GGL RESOURCES CORP.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

May 31, 2014

(UNAUDITED - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these consolidated interim financial statements they must be accompanied by a notice indicating that the consolidated interim financial statements have not been reviewed by an auditor.

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

GGL RESOURCES CORP.

Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	May 31, 2014	November 30, 2013
ASSETS		
Current		
Cash	$ 20,443	$ 70,152
Amounts receivable (Note 4)	136,129	79,862
Prepaid expenses	12,195	15,880
Total Current Assets	168,767	165,894
Investment (Notes 5 and 6 (f))	25,000	-
Exploration and Evaluation Assets (Note 6)	2,069,551	2,215,017
Property and Equipment (Note 7)	82,608	91,787
	$ 2,345,926	$ 2,472,698
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 89,110	$ 112,801
Consulting fees payable (Note 10)	651,481	641,838
Total Liabilities	740,591	754,639
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)	35,951,456	35,951,456
Share-based Payments Reserve	4,217,619	4,217,619
Deficit	(38,563,740)	(38,451,016)
Total Shareholders' Equity	1,605,335	1,718,059
	$ 2,345,926	$ 2,472,698

Nature of Operations and Going Concern (Note 1)
Event After the Reporting Period (Note 16)

On behalf of the Board:

"Raymond A. Hrkac"	*"Nick DeMare"*
Raymond A. Hrkac, Director	Nick DeMare, Director

Date of Board of Directors approval for issue: July 29, 2014

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

GGL RESOURCES CORP.

Consolidated Interim Statements of Comprehensive Loss
For the three and six months ended
(Unaudited – Expressed in Canadian Dollars)

	For the three months ended		For the six months ended	
	May 31, 2014	May 31, 2013	May 31, 2014	May 31, 2013
Expenses				
Consulting fees	$ 6,250	$ 6,250	$ 12,500	$ 12,500
Depreciation	126	157	252	314
Exploration costs - general	6,161	6,530	15,439	18,971
Legal and audit	1,007	647	1,007	2,578
Licenses, taxes, insurance and fees	3,836	3,594	14,737	15,163
Office services and expenses	17,291	22,926	36,219	41,434
Shareholders' meetings and reports	1,375	354	1,375	354
Travel	-	268	397	268
Operating loss	(36,046)	(40,726)	(81,926)	(91,582)
Other income (loss)				
Interest income	248	221	372	338
Foreign exchange loss	-	(136)	-	(136)
Interest expense	(182)	(188)	(452)	(410)
Loss on sale of property and equipment	-	(9,128)	-	(9,128)
Sale of Shoe and Doyle leases	-	149,999	-	199,999
Write off of exploration and evaluation assets (Note 6(b), (c) and (d))	(18,207)	(141,319)	(30,718)	(238,378)
Write off of property and equipment	-	(373)	-	(373)
	(18,141)	(924)	(30,798)	(48,088)
Net loss and comprehensive loss for the period	(54,187)	(41,650)	(112,724)	(139,670)
Loss per share - basic and diluted	$ (0.000)	$ (0.000)	$ (0.001)	$ (0.001)
Weighted average number of common shares outstanding - basic and diluted	166,173,693	160,593,258	166,173,693	158,854,462

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

GGL RESOURCES CORP.

Consolidated Interim Statements of Changes in Shareholders' Equity
For the six months ended
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Subscription	Share-based Payments		Shareholders'
	# of Shares	Amount ($)	Advances	Reserve	Deficit	Equity
Balance November 30, 2013	**166,173,693**	**$ 35,951,456**	**$ -**	**$ 4,217,619**	**$(38,451,016)**	**$ 1,718,059**
Comprehensive income	-	-	-	-	(112,724)	(112,724)
Balance May 31, 2014	**166,173,693**	**$ 35,951,456**	**$ -**	**$ 4,217,619**	**$(38,563,740)**	**$ 1,605,335**

	# of Shares	Amount ($)	Subscription Advances	Share-based Payments Reserve	Deficit	Shareholders' Equity
Balance November 30, 2012	**157,423,693**	**$ 35,783,110**	**$ 60,000**	**$4,181,619**	**$(36,891,100)**	**$ 3,133,629**
Shares issued for cash – flow –through private placement	1,200,000	24,000	-	36,000	-	60,000
Shares issued for cash-private placement	7,550,000	151,000	(60,000)	-	-	91,000
Share issue costs	-	(5,257)	-	-	-	(5,257)
Comprehensive loss	-	-	-	-	(139,670)	(139,670)
Balance May 31, 2013	**166,173,693**	**$ 35,952,853**	**$ -**	**$4,217,619**	**$(37,030,770)**	**$ 3,139,702**

GGL RESOURCES CORP.
Consolidated Interim Statements of Cash Flows
For the six months ended
(Unaudited - Expressed in Canadian Dollars)

	May 31, 2014	May 31, 2013
Cash flows from (used in) operating activities		
Net income (loss) for the period	$ (112,724)	$ (139,670)
Adjustment for items not involving cash:		
- depreciation of equipment	252	314
- depreciation of exploration equipment	8,927	10,956
- loss on sale of property and equipment	-	9,128
- write off of exploration and evaluation assets	30,718	238,378
- write off of property and equipment	-	373
	(72,827)	119,479
Change in non-cash working capital items:		
- amounts receivable	(56,267)	(58,226)
- prepaid expenses	3,685	3,607
- accounts payable and accrued liabilities	(4,667)	570,923
	(130,076)	635,783
Cash flows from (used in) financing activities		
Advances (repaid) from related parties	-	(609,578)
Shares issued for cash	-	151,000
Shares issued for cash – flow-through shares	-	60,000
Share issuance costs	-	(5,257)
Subscription advances	-	(60,000)
	-	(463,835)
Cash flows from (used in) investing activities		
Recoveries from exploration and evaluation assets	105,367	(61,315)
Proceeds from the sale of property and equipment	-	15,239
Purchase of exploration equipment	-	(13,029)
Shares received from sale of Diamond database (Notes 5 and 6(f))	(25,000)	-
	80,367	(59,105)
(Decrease) increase in cash	(49,709)	112,843
Cash, beginning of period	70,152	97,470
Cash, end of period	$ 20,443	$ 210,313

See Note 13 Supplementary Cash Flow Information

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

1. Nature of Operations and Going Concern

GGL Resources Corp. ("the Company") was incorporated on May 25, 1981 under the provisions of the Company Act (British Columbia). The Company is listed on the TSX Venture Exchange, tier 2, under the symbol "GGL". The Company's head office is located at #906, 675 West Hastings Street, Vancouver, BC, V6B 1N2 Canada. The Company's records office and registered address is Davis LLP, 666 Burrard Street, Vancouver, BC, V6C 2Z7 Canada.

The Company is in the exploration stage and, on the basis of information to date, does not yet have economically recoverable reserves. The underlying value of the exploration and evaluation assets and related deferred costs are entirely dependent upon the existence of such reserves, the ability of the Company to obtain the necessary financing to develop the reserves and upon future profitable production.

As at May 31, 2014, the Company has a negative working capital of $571,824 (November 30, 2013 - $588,745) and a deficit of $38,563,740 (November 30, 2013 - $38,451,016).

These consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production. To date the Company has not consistently earned any revenues and is considered to be in the exploration stage. The Company's operations are funded from equity financings which are dependent upon many external factors and it may be difficult to impossible to secure or raise additional funds when required. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The Company will continue to require additional funding to maintain its ongoing exploration programs, property maintenance payments and operations and administration for the next fiscal year. The Company also recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. In light of negative cash flows from operating activities, operating losses accrued in the past years and a negative working capital, the Company's ability to continue its exploration programs is dependent on its ability to secure additional financing. The Company intends to continue its exploration programs. Management is actively pursuing such additional sources of financing. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

2. Basis of Preparation and Adoption of IFRS

Statement of Compliance and Conversion to International Financial Reporting Standards

These consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in, and should be read in conjunction with, the Company's audited consolidated financial statements for the year ended November 30, 2013.

2. Basis of Preparation and Adoption of IFRS, continued

Basis of Presentation

The Company's consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. In addition, these consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3. Significant Accounting Policies adopted

(a) Consolidated Financial Statements - IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidated - Special Purpose Entities*. The Company has two subsidiaries which are inactive.

(b) Joint Arrangements - IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS supersedes the current IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. The Company has one joint arrangement. See Note 6 (a).

(c) Disclosure of Interest in Other Entities - IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The Company has one joint arrangement. See Note 6 (a).

(d) Fair Value Measurement - IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

(Unaudited - Expressed in Canadian Dollars)

4. Amounts Receivable

	May 31, 2014	November 30, 2013
Goods and Services/Harmonized sales tax receivable	$ 56,081	$ 62,079
Other	80,048	17,783
	$ 136,129	$ 79,862

5. Investment

The Company concluded an agreement with Proxima Diamonds Corp. ("Proxima"), an arm's length private corporation in the process of going public, for the sale of a portion of the Company's Diamond database, see Note 6(f). The Company received 500,000 common shares (with an ascribed value of $0.05 per common share) of Proxima as partial consideration for this sale. The issuance of these shares by Proxima remains subject to receipt of regulatory approval to the issuance thereof. These shares will represent an ownership interest in Proxima of approximately 1%.

6. Exploration and Evaluation Assets

	Balance November 30, 2013	2014 Mineral Interests Additions	2014 Net Exploration cost additions	2014 Written Off	Balance May 31, 2014
Doyle Lake	$ 158,477	$ -	$ (62,476)*	$ -	$ 96,001
Fishback Lake	52,397	-	1,709	-	54,106
CH	553,436	-	(54,650)*	(5,707)	493,079
Providence Greenstone Belt	763,701	-	611	(25,011)	739,301
McConnell Creek	687,006	-	58	-	687,064
	$ 2,215,017	**$ -**	**$(114,748)**	**$(30,718)**	**$ 2,069,551**

* See Note 6 (f).

	Balance November 30, 2013	2014 Net Additions	2014 Written off	Balance May 31, 2014
Acquisition costs	$ 212,212	$ -	$ (30,718)	$ 181,494
Deferred exploration costs	2,002,805	(114,748)	-	1,888,057
	$ 2,215,017	**$(114,748)**	**$ (30,718)**	**$ 2,069,551**

(Unaudited - Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets, continued

	Balance November 30, 2012	2013 Mineral Interests Additions	2013 Exploration Cost Additions (Recoveries)	2013 Written Off/ Impairments	Balance November 30, 2013
Doyle Lake	$ 363,436	$ -	$ (14,390)	$ (190,569)	$ 158,477
Fishback Lake	80,081	-	1,709	(29,393)	52,397
CH	1,038,833	-	51,404	(536,801)	553,436
Providence Greenstone	1,082,047	-	113,550	(431,896)	763,701
McConnell Creek	1,072,257	-	107	(385,358)	687,006
	$ 3,636,654	**$ -**	**$ 152,380**	**$(1,574,017)**	**$ 2,215,017**

	Balance November 30, 2012	2013 Net Additions	2013 Written Off/ Impairments	Balance November 30, 2013
Acquisition costs	$ 283,512	$ -	$ (71,300)	$ 212,212
Deferred exploration costs	3,353,142	152,380	(1,502,717)	2,002,805
	$ 3,636,654	**$ 152,380**	**$(1,574,017)**	**$ 2,215,017**

Included in exploration and evaluation assets are reclamation bonds held in the name of the Ministry of Energy, Mines and Petroleum Resources of BC, the Government of the Northwest Territories (for Northwest Territories claims except PGB) and the Receiver General (for the PGB claims) in the amount of $76,400 (November 30, 2013 - $76,400).

Exploration costs incurred during the six months ended:

	May 31, 2014	May 31, 2013
Aircraft	$ -	$ 49,792
Licenses, recording fees and lease payments	9,583	1,565
Project supplies	669	(1,670)
Salaries and wages	-	265
Surveying	-	8,802
Technical and professional services	(125,000)*	6,994
Transportation	-	(34,496)
	$ (114,748)	**$ 31,252**

* See Note 6 (f).

6. Exploration and Evaluation Assets, continued

(a) Doyle Lake, Northwest Territories, Canada

Under the De Beers Agreement ("the Agreement") dated May 25, 1995, De Beers Canada Inc. ("De Beers") has earned a 60% interest in the Doyle Lake Properties ("the Properties"), which consist of 5 claims and 3 fractional claims (12,972 acres), by completing exploration expenditures of $4.65 million.

Under the Agreement, De Beers will recover all of the Company's costs of prospecting, exploration, development and construction incurred preproduction, financed by De Beers or by way of third party borrowings, out of 90% of the annual available cash flow (i.e. cash flow after provision for ongoing operating and non-operating costs) from any mine constructed on the Properties with interest at LIBOR plus 3% or the actual interest rates agreed to be paid, whichever is applicable. The remaining 10% of such available cash flow will be distributed to the members in the Agreement in proportion to their interests in the Properties. If after the completion of a feasibility study and prior to the commencement of commercial production from the first mine, the members in the Agreement cease to carry on development work on the Properties other than by reason of force majeure for a period of more than two years, interest other than interest on third party borrowings, will not be accrued for the period exceeding two years. When development work resumes, the Company will continue to accrue the interest.

In addition, the Company holds a 100% interest in 3 claims (75 acres) (2012 - 12 claims; 12,557 acres) in the Doyle Lake area that are not subject to the Agreement. 2 of these claims are leases.

(b) Fishback Lake, Northwest Territories, Canada

The Company owns one claim (1,709 acres) which is a mining lease. During the period, one claim (1,399 acres) was allowed to lapse.

(c) CH, Northwest Territories, Canada

The Company owns 32 claims (62,726 acres) north-northeast of Yellowknife, acquired by staking during the years 2000 to 2003. These claims include the Courageous, Starfish, Winterlake North, Winterlake South, BP, Zip and Mill claims. 21 of these claims are leases.

During the period, four claims (8,271 acres) were allowed to lapse and the related costs of $5,707 were written off.

(d) Providence Greenstone Belt, Northwest Territories, Canada

The Company owns 20 claims (41,181 acres) in the Providence Greenstone Belt ("PGB") area of the Northwest Territories. These claims lie within an extensive belt of rocks previously identified by a mapping project funded by the Geological Survey of Canada and reported as having the potential for hosting magmatic nickel mineralization.

During the period, 12 claims (30,473 acres) were allowed to lapse and the related costs of $25,011 were written off.

(Unaudited - Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets, continued

(e) McConnell Creek, British Columbia, Canada

The Company owns 2 mineral claims (4,878 hectares) in the Omineca Mining Division of British Columbia.

(f) Diamond database

Proxima Diamonds Corp. has purchased a portion of the area of the GGL Diamond database in the Northwest Territories of Canada (The "Target Area Database"). Under the terms of the agreement, the Company will receive cash payments in 2014 for a total of $100,000 ($25,000 received) and 500,000 treasury shares (with an ascribed value of $0.05 per share) of Proxima (received and subject to regulatory approval). Proxima will have exclusive use of the Target Area Database until November 30, 2014 and non-exclusive use thereafter. The Company shall have the right to select five targets that may be acquired by Proxima as royalty targets. With respect to each royalty target, the Company shall be entitled to receive and Proxima shall pay the Company a 1.5% NSR type royalty from production, subject to Proxima having the right to prior to production to purchase one third of the Royalty for $1,000,000 and a further third (0.5%) for $5,000,000. See Notes 5 and 16.

7. Property and Equipment

		Office Furniture		Exploration Equipment		Total
Cost						
Balance as at November 30, 2012	$	58,953	$	552,727	$	611,680
Additions		-		13,029		13,029
Disposals		-		(114,124)		(114,124)
Balance as at November 30, 2013	$	58,953	$	451,632	$	510,585
Addition		-		-		-
Balance as at May 31, 2014	$	58,953	$	451,632	$	510,585
Accumulated Depreciation						
Balance as at November 30, 2012	$	49,081	$	436,154	$	485,235
Depreciation		1,975		20,972		22,947
Disposals		-		(89,384)		(89,384)
Balance as at November 30, 2013	$	51,056	$	367,742	$	418,798
Depreciation		790		8,389		9,179
Balance as at May 31, 2014	$	51,846	$	376,131	$	427,977
Carrying Amounts						
At November 30, 2012	$	9,872	$	116,573	$	126,445
At November 30, 2013	$	7,897	$	83,890	$	91,787
At May 31, 2014	$	7,107	$	75,501	$	82,608

(Unaudited - Expressed in Canadian Dollars)

7. Property and Equipment, continued

At May 31, 2014 depreciation is recorded on the Statement of Comprehensive Loss as $252 in depreciation and $8,927 is recorded as part of general exploration costs.

8. Share Capital

(a) Authorized: unlimited common shares without par value;

(b) Changes in warrants during the six months ended:

	May 31, 2014		May 31, 2013	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	12,750,000	$0.07	4,000,000	$0.10
Issued	-	-	8,750,000	$0.05
Outstanding, end of period	12,750,000	$0.10	12,750,000	$0.07

The Company has the following warrants outstanding and exercisable as at May 31, 2014:

Number of warrants	Exercise Price	Expiry Date
1,600,000	$0.10	Sept. 20, 2014
1,200,000	$0.10	Jan. 24, 2016
2,400,000	$0.10	Aug. 17, 2017
7,550,000	$0.10	May 8, 2018
12,750,000		

9. Stock Options

In 2006, the Company amended its Stock Option Plan to a 10% rolling plan whereby the Company may grant stock options to purchase up to 10% of the issued capital of the Company at the time of the grant of any option. Under the policies of the TSX Venture Exchange, options granted under the 10% rolling plan will not be required to include the mandatory vesting provisions required by the Exchange for a fixed number stock option plan, except for stock options granted to investor relations consultants which vest over 12 months. Awarded stock options are exercisable over a period not exceeding five years at exercise prices determined by the Board of Directors based on the most recent trading prices and subject to the TSX Venture Exchange policies.

(Unaudited - Expressed in Canadian Dollars)

9. Stock Options, continued

Under this plan, the number of shares available for grant increases as the issued capital of the Company increases.

No options were granted during the period.

	# of Options Outstanding	Weighted Average Exercise Price
Options outstanding as at November 30, 2012	**8,980,000**	**$0.14**
Expired	(3,825,000)	$0.18
Options outstanding as at November 30, 2013	5,155,000	$0.10
Expired	-	-
Options outstanding as at May 31, 2014	**5,155,000**	**$0.10**

	May 31, 2014	May 31, 2013
Weighted average remaining contractual life	0.37 years	1.36 years
Weighted average fair value of options granted during the period	N/A	N/A

The following table sets forth information relating to stock options outstanding as at May 31, 2014:

Expiry Dates	Exercise prices	Number outstanding and exercisable at May 31, 2014	Weighted average remaining contractual life (years)
Aug. 19/14	$0.10	4,275,000	0.22
June 24/15	$0.10	880,000	1.07
		5,155,000	

The fair value of each option granted to an employee is estimated as of the date of grant using the *Black-Scholes option pricing model* with the following assumptions: risk-free interest rate, dividend yield, volatility, expected life and estimated forfeiture rate.

(Unaudited - Expressed in Canadian Dollars)

9. Stock Options, continued

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

10. Related Party Disclosures

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

There are two related parties: one director and officer and one consultant. The related parties may demand payment of their outstanding fees, which are non-interest bearing, at any time.

May 31, 2014	Consulting Fees	Technical and professional services	Consulting Fees Payable
Management	$ 12,500	$ -	$ 485,276
Non-management	$ -	$ -	$ 146,725
Total	$ 12,500	$ -	$ 632,001

May 31, 2013	Consulting Fees	Technical and professional services	Amounts owed to related parties
Management	$ 12,500	$ -	$ 471,466
Non-management	$ -	$ 9,053	$ 146,725
Total	$ 12,500	$ 9,053	$ 618,191

11. Segmented Information

The Company is involved in mineral exploration and development activities, which are conducted in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of the six months ended May 31, 2014 and May 31, 2013.

12. Financial Instruments

The Company classifies all financial instruments as fair value through profit or loss ("FVTPL"), held-to-maturity, available for sale, loans and receivables, or other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

(Unaudited - Expressed in Canadian Dollars)

12. Financial Instruments, continued

Financial instruments – Disclosures

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

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

Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - inputs that are not based on observable market data.

(a) **Fair Value**

The fair value of financial instruments at May 31, 2014 and May 31, 2013 is summarized as follows:

	May 31, 2014		May 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
FVTPL				
Cash	$ 20,443	$ 20,443	$ 210,313	$ 210,313
Loans and receivables				
Amounts receivable	$ 136,129	$ 136,129	$ 128,447	$ 128,447
Financial Liabilities				
Other Financial liabilities				
Accounts payable and accrued liabilities	$ 89,110	$ 89,110	$ 125,458	$ 125,458
Consulting fees payable*	$ 651,481	$ 651,481	-	-
Amounts owed to related parties	-	-	$ 618,191	$ 618,191

*Consulting fees payable includes amounts owed to related parties. See Note 10.

The recorded amounts for cash, amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's fair value of cash, and cash reserved for exploration under the fair value hierarchy are measured using Level 1 inputs.

(Unaudited - Expressed in Canadian Dollars)

12 Financial Instruments, continued

(a) **Fair Value**, continued

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. Investments in common shares are classified as available for sale.

(b) **Financial Risk Management**

The Company's activities potentially expose it to a variety of financial risks, including credit risk, foreign exchange (currency) risk and liquidity risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, cash reserved for exploration and amounts receivable. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company deposits the majority of its cash with high credit quality financial institutions in Canada.

Currency risk

The Company operates in Canada and transacts business with foreign vendors and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk. Currency risk is not considered significant.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The Company manages liquidity by carefully monitoring its operating requirements.

13. Supplementary Cash Flow Information

Non-cash operating and investing activities were conducted by the Company during the six months ended:

	May 31, 2014	May 31, 2013
Operating activities		
Accounts payable for exploration and evaluation assets	$ 483,304	$ 521,303
Investing activities		
Additions to exploration and evaluation assets	$ (483,304)	$ (521,303)
Shares received from the sale of a portion of the Diamond database (Notes 5 and 6 (f))	(25,000)	-
	$ (508,304)	$ (521,303)

(Unaudited - Expressed in Canadian Dollars)

13. Supplementary Cash Flow Information, continued

Other supplementary cash flow information:

Cash paid for interest charges	$ 452	$ 410

14. Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash reserved for exploration.

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. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to maximize ongoing development efforts, the Company does not pay dividends.

15. Advance Notice Policy

The Board of Directors approved the adoption of an advance notice policy for the purpose of providing shareholders, directors and management of the Company with a clear framework for nominating directors. A copy of the policy is available via SEDAR under the Company's issuer profile at www.sedar.com or upon request by contacting the Company. A brief summary is provided in the Company's March 19, 2014 news release.

16. Event After the Reporting Period

Subsequent to May 31, 2014, the Company received $50,000, the second instalment payment from Proxima Diamonds Corp. See Note 6 (f).