares of Sakura Graphite (PVT) Ltd of Sri Lanka (see note 8).

There were no significant non cash investing and financing activities for the period ended June 30, 2013.

See Accompanying Notes-

1. Nature of business

Elcora Resources Corp. (the "Company" or "Elcora") was incorporated pursuant to the Canada Business Corporations Act on June 6, 2011 and its common shares are listed on the TSX Venture Exchange under the trading symbol ERA. The Company's head office is located at Suite 2108, Purdy's Tower Two, 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7, Canada. The Company is a mineral exploration company engaged in locating and acquiring mineral projects and exploring for mineralization and has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable.

2. Going concern

The Company's continuing operations and the underlying value and recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its exploration property interests, and on future profitable production or proceeds from the disposition of the exploration property interests. To date, the Company has not earned any revenue.

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

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities and commitments in the normal course of business as they become due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, as described in the following paragraph. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and the statements of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The Company is in the exploration stage and is subject to the risks and challenges similar to other companies in a comparable stage of exploration. These risks include, but are not limited to, dependence on key individuals, successful exploration results and the ability to secure adequate financing to meet the minimum capital required to successfully complete the project and continue as a going concern. For the period ended June 30, 2014, the Company incurred losses of $2,145,871 (2013 - $115,223) and as at June 30, 2014 had an accumulated deficit of $2,145,871 (March 31, 2014 - $1,546,224). The Company has no income or cash flows from operations and at June 30, 2014 had working capital of $1,332,840 (March 31, 2014 – $290,776). The ability of the Company to fulfill its commitments, meet its planned business objectives and continue as a going concern is dependent upon the ability of the Company to raise additional financing and upon successful results from its mineral property acquisitions and exploration activities. There is no assurance that these initiatives will be successful.

3. Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and in accordance with IAS 34 – Interim Financial Reporting. The Financial Statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2014. These Financial Statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended March 31, 2014, except as disclosed in note 4.

The financial statements were approved by the Board of Directors for issue on August 29, 2014.

4. Changes in accounting policies

The IASB issued or amended the following standards which are relevant but have not yet been adopted by the Company: IFRS 9, Financial Instruments; IFRIC 21, Levies; IAS 32, Offsetting Financial Assets and Financial Liabilities. The Company has not yet completed the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or determining whether to adopt in advance any of the new requirements. The Company does not expect to early adopt the following revised standards and amendments.

The following is a brief summary of these new standards:

IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 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. There are two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2015, with early adoption permitted. The Company has not elected for early adoption of this standard and is in the process of assessing the impact, if any, to the consolidated financial statements.

IFRIC 21, Levies

In May 2013, the IASB issued IFRIC 21, "Levies", an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37, "Provisions, contingent liabilities and contingent assets". 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 (known as an obligating event). The interpretation 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. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company is currently assessing the impact of adopting IFRIC 21.

IAS 32, Offsetting Financial Assets and Financial Liabilities

IAS 32, Offsetting Financial Assets and Financial Liabilities, was issued in December 2011 and amends the criterion for an entity being allowed to report financial assets and liabilities on a net basis. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2014, with early adoption permitted. The Company does not anticipate early adoption of this standard and does not expect there to be any financial impact upon adoption.

5. Financial instruments and fair values

Measurement categories

As explained in note 4, financial assets and liabilities have been classified into categories that determine their basis of measurement. All loans and receivables and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. The carrying value of cash, restricted cash, accounts payable and accrued liabilities approximate their fair value due to their short-term maturities. The Company uses the following hierarchy in attempting to maximize the use of observable inputs and minimize the use of unobservable inputs, primarily using market prices in active markets.

Level 1 – Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing on an ongoing basis. Investments in marketable securities are valued based on quoted market prices in active markets, being traded on the London Stock Exchange.

Level 2 – Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable that can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

All investments in marketable securities are measured using level 1 inputs.

Financial risk factors

(a) Market risk

i) Foreign exchange risk

The Company is exposed to foreign exchange risk as it relates to its investment in marketable securities denominated in GBP. At June 30, 2014 a 5% change in the GBP/CAD exchange rate would impact net income by $23,128.

ii) Interest rate risk

The Company's accounts payable and accrued liabilities are non-interest bearing and have contractual maturities of 30 days or less. As at June 30, 2014, the Company does not have cash equivalents.

iii) Price risk

The Company is exposed to price risk as it relates to its investment in marketable securities. At June 30, 2014 a 5% change in the quoted price of marketable securities would impact net income by $23,128. The Company is not exposed to any other direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.

(b) Credit risk

Credit risk is the risk that a customer or third party to a financial instrument fails to meet its commercial obligations.

The carrying amount of financial assets represents the maximum credit exposure. The Company manages credit risk by holding the majority of its cash and cash equivalents with AA rated banks in Canada, where management believes the risk of loss to be low.

5. Financial instruments and fair values (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining sufficient cash balances to meet liabilities when due. As at June 30, 2014, the Company had cash, including restricted cash of $528,929 (March 31, 2014 - $526,400) to settle current liabilities of $395,660 (March 31, 2014 - $1,116,664). Restricted cash has been released from trust on the closure of the Sakura Transaction.

6. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company considers capital to be total shareholder's equity, which at June 30, 2014 totaled $6,627,633 (March 31, 2014 - $574,226). 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 business. The Company is not subject to externally imposed capital requirements.

7. Accounts receivable

	June 30, 2014 $	March 31, 2014 $
Receivable from associate investment	**309,396**	-
Subscription receivable	**202,037**	-
Sales tax recoverable	**27,099**	31,791
	538,532	31,791

The receivable from associate investment represents amounts advanced to Sakura Graphite (PVT) Ltd.

All amounts relating to the subscription receivable has been received subsequent to June 30, 2014.

8. Investment in associate

On June 30, 2014, Elcora completed the purchase of 40% of the issued and outstanding shares of Sakura Graphite (PVT) Ltd of Sri Lanka ("Sakura"). Sakura operates the Sakura Graphite Mine located on Sakura's leased plots totaling 70 acres in Sri Lanka (the "Mine"). The industrial mining license, exploration licenses and environmental license for the Mine are currently being held by J.D.K. Wickramaratne for the sole benefit of Sakura and will be transferred to Sakura upon renewal. In addition, Elcora will earn 20% of the net income from the Mine as the Mine operator, and an additional 30% of the net income from the Mine for managing the processing of the graphite, for the life of the Mine. Elcora will provide the remaining capital expenditure required to put the Mine back into commercial production. No Finders' Fee is payable for the Transaction. Pursuant to the Transaction, Elcora has issued a total 6,827,442 common shares of Elcora at to shareholders of Sakura on the closing date of June 30, 2014. The closing price of Elcora shares on June 30, 2014 was $0.40, for an implied value of $2,730,977. Elcora also issued 6,827,442 warrants to the shareholders of Sakura to purchase common shares of Elcora (the "Warrants"). Each Warrant entitles the holder of such Warrant to purchase one common share of Elcora at a price of $0.19 for a period of 5 years. Based on the Black-Scholes valuation model at June 30, 2014, an inherent value of $2,280,366 was attributed to the Warrants. The combined value of the investment was $5,011,343.

Elcora has accounted for the transaction as an investment in associate, with an initial carrying value of $5,011,343, and will follow equity accounting on a go forward basis. The Company continues to review the accounting treatment for this investment and will make any adjustments in the future as required under IFRS.

9. Exploration and evaluation assets

	Balance March 31, 2014	Exploration Expenditures	Acquisition Costs	Balance June 30, 2014
Cree Lake Mineral Claims	$ 294,700	-	-	$294,700
Total*	$ 294,700	-	-	294,700

**There were no disposals or impairment charges in the periods ended June 30, 2014 or June 30, 2013.*

Elcora entered into an arm's length binding letter of intent with Mantis Mineral Corp. ("Mantis") dated October 4, 2012 for the right to acquire a fifty-one percent (51%) undivided interest in the Cree Lake Gold Property located in Swayze Township, Ontario, consisting of 18 mining claims covering approximately 3,904 hectares (the "Cree Lake Claims"), which claims are subject to a 1.5% net smelter return royalty on mining claim numbers 4203295, 4203275, 4203296 and 4209811. During the year ended March 31, 2014 one claim was allowed to lapse as it was considered peripheral and resulted in no write down of resource property.

On December 20, 2012 Elcora entered into an option agreement with Mantis. Pursuant to the terms of the option agreement, Elcora may earn a 51% interest in the Cree Lake Claims by making cash payments totalling $50,000, issuing 3,000,000 common shares and completing work programs on the Cree Lake Claims with a total value of a minimum of $1,213,600 over a four year period. Pursuant to the terms of the option agreement Elcora may accelerate the cash payments, delivery of common shares and work programs in order to exercise the option at any time. Elcora may terminate its obligations and forfeit its rights under the Letter of Intent at its sole discretion at any time on 30 days' notice to Mantis after completing the initial requirements of making a cash payment of an aggregate of $25,000 to Mantis, the delivery of 300,000 common shares of Elcora to Mantis and the completion of a work program of a minimum of $200,000 on the Cree Lake Claims. On March 8, 2013, the Company made payments in the amount of $25,000 and delivered 300,000 common shares of Elcora to Mantis. On January 28, 2014, the Company issued an additional 400,000 common shares to Mantis to extend the term of the Option Agreement to allow the Company to continue to explore the Cree Lake Claims until December 31, 2014.

Elcora also entered into a Memorandum of Understanding with the Flying Post First Nation(s) whereby Elcora will be permitted to complete mineral exploration on the Creek Lake claims, which are on the traditional territory of Flying Post First Nation(s) pursuant to inherent and treaty rights. In consideration for the grant of exploration rights, Elcora issued 50,000 common shares of the Company valued at $7,000 to the Flying Post First Nation(s) as well as 50,000 warrants of the Company, each warrant entitling the holder to acquire one common share of the Company for $0.20 for one year from July 15, 2013. Elcora will also pay 2% of all costs of the exploration program incurred to date and after this agreement takes effect (June 24, 2013), to the Flying Post First Nation(s). This amounted to nil for the period ended June 30, 2014 (June 30, 2013 - $nil).

10. Accounts payable and accrued liabilities

	June 30, 2014 $	March 31, 2014 $
Accounts payable	**154,575**	112,722
Accrued liabilities	**241,085**	287,325
	395,660	400,047

As at June 30, 2014 $147,500 (March 31, 2014 - $106,394) of accounts payable and accrued liabilities is due to companies controlled by the President & Chief Executive Officer and Chief Financial Officer, relating to their services as officers of the Company

11. Compensation of key management

Key management includes the Company's Directors, President and Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management is summarized as follows:

Period ended	**June 30, 2014 $**	June 30, 2013 $
Consulting fees	**66,250**	64,500
Share-based compensation	**-**	-
	66,250	64,500

12. Share capital and contributed surplus

Authorized capital stock

Unlimited common shares without nominal or par value

Escrowed shares

As of June 30, 2014 there were 3,935,000 common shares (June 30, 2013 – 3,935,000) subject to an escrow agreement.

Private placement

- During the year ended March 31, 2013, the Company issued 3,750,000 common shares at $0.10 per share pursuant to the Initial Public Offering. The capital stock value is net of total share issuance costs of $97,066 of which $15,818 relates to the valuation of agent options issued and constitutes a non-cash item.
- During the year ended March 31, 2013, Elcora completed a further non-brokered private placement of 1,018,163 common shares priced at $0.15 per share for $152,725. The Company also issued 925,000 flow-through common shares at $0.20 per share for $185,000. The total number of common shares of Elcora issued pursuant to this non-brokered private placement was 1,943,163 common shares and the capital stock value is net of total share issuance costs of $49,167.
- On July 19, 2013 Elcora closed a non-brokered private placement financing of $245,500 (the "July Private Placement"). The July Private Placement comprised the sale of 4,910,000 common shares of the Company at a price of $0.05 per share and the issuance of 4,910,000 warrants of the Company, with each warrant entitling the holder to acquire one common share of the Company for two years at a price of $0.15 per common share. The securities issued in the July Private Placement are be subject to a 4 month hold period and share issuance costs amounted to $9,974.

12. Share capital and contributed surplus (continued)

- On October 31, 2013 the Company issued 400,000 common shares in settlement of outstanding management fees of $40,000 payable to the Company's President and Chief Executive Officer and Chief Financial Officer.
- On July 23, 2013, the Company, in consideration for the grant of exploration rights, issued 50,000 common shares of the Company to the Flying Post First Nation(s).
- On January 28, 2014, the Company issued 400,000 common shares to Mantis to extend the term of the Option Agreement to allow the Company to continue to explore the Cree Lake Claims until December 31, 2014.
- On March 10, 2014 the Company issued 4,200,000 common shares of Elcora at $0.19 per common share in exchange for 443,136 ordinary shares of the Global Resources Investment Trust ("GRIT") at £1.00 per share. The Elcora shares are subject to a hold period expiring July 8, 2014. The GRIT shares are free trading on the London Stock Exchange.
- On June 30, 2014, Elcora closed a non-brokered private placement for $1,436,300 (the "Private Placement"). The Private Placement was subscribed for at $0.16 per common share with a full warrant attached entitling the holder to acquire one common share of Elcora for $0.30 for 18 months (the "Private Placement Warrant"). Pursuant to the Private Placement, Elcora issued 8,976,875 common shares and 8,976,875 Private Placement Warrants. The securities issued pursuant to the Private Placement will be subject to a hold period expiring four months and one day after the closing of the Private Placement in accordance with applicable securities laws and, if required, the policies of the Exchange.

Flow-through shares

The gross proceeds of the 925,000 flow-through shares issued in 2013 were $185,000. The Company agreed to incur $185,000 of qualified Canadian mineral exploration expenditures, as defined by Canadian income tax legislation. As at June 30, 2014 the Company had incurred $140,000 of these expenditures (2013 – $40,000). The Company recorded no reduction of the flow through premium liability during the period (2013 - nil).

Qualifying transaction

During the year ended March 31, 2013, the Company acquired an option on the Cree Lake Property in consideration for the issuance of 300,000 common shares to the Vendors. The shares were valued at $0.15.

Warrants

Warrant transactions outstanding for periods ended June 30, 2014 and June 30, 2013 were as follows:

	Period ending June 30, 2014		Period ending June 30, 2013	
	Number of warrants #	**Weighted average exercise price $**	Number of warrants #	Weighted average exercise price $
Opening Balance	**4,960,000**	**0.15**	**-**	**-**
Issued – Private placement	**8,976,875**	**0.30**(1)	-	-
Issued – Investment in associate	**6,827,442**	**0.19**(2)	-	-
Closing Balance	**20,764,317**	**0.23**	-	-

(1). Expire on December 31, 2015
(2). Expire on June 30, 2019

12. Share capital and contributed surplus

Stock options (continued)

The Board of Directors of the Company has adopted an incentive stock option plan (the "Option Plan"). Under the Option Plan, the Board of Directors of the Company may, from time to time, at its discretion, and in accordance with the Exchange requirements and applicable securities legislation, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase Common Shares, exercisable for a period of up to 10 years from the date of grant. The number of Common Shares reserved for issuance under the Option Plan will not exceed 10% of the issued and outstanding Common Shares of the Company. The number of Common Shares reserved for issuance to any one individual Director or Officer may not exceed 5% of the issued and outstanding Common Shares and the aggregate number of Common Shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding Common Shares. Vesting terms are determined by the Board of Directors at the time of grant.

The following table summarizes the changes in the outstanding stock options:

	June 30, 2014		June 30, 2013	
	Number of options #	**Weighted average exercise price $**	Number of options #	Weighted average exercise price $
Balance - Beginning of period	**1,125,000**	**0.12**	300,000	0.10
Issued	**-**	**-**	-	-
Cancelled	**-**	**-**	-	-
Balance – End of period	**1,125,000**	**0.12**	300,000	0.10
Options exercisable - End of period	**800,000**	**0.11**	300,000	0.10

The range of exercise prices of stock options outstanding and exercisable as at June 30, 2014 is as follows:

	Outstanding options			**Exercisable options**	
Exercise prices	**Number of options outstanding #**	**Weighted average remaining term (years)**	**Weighted average exercise price $**	**Number of options exercisable #**	**Weighted average exercise price $**
$0.01 - $0.10	**725,000**	**7.88**	**0.10**	**725,000**	**0.10**
$0.11 - $0.20	**400,000**	**4.98**	**0.16**	**75,000**	**0.19**
	1,125,000	**6.85**	**0.12**	**800,000**	**0.11**

12. Share capital and contributed surplus (continued)

Stock options (continued)

The following table summarizes the changes in the outstanding Agent options:

	June 30, 2014		June 30, 2013	
	Number of options #	**Weighted average exercise price $**	Number of options #	Weighted average exercise price $
Balance - Beginning of period	**300,000**	**0.10**	-	-
Issued	**-**	**-**	300,000	0.10
Exercised	**(300,000)**			
Balance - End of period	**-**	**-**	300,000	0.10
Options exercisable - End of period	**-**	**-**	300,000	0.10

On May 13, 2014 all 300,000 agent options were exercised for proceeds of $30,000.

For the period ended June 30, 2014, the Company recorded stock-based compensation expense with an offsetting increase to contributed surplus of $11,995 (June 30, 2013 - $nil).

13. Subsequent events

- On August 26, 2014 the Company closed the first tranche of its non-brokered private placement of up to $1,500,000 (4,285,714 Units) at a price of $0.35 per Unit. Tranche 1 totals 1,993,929 Units to 23 placees grossing $697,875 to treasury. Each unit is comprised of one common share and one share purchase warrant, with each share purchase warrant exercisable until February 16, 2016 at an exercise price of $0.43 per share. The shares and any shares issued pursuant to an exercise of the share purchase warrants are subject to a 4-month hold period expiring December 16, 2014. In connection with the private placement commissions of 6% totaling $40,078 will be paid and 8% agents' warrants (152,680 warrants) will be issued. The agents' warrants are exercisable at $0.43/share until February 16, 2016. The Company continues to seek further financing to complete the proposed 1,500,000 total private placement. The private placement is subject to regulatory approval.

- The Company has granted 2,800,000 incentive stock options to directors, officers, employees and consultants. The options are exercisable at a price of $0.35 per share for a term of five years expiring July 29, 2019, all subject to the terms of the Company's incentive stock option plan.