Consolidated Financial Statements Years Ended March 31, 2014 and 2013 (Expressed in Canadian dollars)



INDEPENDENT AUDITORS' REPORT

To the Shareholders of Gravis Energy Corp.

We have audited the accompanying consolidated financial statements of Gravis Energy Corp., which comprise the consolidated statements of financial position as at March 31, 2014 and 2013, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Gravis Energy Corp. as at March 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Gravis Energy Corp. to continue as a going concern.

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Saturna Group Chartered Accountants LLP

Vancouver, Canada

July 21, 2014

Consolidated statements of financial position (Expressed in Canadian dollars)

	March 31, 2014 \$	March 31, 2013 \$
Assets		
Current assets		
Cash Amounts receivable	1,660 11,891	2,181 29,949
Total current assets	13,551	32,130
Non-current assets		
Investment in KWULP (Note 3) Investment in KWUC (Note 3)	1,964,527 1,000	1,964,527 1,000
Total non-current assets	1,965,527	1,965,527
Total assets	1,979,078	1,997,657
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities Loans payable (Note 4) Due to related party (Note 6)	33,972 13,000 3,001	81,317 80,530 16,001
Total liabilities	49,973	177,848
Shareholders' equity		
Share capital Share-based payment reserve Deficit	2,595,058 20,270 (686,223)	2,522,504 20,270 (722,965)
Total shareholders' equity	1,929,105	1,819,809
Total liabilities and shareholders' equity	1,979,078	1,997,657

Nature of business and continuance of operations (Note 1)

Approved and authorized on behalf of the Board on July 21, 2014 by:

<u>/s/ "Ruben Verzosa"</u> Ruben Verzosa, Director /s/ "Nizar Bharmal"

Nizar Bharmal, Director

Consolidated statements of operations and comprehensive loss (Expressed in Canadian dollars)

	Year ended March 31, 2014 \$	Year ended March 31, 2013 \$
Revenue	-	-
Expenses		
Management and consulting fees (Note 6) Office and miscellaneous Professional fees Stock-based compensation (Note 9) Transfer agent and filing fees Travel	42,726 276 23,632 	43,539 790 34,795 20,270 19,852 6,500
Total expenses	84,574	125,746
Net loss before other income (expense)	(84,574)	(125,746)
Other income (expense)		
Interest expense Flow-through share premium (Note 7) Gain on settlement of debt (Note 7)	(1,185) _ 122,501	(5,686) 100,000 —
Total other income (expense)	121,316	94,314
Net income (loss) and comprehensive income (loss) for the year	36,742	(31,432)
Net earnings (loss) per share, basic and diluted	_	_
Weighted average shares outstanding	34,069,980	32,622,798

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

Consolidated statements of changes in equity (Expressed in Canadian dollars)

	Share o	apital	Share-based payment		Total shareholders'
	Number of shares	Amount \$	reserve \$	Deficit \$	equity \$
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Balance, March 31, 2012	29,303,303	2,227,959	-	(691,533)	1,536,426
Shares issued on conversion of debt	864,308	51,859	_	-	51,859
Flow-through shares issued on conversion of debt	2,500,000	150,000	_	_	150,000
Shares issued pursuant to private placements	1,544,775	92,686	-	-	92,686
Shares issued pursuant to private placement – flow-through	1,666,666	100,000	_	_	100,000
Stock-based compensation	_	_	20,270	_	20,270
Reduction for flow-through share premium	_	(100,000)	_	_	(100,000)
Net loss for the year	_	_	_	(31,432)	(31,432)
Balance, March 31, 2013	35,879,052	2,522,504	20,270	(722,965)	1,819,809
Shares issued on conversion of debt	3,250,908	72,554	_	-	72,554
Net income for the year	_	_	_	36,742	36,742
Balance, March 31, 2014	39,129,960	2,595,058	20,270	(686,223)	1,929,105

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

Consolidated statements of cash flows (Expressed in Canadian dollars)

	Year ended March 31, 2014 \$	Year ended March 31, 2013 \$
Cash provided by (used in):		
Operating activities		
Net income (loss) for the year	36,742	(31,432)
Items not involving cash: Flow-through share premium Gain on settlement of debt Stock-based compensation	_ (122,501) _	(100,000) _ 20,270
Changes in non-cash operating working capital: Amounts receivable Accounts payable and accrued liabilities Due to related party	18,058 24,180 12,000	(7,739) 53,242 3,461
Net cash used in operating activities	(31,521)	(62,198)
Investing activities Investment in KWULP	_	(394,545)
Net cash used in investing activities	_	(394,545)
Financing activities		
Proceeds from convertible debt Proceeds from loans payable Repayments of loans payable Proceeds from shares issued	_ 34,592 (3,592) _	201,859 63,501 – 192,686
Net cash provided by financing activities	31,000	458,046
Change in cash	(521)	1,303
Cash, beginning of year	2,181	878
Cash, end of year	1,660	2,181
Non-cash investing and financing activities: Shares issued to settle accounts payable Shares issued to settle loans payable Shares issued to settle related party debt Shares issued pursuant to conversion of debt	27,834 41,053 3,667	- - - 201,859
Supplemental disclosures: Interest paid Income taxes paid		

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

1. Nature of Business and Continuance of Operations

Gravis Energy Corp. (the "Company") was incorporated under the Business Corporation Act (British Columbia) on August 24, 2007. On March 31, 2010, the Company changed its name from Sukari Ventures Corp. to Gravis Energy Corp. The Company is engaged in a mineral exploration property project through a limited partnership. The Company's head office is located at Suite 950, 1130 West Pender Street, Vancouver, BC, Canada.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown. As at March 31, 2014, the Company had not yet generated any revenue, has a working capital deficit of \$36,422, and has accumulated losses of \$686,223 since inception. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations, to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These factors indicate the existence of a material uncertainty that may cast significant doubt the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements have been prepared on a historical cost basis except for financial assets classified as fair value through profit or loss which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

These consolidated financial statements include the accounts of the Company and its whollyowned subsidiary, Gravis Capital Corp. All inter-company transactions have been eliminated.

(b) Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the impairment of investments, measurement of stock-based payments, and deferred income tax asset valuation allowances.

There are no judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following years.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

Notes to the consolidated financial statements March 31, 2014 (Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

- (d) Financial instruments
 - (i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Financial assets classified as fair value through profit or loss is comprised of cash.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the statement of operations. Financial assets classified as available-for-sale is comprised of investments in KWULP and KWUC.

Notes to the consolidated financial statements March 31, 2014 (Expressed in Canadian dollars)

2. Significant accounting policies (continued)

- (d) Financial instruments (continued)
 - (i) Non-derivative financial assets (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables is comprised of amounts receivable.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the statement of operations are not reversed through the statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

Notes to the consolidated financial statements March 31, 2014 (Expressed in Canadian dollars)

2. Significant accounting policies (continued)

- (d) Financial instruments (continued)
 - (ii) Non-derivative financial liabilities (continued)

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, loans payable, and amounts due to a related party.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(e) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Notes to the consolidated financial statements March 31, 2014 (Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at March 31, 2014, the Company had 1,100,000 (2013 - 1,100,000) potentially dilutive shares outstanding.

(g) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations.

(h) Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being renounced, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

(i) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

Notes to the consolidated financial statements March 31, 2014 (Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(j) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended March 31, 2014, and have not been applied in preparing these financial statements.

New standard IFRS 9, "Financial Instruments"

New standard IFRS 10, "Consolidated Financial Statements" and IFRS 12, "Disclosure of Interests in Other Entities"

New standard IFRS 11, "Joint Arrangements"

Amendments to IAS 27, "Separate Financial Statements"

Amendments to IAS 32, "Financial Instruments: Presentation"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Investments in KWULP and KWUC

The Company has a 10% interest in a limited partnership registered under the Limited Partnerships Act (British Columbia), Korea Waterbury Uranium Limited Partnership ("KWULP"), and a 10% interest in the Korea Waterbury Uranium Corporation ("KWUC"), KWULP's general partner.

In January 2008, KWULP entered into an earn-in agreement with Fission Energy Corp. ("Fission") whereby Fission granted an option to KWULP to acquire up to a 50% interest in certain mineral claims in Saskatchewan, known as the Waterbury Lake Property, by incurring aggregate exploration costs of \$14,000,000 by January 30, 2011 (incurred) and subscribing for 1,000,000 common shares of Fission at a price of \$1.00 per share (subscribed to on March 14, 2008).

In August 2010, KWULP and Fission Energy Corp. entered into a definitive Limited Partnership Agreement ("WLULP") to further the joint exploration and development of the Waterbury Lake Uranium Property located in Saskatchewan's Athabasca Basin. Each party is responsible for expenditures in accordance with its interest in the partnership and any profits will be distributed to the parties on the same basis.

On April 11, 2011, Fission, a limited partner of KWULP, exercised the Back-In Option available under the WLULP Limited Partnership Agreement. KWULP received \$6,000,000 for the Back-in Option from Fission, accordingly the Company received \$600,000. As a result of the exercise of this option, Fission's interest in WLULP was increased by 10% and KWULP's interest was reduced by 10%. KWULP now holds a 40% interest and Fission now holds 60% in WLULP.

On January 16, 2013, a Binding Letter of Intent was announced whereby Denison Mines Corp., by way of an arrangement, would acquire certain assets of Fission, including Fission's 60% interest in the WLULP. The arrangement received final approval of the British Columbia Supreme Court and TSX Venture Exchange on April 25, 2013.

Notes to the consolidated financial statements March 31, 2014 (Expressed in Canadian dollars)

4. Loans Payable

- (a) As at March 31, 2014, the Company owed \$8,000 (2013 \$8,000) to a non-related party which bears interest at 10% per annum, is unsecured, and due on demand.
- (b) As at March 31, 2014, the Company owed \$5,000 (2013 \$44,000) to a non-related party which is non-interest bearing, unsecured, and due on demand. During the year ended March 31, 2014, the Company received an additional \$34,000 in loan proceeds and settled \$73,000 of the loan payable through the issuance of 1,216,666 common shares. Refer to Notes 7(a) and (b).
- (c) As at March 31, 2014, the Company owed \$nil (2013 \$28,530) to a non-related party which is non-interest bearing, unsecured, and due on demand. During the year ended March 31, 2014, settled the loan payable through the issuance of 475,492 common shares. Refer to Note 7(a).

5. Convertible Debt

- (a) On May 1, 2012, the Company issued a convertible note to a non-related party for proceeds of \$150,000, which bears interest at 9% per annum compounded monthly, maturing on October 31, 2012, and convertible into common shares at a price of \$0.06 per share. On July 16, 2012, the Company issued 2,500,000 common shares pursuant to the conversion of the \$150,000 debt. As at March 31, 2014, interest of \$3,339 (2013 - \$3,053) remains unpaid and is included in accounts payable and accrued liabilities. Refer to Note 7(d).
- (b) On May 1, 2012, the Company issued a convertible note to a non-related party for proceeds of \$51,868, which bears interest at 9% per annum compounded monthly, maturing on October 31, 2012, and convertible into common shares at a price of \$0.06 per share. On July 16, 2012, the Company issued 864,308 common shares pursuant to the conversion of the \$51,868 debt. As at March 31, 2014, interest of \$1,154 (2013 - \$1,055) remains unpaid and is included in accounts payable and accrued liabilities. Refer to Note 7(c).

6. Related Party Transactions

- (a) During the year ended March 31, 2014, the Company incurred management fees of \$12,000 (2013 \$12,000) to the President of the Company.
- (b) As at March 31, 2014, the Company owed \$3,001 (2013 \$16,001) to the President of the Company which is non-interest bearing, unsecured, and due on demand.
- (c) During the year ended March 31, 2014, the Company issued 366,667 common shares with a fair value of \$3,667 to settle accrued management fees of \$22,000 owing to the President of the Company. The Company recorded a gain on settlement of debt of \$18,333. Refer to Note 7(b).

7. Share Capital

Authorized: Unlimited number of common shares without par value

Share transactions for the year ended March 31, 2014:

- (a) On October 7, 2013, the Company issued 2,669,658 common shares with a fair value of \$66,741 to settle loans payable of \$96,530 and accounts payable of \$63,650. The Company recorded a gain on settlement of debt of \$93,439.
- (b) On December 16, 2013, the Company issued 581,250 common shares with a fair value of \$5,813 to settle loans payable of \$5,000, accounts payable of \$7,875, and amount due to the President of the Company of \$22,000. The Company recorded a gain on settlement of debt of \$29,062.

Notes to the consolidated financial statements March 31, 2014 (Expressed in Canadian dollars)

7. Share Capital (continued)

Share transactions for the year ended March 31, 2013:

- (c) On July 16, 2012, the Company issued 864,308 common shares pursuant to the conversion of the \$51,859 debt. Refer to Note 5(b).
- (d) On July 16, 2012, the Company issued 2,500,000 flow-through common shares pursuant to the conversion of the \$150,000 debt. A flow-through share premium of \$100,000 was recognized as a reduction against the debt amount converted. Refer to Note 5(a).
- (e) On December 14, 2012, the Company issued 1,544,775 common shares and 1,666,666 flow-through common shares at \$0.06 per share for proceeds of \$192,686.

8. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, March 31, 2012	4,240,000	0.17
Expired	(4,240,000)	0.17
Balance, March 31, 2013 and 2014	-	_

9. Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company to a maximum of 10% of the issued and outstanding common shares. The stock options have a maximum term of five years.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, March 31, 2012	400,000	0.10
Granted Expired	1,100,000 (400,000)	0.05 0.10
Outstanding, March 31, 2013 and 2014	1,100,000	0.05

Additional information regarding stock options outstanding as at March 31, 2014 is as follows:

	Outstanding and exercisable		
		Weighted	
		average	Weighted
Range of		remaining	average
exercise prices	Number of	contractual life	exercise price
 \$	options	(years)	\$
 0.05	1,100,000	2.0	0.05

Notes to the consolidated financial statements March 31, 2014 (Expressed in Canadian dollars)

9. Stock Options (continued)

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2014	2013
Risk-free interest rate	_	1.10%
Expected life (in years)	-	3.0
Expected volatility	_	225%

The fair value of stock options vested during the year ended March 31, 2014 was \$nil (2013 - \$20,270), which was recorded as share-based payment reserve and charged to operations. The weighted average fair value of stock options granted during the year ended March 31, 2014 was \$nil (2013 - \$0.02) per stock option.

10. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as of March 31, 2014 as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	Balance as at March 31, 2014 \$
Assets:				
Cash	1,660	-	-	1,660
Investment in KWULP	-	_	1,964,527	1,964,527
Investment in KWUC	_	_	1,000	1,000
Total assets measured at fair value	1,660	_	1,965,527	1,967,187

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, loans payable, and amount due to related party, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. Amounts receivable consists of GST receivable due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate

The Company is not exposed to any significant foreign exchange risk.

(d) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

Notes to the consolidated financial statements March 31, 2014 (Expressed in Canadian dollars)

10. Financial Instruments and Risks (continued)

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

11. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended March 31, 2013.

12. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2014 \$	2013 \$
Canadian statutory income tax rate	26%	25%
Income tax expense (recovery) at statutory rate	9,553	(7,858)
Tax effect of: Permanent differences and other Change in enacted tax rates True-up of prior year difference Change in valuation allowance	(31,851) 	(19,933) (10,055) 8,029 29,817
Income tax provision	_	_

The significant components of deferred income tax assets and liabilities are as follows:

	2014 \$	2013 \$
Deferred income tax assets		
Non-capital losses carried forward	283,748	261,450
Valuation allowance	(283,748)	(261,450)
Net deferred income tax asset	_	_

Notes to the consolidated financial statements March 31, 2014 (Expressed in Canadian dollars)

12. Income Taxes (continued)

As at March 31, 2014, the Company has non-capital losses carried forward of \$1,091,337, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2027	5,971
2028	28,403
2029	536,317
2030	59,228
2031	149,673
2032	107,026
2033	118,960
2034	85,759
	1,091,337