NORTH AMERICAN POTASH DEVELOPMENTS INC.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED NOVEMBER 30, 2014 and 2013

(UNAUDITED – PREPARED BY MANAGEMENT)

NORTH AMERICAN POTASH DEVELOPMENTS INC.

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NORTH AMERICAN POTASH DEVELOPMENTS INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, if an auditor has not performed a review of the 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 consolidated financial statements of **North American Potash Developments Inc.** have been prepared by and are the responsibility of the Company's management.

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

NORTH AMERICAN POTASH DEVELOPMENTS INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at

	November 30, 2014 (Unaudited)	May 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	**$ 345,475**	$ 619,329
Receivables (Note 4)	**3,828**	10,818
Prepaid expenses (Note 5)	**37,558**	22,800
Marketable securities (Note 6)	**-**	48,913
	386,861	701,860
Advances receivable (Note 9)	**73,866**	70,246
Reclamation bond and deposit	**119,247**	127,621
Equipment (Note 7)	**2,375**	2,679
Exploration advances (Note 8)	**60,816**	71,193
Exploration and evaluation assets (Note 8)	**3,156,468**	3,131,519
	$ 3,799,633	$ 4,105,118
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 199,243**	$ 149,967
SHAREHOLDERS' EQUITY		
Share Capital (Note 10)	**8,458,020**	8,458,020
Contributed surplus (Note 10)	**1,692,368**	1,692,368
Deficit	**(6,086,106)**	(5,825,548)
Non-controlling interests	**(463,892)**	(369,689)
	3,600,390	3,955,151
	$ 3,799,633	$ 4,105,118

Nature of Operations and Going Concern (Note 1)

On Behalf of the Board:

"Simon Tam"	*"Kevin Beaulieu"*
Director	Director

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

NORTH AMERICAN POTASH DEVELOPMENTS INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET AND COMPREHENSIVE LOSS
For the Six Months Ended November 30, 2014 and 2013
(Expressed in Canadian Dollars)

	Three Months Ended		Six Months Ended	
	November 30,		November 30,	
	2014	2013	**2014**	2013
EXPENSES				
Accounting and audit (Note 9)	**$ 22,950**	$ 20,250	**$ 40,700**	$ 40,500
Bank charges	**165**	133	**351**	393
Consulting fees (Note 9)	**61,673**	63,392	**120,272**	136,750
Depreciation (Note 7)	**155**	179	**304**	358
Insurance	**1,833**	1,703	**3,609**	3,405
Legal fees	**4,133**	10,484	**4,449**	12,309
Management fees	**41,925**	38,949	**82,538**	77,859
Marketing and investor relations	**9,300**	16,452	**18,600**	25,752
Office and administration	**13,469**	12,173	**25,967**	22,799
Political contributions	**5,503**	-	**5,503**	-
Rent (Note 9)	**7,686**	7,457	**15,273**	14,914
Transfer agent and filing fees	**6,902**	10,018	**12,098**	15,419
Travel and promotion	**1,678**	7,392	**2,233**	7,393
TOTAL OPERATING EXPENSES	**(177,372)**	(188,582)	**(331,897)**	(357,851)
Interest income	**145**	433	**354**	923
Foreign exchange gain	**7,524**	3,432	**1,058**	28,746
Loss on disposal of marketable securities	**(162,064)**	(87,676)	**(162,064)**	(117,874)
Unrealized gain (loss) on marketable securities	**156,766**	33,425	**137,953**	(73,225)
Loss before income taxes	**$ (175,001)**	$ (238,968)	**$ (354,596)**	$ (519,281)
Income taxes	**-**	-	**(165)**	(156)
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ (175,001)**	$ (238,968)	**$ (354,761)**	$ (519,437)
LOSS PER SHARE- BASIC AND DILUTED	**(0.01)**	(0.01)	**(0.01)**	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**35,075,031**	35,075,031	**35,075,031**	35,075,031
Net and comprehensive loss attributable to:				
Shareholders of the Company	**$ (101,981)**	$ (179,118)	**$ (260,558)**	$ (424,991)
Non-controlling interests	**(73,020)**	(59,850)	**(94,203)**	(94,446)
	$ (175,001)	$ (238,968)	**$ (354,761)**	$ (519,437)

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

NORTH AMERICAN POTASH DEVELOPMENTS INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Six Months Ended November 30, 2014 and 2013
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Non-Controlling Interests	Total Shareholders' Equity
Balance, May 31, 2013	**35,075,031**	**$ 8,458,020**	**$ 1,692,368**	**$ (5,012,957)**	**$ (251,591)**	**$ 4,885,840**
Loss for the period	-	-	-	(519,437)	-	(519,437)
Non-controlling interests	-	-	-	94,446	(94,446)	-
Balance, November 30, 2013	**35,075,031**	**$ 8,458,020**	**$ 1,692,368**	**$ (5,437,948)**	**$ (346,037)**	**$ 4,366,403**
Loss for the period				(411,252)		(411,252)
Non-controlling interests				23,652	(23,652)	-
Balance, May 31, 2014	**35,075,031**	**$ 8,458,020**	**$ 1,692,368**	**$ (5,825,548)**	**$ (369,689)**	**$ 3,955,151**
Loss for the period				(354,761)		(354,761)
Non-controlling interests				94,203	(94,203)	-
Balance, November 30, 2014	**35,075,031**	**$ 8,458,020**	**$ 1,692,368**	**$ (6,086,106)**	**$ (463,892)**	**$ 3,600,390**

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

NORTH AMERICAN POTASH DEVELOPMENTS INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended November 30, 2014 and 2013

	Three Months Ended		Six Months Ended	
	November 30, 2014	November 30, 2013	**November 30, 2014**	November 30, 2013
OPERATING ACTIVITIES				
Net loss for the period	**$ (175,001)**	$ (238,968)	**$ (354,761)**	$ (519,437)
Items not affecting cash:				
Amortization	**155**	179	**304**	358
Unrealized gain (loss) on marketable securities	**(156,766)**	43,027	**(137,953)**	73,225
Loss on disposal of marketable securities	**162,064**	11,224	**162,064**	117,874
Changes in non-cash working capital items:				
Other receivables	**(1,019)**	(44,769)	**6,990**	(42,102)
Advances receivables	**(3,678)**	(297)	**(3,620)**	(1,681)
Prepaid expenses	**17,928**	18,651	**(14,758)**	4,897
Accounts payable and accrued liabilities	**26,893**	6,081	**49,275**	(49,285)
	(129,424)	(204,872)	**(292,459)**	(416,151)
INVESTING ACTIVITIES				
Marketable securities proceeds	**24,803**	33,545	**24,803**	184,648
Marketable securities purchases	**-**	(35,122)	**-**	(187,622)
Reclamation deposit	**14,622**	-	**8,374**	10,366
Exploration advance	**-**	164	**10,377**	(10,389)
Exploration and evaluation expenditures	**(15,897)**	(6,531)	**(24,949)**	(16,986)
	23,528	(7,944)	**18,605**	(19,983)
Net decrease in Cash	**(105,896)**	(212,816)	**(273,854)**	(436,134)
Cash, beginning of the Period	**451,371**	1,305,316	**619,329**	1,528,634
Cash, end of the Period	**$ 345,475**	$ 1,092,500	**$ 345,475**	$ 1,092,500

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

1. NATURE OF OPERATIONS AND GOING CONCERN

North American Potash Developments Inc. (the "Company") was incorporated on June 13, 2006 and is an exploration stage public company which shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "NPD".

The Company is engaged principally in the acquisition, exploration and development of mineral properties in Canada and the United States.

The address of the Company and the principal place of business is 3467 Commercial Street, Vancouver, British Columbia, Canada V5N 4E8.

Going Concern

The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as exploration and evaluation asset costs is 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 properties, and upon future profitable production or proceeds from the disposition of its properties.

These condensed interim consolidated financial statements are prepared on the basis that the Company will continue as a going concern. Management recognizes that the Company will need to generate additional financial resources in order to meet its planned business objectives. However, there can be no assurances that the Company will continue to obtain additional financial resources and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis. These uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern.

These condensed interim consolidated financial statements do not reflect adjustments, which could be material to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended May 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

The policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the period ended November 30, 2014. The Board of Directors authorized these financial statements for issue on January 29, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of Measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value, and have been prepared using the accrual basis of accounting except for cash flow information.

c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

Name of subsidiary	Principal Activity	Place of Formation	Proportion of ownership interest held November 30, 2014	November 30, 2013
BUA USA LLC ("BUA")	Inactive	USA	100%	100%
Potash Green LLC ("Potash Green")	Mineral exploration	USA	70%	70%
Potash Green Utah LLC ("Potash Green Utah")	Mineral exploration	USA	70%	70%

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany balances, transactions, revenues and expenses have been eliminated.

d) Critical Accounting Estimates, Judgements and Assumptions

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

Significant areas requiring the use of management estimates relate to assessments of the recoverability and carrying value of exploration and evaluation assets, assumptions used in determining the fair value of share-based payments, recognition and valuation of deferred income tax amounts as well as provision for restoration and environmental costs.

Management makes judgements in determination of the Company and its subsidiaries' functional currency, considering various factors in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

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. Future events and risk factors inherent in the resources and mining industry could also result in changes in these estimates and assumptions.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Functional and Presentation Currency

The Company's and its subsidiaries' functional currency is the Canadian Dollar ("CAD"). The condensed interim consolidated financial statements are presented in CAD which is the Company's presentation currency, unless otherwise noted.

All amounts in these consolidated financial statements are rounded to the nearest dollar.

f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

g) Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located.

Depreciation is provided at rates calculated to amortize the costs of equipment less their estimated residual value, using the straight-line method over five years commencing from the year the assets are put into service.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

h) Exploration and Evaluation Assets

Exploration and evaluation asset expenditures are capitalized once the legal right to explore a property has been acquired. Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition and exploration and evaluation of exploration and evaluation assets are capitalized until the commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. To the extent that the expenditures are spent to establish ore reserves within the rights to explore, the Company will consider those costs as intangible assets in nature.

The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the intangible asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Exploration and Evaluation Assets (continued)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation asset expenditures incurred are deemed to be impaired. As a result, those exploration and expenditure asset costs, in excess of estimated recoveries, are written off to profit or loss.

Management reviews the facts and circumstances to determine if the carrying amount of the exploration and evaluation assets exceeds their recoverable amount on a regular basis. If the facts and circumstances suggest the carrying value exceeds the recoverable amount, the Company will perform an impairment test on the property.

Exploration stage assets and development stage assets are considered separate cash generating units ("CGU") for impairment testing purposes.

The amount shown for exploration and evaluation assets does not necessarily represent present or future values. Recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Option agreement payments including the fair value of the common shares received by the Company from third parties to the Company are credited to the cumulative and capitalized cost of the related mineral property. If the received amount exceeds the capitalized cost of the related property, the excess is recognized as income in the year received.

(i) Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount which is the higher of its fair value less costs to sell and its value-in-use. For the purpose of estimating recoverable amounts, the impairment test is carried out on the asset's cash-generating unit ("CGU"), which is the lowest level for which there are separately identifiable cash flows. A CGU may include certain aggregated exploration and evaluation assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount with the impairment loss recognized in profit or loss.

A previously recognized impairment loss is reversed when there has been a change in the assumptions used to determine the asset's recoverable amount when the impairment loss was initially recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been recognized, net of depletion, depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Any reversal of previously recognized impairment losses is recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments

Financial assets, financial liabilities and non-financial derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification.

Financial Assets

The Company classifies its financial assets into one of the following four categories:

i) Fair value through profit or loss

Financial assets designated as fair value through profit or loss are subsequently measured at fair value with changes in those fair values recognized in profit or loss.

The Company classifies cash and cash equivalents and marketable securities as fair value through profit or loss.

ii) Held-to-maturity investment

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are subsequently measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company classifies its reclamation bond and deposits as held-to-maturity assets.

iii) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified.

The Company classifies receivables and advances receivable as loans and receivables.

iv) Available-for-sale assets

Non-derivative financial assets not included in the above categories are classified as available-for-sale. Available-for-sale financial assets are subsequently measured at fair value with changes in fair value recognized in Other Comprehensive Income ("OCI"), net of tax. Amounts recognized in OCI for available-for-sale financial assets are charged to profit or loss when the asset is derecognized or when there is other than temporary asset impairment. The Company currently has no available-for-sale financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments (continued)

Financial Liabilities

The Company classifies its financial liabilities into one of the following two categories:

i) Fair value through profit or loss

Financial liabilities designated as fair value through profit or loss are subsequently measured at fair value with changes in those fair values recognized in profit or loss. Currently the Company does not have financial liabilities classified as fair value through profit or loss.

ii) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company classifies accounts payable and accrued liabilities as other financial liabilities.

Fair Value Hierarchy

The fair value hierarchy that prioritizes the inputs used to measure fair value is 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.

Cash and marketable securities are measured based on level 1 inputs of the fair value hierarchy.

Impairment of Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision related to asset retirement obligation, dismantling, decommissioning and site disturbance remediation is made for the estimated cost and capitalized in the relevant asset category. Such provision is measured at the present value of management’s best estimate of expenditure required to settle the present obligation at the Statement of Financial Position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs in profit or loss whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the obligation are charged against the provision to the extent the provision is established.

Other Provisions:

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

The Company had no provisions as at November 30, 2014.

l) Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the reporting period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are reflected in profit or loss.

m) Income Taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Income Taxes (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share purchase warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the measurement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in contributed surplus.

o) Share-based Payments

The cost of incentive share options and other equity-settled share-based compensation and payment arrangements is recorded based on the estimated fair-value at the grant date and charged to earnings over the vesting period. Where incentive share options are subject to vesting, each vesting tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by a charge to earnings, with a corresponding increase to contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Earnings/Loss per Share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

q) New Standards, Interpretations and Amendments Adopted

As of June 1, 2014, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted the following new standards without any significant effect on its financial statements.

IAS 32 – Financial Instruments: Presentation ("IAS 32")

The IASB amended IAS 32, "Financial Instruments: Presentation" to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

IAS 36 – Impairment of Assets ("IAS 36")

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal.

IFRIC 21 – Levies ("IFRIC 21")

An interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) New Standards Not Yet Adopted

IFRS 9 – Financial Instruments ("IFRS 9")

New standard IFRS 9, Financial Instruments, classification and measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 has 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 and loss. This standard is effective for years beginning on or after January 1, 2018. The Company is currently assessing the impact that the standard will have on the Company's financial statements. The Company plans to adopt the standard as soon as it becomes effective for the Company's reporting period.

3. CASH

	November 30, 2014	May 31, 2014	November 30, 2013
Cash	**$ 345,475**	$ 619,329	$ 1,092,500

4. RECEIVABLES

	November 30, 2014	May 31, 2014	November 30, 2013
Disposal of short-term investments	**$ -**	$ -	$ 48,128
HST/GST receivable	**3,828**	4,320	4,499
Tax recovery	**-**	6,498	-
Receivables	**$ 3,828**	$ 10,818	$ 52,627

5. PREPAID EXPENSES

	November 30, 2014	May 31, 2014	November 30, 2013
Insurance and bond	**$ 3,264**	$ 6,668	$ 2,356
Minerals rental fee	**31,201**	6,821	19,959
OTC market filing fees	**1,800**	9,311	1,314
Others	**1,293**	-	1,754
Prepaid expenses	**$ 37,558**	$ 22,800	$ 25,383

6. MARKETABLE SECURITIES

As at November 30, 2014, in connection with the Passport option agreement (see Note 8), the Company holds Nil (November 30, 2013 – 1,505,000) common shares of Passport, which were classified as fair value through profit or loss and valued at their listed trading prices on the TSX-V.

	November 30, 2014	May 31, 2014	November 30, 2013
Marketable securities	**$ -**	$ 48,913[(1)]	$ 97,825

(1) Cost - $187,150

7. EQUIPMENT

Cost		
Balance at May 31, 2013	$	4,468
Additions during the period		-
Balance as at November 30, 2013		4,468
Additions during the period		-
Balance as at May 31, 2014	$	4,468
Additions during the period		-
Balance as at November 30, 2014	$	4,468
Accumulated depreciation		
Balance at May 31, 2013	$	1,053
Depreciation for the period		358
Balance at November 30, 2013		1,411
Depreciation for the period		378
Balance as at May 31, 2014	$	1,789
Depreciation for the period		304
Balance as at November 30, 2014	$	2,093
Carrying amounts		
As at May 31, 2013	$	3,415
As at November 30, 2013	$	3,057
As at May 31, 2014	$	2,679
As at November 30, 2014	$	2,375

8. EXPLORATION AND EVALUATION ASSETS

Hornby Basin Property – Northwest Territories, Canada

By option agreement dated July 1, 2006 and the amended agreement dated June 30, 2007, the Company acquired an undivided 100% right, title and interest in four mineral claims located in the Great Bear Lake area of the Northwest Territories known as the Hornby Basin Property ("HB Claims").

The consideration for the 100% interest in the HB claims was as follows:

	Option payment		Work Expenditure		Common Shares	
On execution of the agreement	$ 25,000	(paid)	$ -		100,000	(issued)
On or before August 30, 2006	-		100,000	(spent)		
On or before July 1, 2008	50,000	(paid)	-		400,000	(issued)
	$ 75,000		$ 100,000		500,000	

The HB claims are subject to a 2% Net Smelter Return royalty which the Company can buy down to 1% at a cost of $1,000,000.

During the year ended May 31, 2010, the Company conducted a work program and incurred $75,000 in exploration costs. As at May 31, 2011, the Company had spent the required expenditure ups to October 2014 and continued to evaluate the timing of further exploration work on the HB claims. The Company did not conduct any further work on the property during the year ended May 31, 2012 and has no plans to continue exploration in the upcoming year. As such, the property has been written down to a nominal value of $1.

Paradox Basin Property – Utah, USA

In 2008, the Company purchased a 90% equity interest in BUA for cash consideration of $10,000, and the commitment to fund 100% of all potash permit and license applications and related costs to acquire prospecting permits from the Bureau of Land Management ("BLM") and mineral leases on State lands located in the Paradox Basin within the State of Utah. During the period from March 19, 2008 to July 22, 2008, BUA had applied for a net 25 prospecting permits with the BLM. As of August 8, 2008, through BUA, the Company was granted 9 State Mineral Leases in the Paradox Basin.

During the year ended May 31, 2010, the Company and its US based partner of BUA formed a 70% owned subsidiary, Potash Green Utah, and transferred all existing assets and liabilities related to the Utah property from BUA to Potash Green Utah.

During the year ended May 31, 2014, the Company incurred acquisition and exploration costs totalling $161,682 (2013 - $49,108) and advanced $71,193 (2013 - $60,816) towards future drilling costs.

During the period ended November 30, 2014, the Company incurred acquisition and exploration costs totalling $18,675 (2013- $12,836) and advanced $60,816 (2013 - $71,205) towards future drilling costs.

8. EXPLORATION AND EVALUATION ASSETS

Holbrook Basin Property – Arizona, USA

Potash permits –Holbrook Basin Property

On June 13, 2008, through BUA, the Company was granted 15 Arizona State Mineral Exploration Permits for potash exploration in the Holbrook Basin. On June 12, 2009, the Company relinquished these permits and issued new permit applications which were approved and effective on October 22, 2009. These permits are renewable on an annual basis but in no event renewable beyond five years. During the year ended May 31, 2010, through BUA, the Company was granted an additional 10 potash exploration permits for the Holbrook Basin Property. The Company, with its US based partner of BUA, formed a 70% owned subsidiary, Potash Green, and transferred all assets and liabilities related to the Arizona property from BUA to Potash Green.

In March 2011, the Company, Potash Green and its 30% interest partners of Potash Green (together the "Optionors") entered into an option agreement (the "Option Agreement") with Passport Potash Inc. ("Passport") whereby Passport may exercise the option to earn a 90% legal and beneficial interest in the 25 Potash Exploration Permits of the Holbrook Basin property by making cash payments in the amount of US$1,000,000 over a three-year period, incurring a total of US$2,250,000 in work expenditures over three years and issuing 4,000,000 common shares to the Optionors over a three-year period. 70% of all payments from Passport are to be paid directly to the Company and 30% to be paid directly to the 30% equity interest partners of Potash Green. During the year ended May 31, 2011, Passport paid US$300,000 in cash and issued 1,000,000 common shares of which US$210,000 cash and 700,000 common shares were paid to the Company and US$90,000 and 300,000 common shares were paid to the 30% equity interest partners of Potash Green.

Upon fulfilling the terms of the option agreement, Passport has the right to purchase the remaining 10% interest for US$5,000,000. The Optionors shall be entitled to a 1% gross overriding royalty on the production from the property.

During the year ended May 31, 2012, the Optionors started legal proceedings against Passport for non-compliance of the terms under the option agreement, including non-payment of cash and non-issuance of shares in Passport due on or before May 17, 2012, the first anniversary of the TSX-V's approval of the Option Agreement.

On June 11, 2012, the Company and other parties to the Option Agreement terminated the Option Agreement with Passport.

On July 9, 2012, the Court denied a motion by Passport to evade Passport's obligation to complete its cash and share payments of US$350,000 and 1,400,000 common shares of Passport to the Optionors due before the date of termination of the Option Agreement, which were subsequently received on July 12, 2012.

On September 7, 2012, the Court conditioned issuance of the injunction on Passport posting a US$350,000 cash bond within ten business days.

On October 30, 2012, the Company entered into an amendment agreement ("Amendment Agreement") with Passport whereby Passport may now exercise the option to earn an undivided 100% legal and beneficial interest in the 25 Mineral Exploration Permits of the Holbrook Basin property by making further cash payments in the amount of US$3,850,000 over a two-year period and issuing 750,000 common shares to the Optionors within three business days of the Optionors' or Passport's receipt of written notice of the TSX approval of the Amendment Agreement. All payments and share issuances are to be paid and issued respectively to Potash Green in trust for the Company and the 30% equity interest partners.

8. EXPLORATION AND EVALUATION ASSETS (continued)

Holbrook Basin Property – Arizona, USA *(continued)*

Potash permits –Holbrook Basin Property (continued)

As at the effective date of the Amendment Agreement, Passport has satisfied the following original payment requirements, share issuances and work requirements stipulated by the Option Agreement:

a) Made the first three cash payments totalling US$650,000;
b) Issued 2,400,000 common shares;
c) Performed work on the property in the amount of US$1,250,000.

As part of the consideration for entering into this Amendment Agreement, both the Optionors and Passport have entered into a settlement agreement and a mutual release dismissing all claims filed in previous legal proceedings.

Under the terms of the Amendment Agreement, the Optionors shall not be entitled to any gross overriding royalty on the production from the property.

On December 8, 2012, the Company entered into a second amendment option agreement (the “Second Amendment Agreement”) with Passport whereby in the event that the cash payment of US$2,450,000 (the “Approval Amount”) following the TSX approval of the Amendment Agreement is delayed, the Optionors and Passport agreed to extend the payment deadline for a period of 30 days from the date of final approval from the TSX Venture Exchange with the payment of US$100,000 (the “Extended Payment”) to the Optionors, with the Extended Payment to be deducted from the Approval Amount. This amount was received by the Company on December 20, 2012.

In March 2013, TSX-V approved the Second Amendment Agreement, Passport paid US$2,350,000 cash and issued 750,000 common shares to the Optionors, out of which US$1,645,000 cash and 525,000 common shares were received by the Company on March 8, 2013. The lawsuit against Passport has been dismissed and the exploration permits have been assigned to Passport.

8. EXPLORATION AND EVALUATION ASSETS (continued)

Holbrook Basin Property – Arizona, USA *(continued)*

Potash permits –Holbrook Basin Property (continued)

Passport's payments schedule as per the Amendment Agreement is as follows:

	Cash	Common Shares	Work Expenditures
Upon execution of the original option agreement	US$50,000 (received)	-	-
Upon TSX-V approval	US$250,000 (received)	1,000,000 (received)	-
Within one year of TSX-V approval	-	-	US$500,000
On or before the first anniversary of TSX-V approval	US$350,000 (received)	1,400,000 (received)	-
Within one year of first anniversary of TSX-V approval	-	-	US$750,000
Upon execution of the amended option agreement	US$150,000 (received)		
To be escrowed within three business days of TSX-V approval	US$2,450,000 (received)	750,000 (received)	
On or before October 31, 2014	US$1,250,000(unpaid) [1]		
Total	**US$4,500,000**	3,150,000	US$1,250,000

[1] On October 31, 2014, the Company received a notice of termination from Passport with respect to the Option Agreement dated March 28, 2011, as amended October 30, 2012 and December 8, 2012 (the "Option Agreement") that Passport was abandoning the option granted to it in the Option Agreement.

The Company has been made aware that certain of the leases consisting of a portion of the Property may have expired during the currency of the Option Agreement or as a result of the actions or inactions of Passport, and the Company is evaluating its options as to how to best proceed to seek compensation or recover any damages it may suffer as a result of same.

Oil and gas leases – Holbrook Basin Property

The Company through BUA was granted eight oil and gas leases on the Holbrook Basin Property. The Company, with its US based partner of BUA, formed a 70% owned subsidiary, Potash Green, and transferred all assets and liabilities related to the Arizona property from BUA to Potash Green.

During the year ended May 31, 2014, the Company incurred $4,151 (2013-$14,135) on lease renewals for the remaining eight oil and gas leases on the Holbrook Basin property.

8. EXPLORATION AND EVALUATION ASSETS (continued)

Holbrook Basin Property – Arizona, USA *(continued)*

Oil and gas leases – Holbrook Basin Property (continued)

During the period ended November 30, 2014, the Company incurred $6,274 (2013 - $4,150) on lease renewals for the remaining eight oil and gas leases on the Holbrook Basin property.

Patagonia Alunite Property – Arizona, USA

The Company entered into an agreement with Sulfate Resources LLC. ("Sulfate") to acquire a 70% interest, and up to an additional 6% interest, in certain mineral rights located at the northern end of the Patagonia Mountains, Santa Cruz County, Arizona. This property is known as the Patagonia Alunite Property (the "Property"). The Property consists of 222 lode mineral claims, and applications for potash prospecting permits.

The terms of the agreement are as follows:

The consideration for the acquisition of the 70% interest in the Property are cash payments totaling $1,000,000 ($50,000 paid), incurring exploration expenditures of $500,000 on the property in the first year and the issuance of 4,000,000 common shares from the Company's treasury. The vendor retains a 2% production royalty interest, up to 1% of which may be purchased by the Company for $1,000,000.

The Company can earn up to an additional 6% legal and beneficial interest in the Property, for an aggregate 76% interest, by incurring an additional aggregate $3,000,000 in work on the Property on or prior to the third anniversary of Exchange Approval. Upon each $1,000,000 in work incurred by the Company after exercise of the Option, the Company shall be deemed to have acquired an additional 2% interest.

During the year ended May 31, 2013, the Company and Sulfate have agreed to terminate the agreement by mutual consent and the Company has recorded an impairment charge of $50,000.

Summary of Exploration and Evaluation Assets

As at November 30, 2014 and 2013, the Company had deferred total mineral property acquisition and exploration costs as follows:

As at November 30, 2014

	Acquisition	Deferred Exploration	Total
Hornby Basin - Northwest Territories, Canada	$ 1	$ -	$ 1
Paradox Basin - Utah, USA	210,019	2,852,477	3,062,496
Holbrook Basin - Arizona, USA	-	93,971	93,971
	$ 210,020	$ 2,946,448	$ 3,156,468

As at November 30, 2013

	Acquisition	Deferred Exploration	Total
Hornby Basin - Northwest Territories, Canada	$ 1	$ -	$ 1
Paradox Basin - Utah, USA	138,448	2,756,527	2,894,975
Holbrook Basin - Arizona, USA	-	87,696	87,696
	$ 138,449	$ 2,844,223	$ 2,982,672

8. EXPLORATION AND EVALUATION ASSETS (continued)

***Summary of Exploration and Evaluation Assets** (continued)*

Refer to the following tables for the detailed mineral property costs incurred during the periods ended November 30, 2014 and 2013.

Period Ended November 30, 2014

	Hornby Basin	Holbrook Basin	Paradox Basin	Total
Acquisition costs				
Balance, May 31, 2014	$ 1	$ -	$ 210,019	$ 210,020
Incurred during the period	-	-	-	-
Balance, November 30, 2014	1	-	210,019	210,020
Deferred exploration costs				
Balance, May 31, 2014	-	87,697	2,833,802	2,921,499
Incurred during the period:				
Permit applications and renewal	-	6,274	14,017	20,291
Consulting –geological and technical	-	-	2,832	2,832
Travel and other	-	-	1,826	1,826
Total expenditures during the period	-	6,274	18,675	24,949
Balance, November 30, 2014	-	93,971	2,852,477	2,946,448
Total – November 30, 2014	**$ 1**	**$ 93,971**	**$ 3,062,496**	**$ 3,156,468**

8. EXPLORATION AND EVALUATION ASSETS (continued)

Summary of Exploration and Evaluation Assets (continued)

Period Ended November 30, 2013

	Hornby Basin	Holbrook Basin	Paradox Basin	Total
Acquisition costs				
Balance, May 31, 2013	$ 1	$ -	$ 138,448	$ 138,449
Incurred during the period	-	-	-	-
Balance, November 30, 2013	1	-	138,448	138,449
Deferred exploration costs				
Balance, May 31, 2013	-	83,546	2,743,691	2,827,237
Incurred during the period:				
Permit applications and renewal	-	4,150	12,836	16,986
Total expenditures during the period	-	4,150	12,836	16,986
Balance, November 30, 2013	-	87,696	2,756,527	2,844,223
Total – November 30, 2013	**$ 1**	**$ 87,696**	**$ 2,894,975**	**$ 2,982,672**

9. RELATED PARTY TRANSACTIONS

Compensation to key management personnel and companies controlled by them during the periods ended November 30, 2014 and 2013 were as follows:

	November 30, 2014	November 30, 2013
Accounting	**$ 23,000**	$ 23,000
Consulting	**123,017**	136,785
Management fees	**66,012**	62,322
Rental	**9,000**	9,000
	$ 221,029	$ 231,107

Balances due to and from related parties as at November 30, 2014 and 2013, were as follows:

	November 30, 2014	November 30, 2013
Advances receivable	**$ 73,866**	$ 68,514
Accounts payable and accrued liabilities	**$ 34,218**	$ 19,904

Amounts due from/to related parties are non-interest bearing, unsecured and have no specific terms of repayment.

10. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and Outstanding Share Capital

There were no share transactions during the periods ended November 30, 2014 and 2013.

(c) Stock Options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants to a maximum of 10% of the Company's issued and outstanding common shares. These options may be granted for a maximum term of ten years from the date of grant and vest as determined by the board of directors.

A summary of the Company's stock option transactions for the periods ended November 30, 2014 and 2013 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, outstanding and exercisable May 31 2013	3,415,000	$ 0.30
Expired	-	-
Balance, outstanding and exercisable November 30, 2013	3,415,000	$ 0.30
Expired	(1,300,000)	$ 0.27
Balance, outstanding and exercisable May 31, 2014	2,115,000	$ 0.31
Expired	(200,000)	$ 0.10
Balance, outstanding and exercisable November 30, 2014	1,915,000	$ 0.33

As at November 30, 2014, there were 1,915,000 (2013-3,415,000) stock options outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of Options	Exercise Price	Expiry Date
1,115,000	$0.39	March 17, 2016
800,000	$0.25	January 13, 2017
1,915,000		

10. SHARE CAPITAL (continued)

(c) Stock Options (continued)

There were no stock options granted during the periods ended November 30, 2014 and 2013.

(d) Share Purchase Warrants

A summary of the Company's share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2013 and November 30, 2013	2,730,000	$ 0.25
Balance, May 31, 2014 and November 30,2014	2,730,000	$ 0.25

As at November 30, 2014, there were 2,730,000 warrants outstanding and exercisable as follows:

Number of Warrants	Exercise Price	Expiry Date
2,730,000	$0.25	March 26, 2015

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash, marketable securities, receivables, advances receivable, reclamation bonds, deposits, accounts payable and accrued liabilities.

Cash and marketable securities are measured at fair value using level one as the basis for measurement in the fair value hierarchy. The carrying value of receivables, and accounts payable and accrued liabilities, approximate fair value because of the short-term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and commodity price risk. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk is the risk that one party to a financial instrument will not fulfill some or all of its obligations, thereby causing the Company to sustain a financial loss. The Company is exposed to credit risk with respect to its cash position and receivables. The Company's cash is held in a major Canadian financial institution which is considered to have high creditability. The Company's receivable is from a government agency thus the collection is considered assured. The Company has an advance receivable from a related party. The Company believes it has no significant credit risk.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet obligations. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at November 30, 2014, the Company had a cash balance of $345,475 (May 31, 2014 - $619,329) to settle liabilities of $199,243 (May 31, 2014 - $149,967). Accordingly, the Company is able to meet its current obligations and has minimal liquidity risk. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk, which are discussed further below:

(i) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash balances and no interest bearing debt. The Company's current policy is to invest excess cash in short-term deposit certificates issued by its banking institution. Due to the short term nature of these financial instruments, fluctuations in interest rates do not have a significant impact on their fair values as at November 30 2014 and 2013.

(ii) Currency risk

The Company is subject to currency risk to the extent that the expenditures it will incur pursuant to the property option agreement are in US dollars. The Company does not presently manage currency risks through hedging or other currency management tools.

(iii) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

12. CAPITAL MANAGEMENT

The Company's capital management objectives are to raise the necessary equity financing to fund its exploration projects and to manage the equity funds raised which best optimizes its exploration programs and the interests of its equity shareholders at an acceptable risk level.

In the management of capital, the Company includes items in shareholders' equity (excluding accumulated other comprehensive income) in the definition of capital. The Company manages the capital structure and makes adjustments to it in 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 raise additional equity funds and acquire new exploration properties as circumstances dictate.

12. CAPITAL MANAGEMENT (continued)

There were no changes in the Company's approach to capital management during the period ended November 30, 2014. The Company is not subject to externally imposed capital requirements.

13. SEGMENTED INFORMATION

The Company conducts all of its operations in one industry segment being the acquisition, exploration and development of resource properties. The geographical areas in which the Company's exploration and evaluation assets located are as follows:

Exploration and Evaluation Assets	**November 30, 2014**	May 31, 2014	November 30, 2013
Canada	**$ 1**	$ 1	$ 1
USA	**3.156.467**	3,131,518	2,982,671
Total Exploration and Evaluation Assets	**$ 3,156,468**	$ 3,131,519	$ 2,982,672

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2014	2013
Earnings (loss) for the year before income taxes	**$ (930,689)**	$ 1,262,245
Expected income tax (recovery)	**$ (242,000)**	$ 318,000
Change in statutory, foreign tax, foreign exchange rates and other	**(79,000)**	318,000
Permanent difference	**(88,000)**	17,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	**116,000**	(687,000)
Change in unrecognized deductible temporary differences	**293,000**	117,000
Total income tax expense	**$ -**	$ 83,000

The significant components of the Company's unrecorded deferred tax assets are as follows:

	2014	2013
Deferred tax assets (liabilities)		
Exploration and evaluation assets	**$ (474,000)**	$ (637,000)
Share issue costs	**3,000**	6,000
Marketable securities	**23,000**	-
Allowable capital losses	**35,000**	-
Non-capital losses available for future period	**1,920,000**	1,844,000
	$ 1,507,000	$ 1,213,000

The non-capital losses expire as follows:

	2014	**Expiry Date Range**	2013	Expiry Date Range
Canada	**$ 3,843,000**	2022 to 2034	$ 3,450,000	2022 to 2033
USA	**2,465,000**	2024 to 2034	2,510,000	2024 to 2033
	$ 6,308,000		$ 5,960,000	

Tax attributes are subject to review, and potential adjustment, by tax authorities.