NIOCORP DEVELOPMENTS LTD.

Consolidated Financial Statements

Year ended June 30, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
NioCorp Developments Ltd.

We have audited the accompanying consolidated financial statements of NioCorp Developments Ltd., which comprise the consolidated statements of financial position as at June 30, 2014 and 2013, and the consolidated statements of comprehensive loss, cash flows and equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 consolidated 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 consolidated 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NioCorp Developments Ltd. as at June 30, 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 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about NioCorp Developments Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

October 27, 2014

NIOCORP DEVELOPMENTS LTD.
Consolidated Statements of Financial Position
For the years ended June 30
(in Canadian dollars)

	Note	2014	2013
ASSETS			
Current			
Cash		$ 2,997,287	$ 35,460
Receivables	6	46,625	5,769
Marketable securities	7	24,000	60,000
Prepaid expenses		26,885	9,374
		3,094,797	110,603
Non-current			
Deferred financing fees		-	36,960
Deposits		67,120	42,295
Equipment	8	34,028	7,374
Exploration and evaluation assets	9	14,528,895	12,330,691
		$ 17,724,840	$ 12,527,923
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10	$ 1,179,519	$ 482,427
Advances from a related party	13	-	150,000
Flow-through premium liability	12	-	244,890
Flow-through tax liability	12	778,750	778,750
	.	1,958,269	1,656,067
SHAREHOLDERS' EQUITY			
Capital stock	11	35,685,480	29,116,650
Share-based payment reserve	11	3,058,819	3,061,591
Deficit		(22,977,728)	(21,306,385)
		15,766,571	10,871,856
		$ 17,724,840	$ 12,527,923

Basis of preparation (note 2)
Commitments (note 18)
Subsequent events (note 19)

On behalf of the Board:

"Mark Smith"
Director

"Peter Dickie"
Director

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

NIOCORP DEVELOPMENTS LTD.
Consolidated Statement of Comprehensive Loss
For the years ended June 30
(in Canadian dollars)

	Note	2014	2013
Administrative expenses			
Consulting	13	$ 27,755	$ 61,818
Depreciation	8	6,716	3,056
Foreign exchange		5,672	2,209
Investor communication		260,818	119,234
Management fees	13	588,182	180,000
Office and miscellaneous		322,590	152,327
Professional fees	13	111,796	103,251
Property costs		40,000	-
Property cost recoveries		-	(107,680)
Share-based compensation	11	407,249	278,063
Transfer agent and regulatory fees		65,564	41,524
Travel		103,589	8,160
Write down of exploration and evaluation assets		-	2,095,315
Loss for the year before taxes		(1,939,931)	(2,937,277)
Other income	12	244,890	-
Cost recovery		15,061	
Unrealized gain (loss) on marketable securities	7	(36,000)	37,500
		223,951	37,500
Loss before income taxes		(1,715,980)	(2,899,777)
Current income taxes	14	(44,637)	85,000
Loss and comprehensive loss for the year		$ (1,671,343)	$ (2,984,777)
Loss per common share, basic and diluted		$ (0.02)	$ (0.03)
Weighted average number of common shares outstanding		101,976,387	88,118,022

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

NIOCORP DEVELOPMENTS LTD.
Consolidated Statements of Cash Flows
For the years ended June 30
(in Canadian dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,671,343)	$ (2,984,777)
Items not affecting cash:		
Depreciation	6,716	3,056
Share-based compensation	407,249	278,063
Unrealized (gain) loss on marketable securities	36,000	(37,500)
Other income	(244,890)	-
Write down of mineral properties	-	2,095,315
	(1,466,268)	(645,843)
Change in non-cash working capital items:		
Receivables	(40,856)	64,786
Prepaid expenses	(17,511)	42,432
Refundable deposits	-	-
Accounts payable and accrued liabilities	(100,826)	103,907
Net cash used in operating activities	(1,625,461)	(434,718)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	6,388,018	373,020
Share issue costs	(192,249)	(15,073)
Deferred financing fees	-	(36,960)
Repayment to a related party	(150,000)	(15,000)
Advances from a related party	-	165,000
Net cash provided by financing activities	6,045,769	470,987
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	(24,825)	16,552
Acquisition of equipment	(33,370)	-
Acquisition of mineral properties	(69,519)	-
Deferred exploration costs	(1,330,767)	(138,455)
Recovery on mineral properties	-	107,680
Net cash used in investing activities	(1,458,481)	(14,223)
Increase in cash during the year	2,961,827	22,046
Cash, beginning of year	35,460	13,414
Cash, end of year	$ 2,997,287	$ 35,460

Supplemental cash flow information (note 5)

NIOCORP DEVELOPMENTS LTD.
Consolidated Statements of Equity
(in Canadian dollars)

	Note	Shares	Amount	Share-based payment reserves	Deficit	Total
Balance, July 1, 2012		85,955,456	$ 28,715,251	$ 2,776,980	$ (18,321,608)	$ 13,170,623
Private placement		2,984,160	373,020	-	-	373,020
Share issue costs		-	(21,621)	6,548	-	(15,073)
Shares issued for Red Lake (Tait Lake) property		400,000	50,000	-	-	50,000
Share-based payments		-	-	278,063	-	278,063
Loss for the year			-	-	(2,984,777)	(2,984,777)
Balance, June 30, 2013		89,339,616	$ 29,116,650	$ 3,061,591	$ (21,306,385)	$ 10,871,856

	Note	Shares	Amount	Share-based payment reserves	Deficit	Total
Balance, July 1, 2013		89,339,616	$ 29,116,650	$ 3,061,591	$ (21,306,385)	$ 10,871,856
Private placement - October 2013	11	6,186,612	955,832	-	-	955,832
Private placement - December 2013	11	4,837,000	786,929	-	-	786,929
Private placement - March 2014	11	13,004,060	2,600,812	-	-	2,600,812
Private placement - March 2014	11	5,856,608	1,171,322	-	-	1,171,322
Issue costs	11	-	(229,209)	-	-	(229,209)
Exercise of warrants		2,020,820	498,623	-	-	498,623
Exercise of options		1,640,000	374,500	-	-	374,500
Fair value of stock options exercised		-	410,021	(410,021)	-	-
Share-based payments		-	-	407,249	-	407,249
Loss for the year		-	-	-	(1,671,343)	(1,671,343)
Balance, June 30, 2014		122,884,716	$ 35,685,480	$ 3,058,819	$ (22,977,728)	$ 15,766,571

1. CORPORATE INFORMATION

The Company was incorporated on February 27, 1987 under the laws of the Province of British Columbia. The head office, principal address and records office of the Company are located at Suite 525 - 999 West Hastings Street, Vancouver, British Columbia, Canada V6C 2W2. The Company's registered address is at the same address.

The Company is in the process of acquiring and exploring its exploration and evaluation assets and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for exploration and evaluation assets and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production. The Company is quoted on the TSX Venture Exchange ("TSX-V") under the symbol "NB".

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on October 27, 2014.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting.

(c) Going Concern of Operations

The Company incurred a loss of $1,671,343 for the year ended June 30, 2014 (2013: $2,984,777), and has an accumulated deficit of $22,977,728 and working capital of $1,136,528 at June 30, 2014.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These factors indicate the existence of a material uncertainity that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments required to realize it assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and the following subsidiaries. All intercompany transactions and balances have been eliminated.

	Country of Incorporation	Percentage ownership at June 30, 2014	Percentage ownership at June 30, 2013
Elk Creek Resources Corp.	USA	100.0%	100.0%
0886338 BC Ltd.	Canada	100.0%	100.0%
Silver Mountain Mines Corp.	USA	100.0%	100.0%
Northeast Minerals PTY Ltd.	Australia	100.0%	100.0%

(b) Cash

Cash includes cash on hand with financial institutions that is subject to an insignificant risk of change in value.

(c) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Canadian dollar, which is also the functional currency of the Company and its subsidiaries.

Transactions in foreign currency

Transactions made in a foreign currency are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date and non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Foreign currency gains and losses arising from translation are included in profit or loss.

(d) Exploration and Evaluation Assets

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property acquisition costs, they are valued at the closing share price on the date of issuance. Payments related to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded upon payment.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Exploration and Evaluation Expenditures continued

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration and evaluation assets.

(e) Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses. The residual value, useful life and depreciation method are evaluated every reporting period and changes to the residual value, estimated useful life or depreciation method resulting from such review are accounted for prospectively. Depreciation is provided for using the declining-balance method at the following rates per annum:

Computer equipment	30%
Furniture and equipment	20%

(f) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at every reporting period. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

(g) Financial Instruments

Financial assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Fair Value Through Profit or Loss ("FVTPL")

Financial assets are classified as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Such assets are measured at fair value with unrealized gains and losses recognized in profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Loans and receivables

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

Available-for-sale ("AFS")

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss.

The Company has classified its financial assets as follows:

Cash and marketable securities are classified as fair value through profit or loss.

Receivables are classified as loans and receivables.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Liabilities in this category include accounts payable and accrued liabilities and advances from a related party.

(h) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

Other Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(i) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(j) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. 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, stock options, share purchase warrants and flow-through shares are classified as equity instruments.

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

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 incurred, the Company derecognizes the liability and the premium is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense.

Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted earnings per share excludes all dilutive potential common shares if their effect is anti-dilutive.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(k) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

All equity-settled share-based payments are reflected in share-based payment reserve, until 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. The fair value of share-based compensation awards are calculated using the Black-Scholes option pricing model ("Black-Scholes"). Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(l) Standards, Amendments and Interpretations Not Yet Adopted

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after July 1, 2014 or later years. The following standards and interpretations have been issued but are not yet effective:

- **IFRS 9 Financial Instruments**

  IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is tentatively effective for annual periods beginning on or after January 1, 2018.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

Exploration and Evaluation Expenditure and Impairment

The application of the Company's accounting policy for exploration and evaluation expenditure and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the consolidated financial statements.

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

(in Canadian dollars)

5. SUPPLEMENTAL CASH FLOW INFORMATION

		2014		2013
Cash paid for:				
Interest paid	$	-	$	-
Income taxes paid	$	-	$	-
Non-cash activities				
Shares issued for mineral properties	$	-	$	50,000
Deferred finance costs from previous year	$	36,960	$	-
Mineral property expenditures included in accounts payable	$	920,388	$	122,470
Finder's warrants	$	-	$	6,548

6. RECEIVABLES

		June 30, 2014		June 30, 2013
Refundable HST tax		44,109		5,769
Other receivables		2,516		-
Total	$	46,625	$	5,769

7. MARKETABLE SECURITIES

		June 30, 2014		June 30, 2013
Shares of Amana Copper Ltd.		9,000		22,500
Shares of Victory Mines Limited		15,000		37,500
Total	$	24,000	$	60,000

8. EQUIPMENT

Property and equipment		Computer equipment		Furniture and equipment		Total
June 30, 2011	$	23,214	$	1,264	$	24,478
Additions		-		-		-
June 30, 2014		23,214		1,264		24,478
Additions		10,858		22,512		33,370
June 30, 2014	$	34,072	$	23,776	$	57,848
Accumulated depreciation						
June 30, 2011	$	13,512	$	536	$	14,048
Depreciation		2,911		145		3,056
June 30, 2014		16,423		681		17,104
Depreciation		3,666		3,050		6,716
June 30, 2014	$	20,089	$	3,731	$	23,820
Net book value, June 30, 2013	$	6,791	$	583	$	7,374
Net book value, June 30, 2014	$	13,983	$	20,045	$	34,028

(in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS

The Company's interest in exploration and evaluation assets consist of:

Year ended June 30, 2014	Elk Creek	Total
Balance, beginning of year	$ 12,330,691	$ 12,330,691
Acquisition costs		
For cash	69,519	69,519
For shares	-	-
	69,519	69,519
Deferred exploration expenditures		
Core handling, sampling and assay	167,591	167,591
Drilling	708,414	708,414
Engineering	451,615	451,615
Environmental	14,348	14,348
Equipment and supplies	8,040	8,040
Field management	69,047	69,047
Geologists and field staff	303,822	303,822
Metallurgical	405,808	405,808
	2,128,685	2,128,685
Balance, end of year	$ 14,528,895	$ 14,528,895

Year ended June 30, 2013	Silver Mountain	Elk Creek	Archie Lake	Total
Balance, beginning of year	$ -	$ 12,296,808	$ 2,045,315	$ 14,342,123
Acquisition costs				
For cash	-	10,044	-	10,044
For shares	50,000	-	-	50,000
	50,000	10,044	-	60,044
Deferred exploration expenditures				
Drilling	-	4,370	-	4,370
Geologists and field staff	-	6,849	-	6,849
Geophysical survey	-	4,575	-	4,575
Recovery on joint venture	-	-	-	-
Sampling	-	8,045	-	8,045
	-	23,839	-	23,839
	50,000	12,330,691	2,045,315	14,426,006
Write-down	(50,000)	-	(2,045,315)	(2,095,315)
Balance, end of year	$ -	$ 12,330,691	$ -	$ 12,330,691

(in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS continued

(a) Archie Lake

In September 2009, the Company entered into an agreement to acquire the Archie Lake property located near Uranium City, Saskatchewan. In consideration, the Company paid acquisition costs of $40,000 and issued 2,000,000 common shares at a value of $840,000. The property is subject to a 2% Net Smelter Royalty ("NSR"), of which one half (1%) may be purchased back for $1,000,000. Since no current exploration work has been planned by the Company, it has decided to write off its total cost of $2,045,315 in the year ended June 30, 2013. The Company intends to maintain the property in good standing as it explores for future opportunities.

(b) Elk Creek

During the year ended June 30, 2011, the Company completed the acquisition of the Elk Creek property located in Southern Nebraska.

The property interests of Elk Creek consist of a number of pre-paid five year mineral exploration lease agreements which were negotiated prior to acquisition, and include a pre-determined buyout for permanent ownership of the mineral rights. Terms of the agreements require no further payments until the conclusion of the pre-paid lease, at which time the Company may elect to buyout the mineral rights. Certain agreements also contain provisions to purchase surface rights, and several contain provisions whereby the vendors would retain a 2% NSR.

(c) Silver Mountain

During the year ended June 30, 2011, the Company completed the acquisition of Silver Mountain Mines Corp. ("Silver Mountain"). The property interests of Silver Mountain consist of the Red Lake and Thunder Bay claims located in Ontario and the Jungle Well and Laverton projects located in Western Australia.

Red Lake (Tait Lake) Property

The Company holds an option to acquire a 100% interest in certain claim units located in the Kenora Mining Division, Ontario. Terms of the option agreement include a payment dated July 31, 2009 of $10,000 (paid) and $129,000 payable as follows: $24,000 on or before first anniversary (paid), $30,000 on or before second anniversary (paid), $35,000 on or before third anniversary and $40,000 (paid in September 2013) on or before fourth anniversary of signing. In addition, a total of 150,000 shares are issuable, with 50,000 shares on signing (issued), 50,000 shares (issued at a value of $28,000) on the first anniversary of the agreement, and 50,000 shares (issued at a value of $13,500) on the second anniversary of the agreement. Pursuant to the payment of $35,000 required on or before the third anniversary, the Company issued 400,000 shares at a value of $50,000. The property is subject to a 2% net smelter return ("NSR").

On November 28, 2011 the Company entered into an option agreement (the "Option Agreement") among its wholly owned subsidiary, Silver Mountain, Perry English for Rubicon Minerals Corporation ("English") and Amana Copper Ltd. (formerly Titan Goldworx Resources Inc.)("Amana") dated October 21, 2011, as amended November 28, 2011, whereby the Company granted Amana an option to acquire up to a 70% interest in the Tait Lake Property.

The Company received a termination notice from Amana on May 29, 2013. The Company had received $15,000 in cash and 150,000 common shares of Amana valued at $22,500. During the year ended June 30, 2013, the Company decided to write off the Red Lake claims and related value of $50,000 as no further exploration has been planned.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2014	June 30, 2013
Accounts payable and accrued liabilities	$ 1,039,273	$ 143,602
Accounts payable and accrued liabilities to related parties	4,565	227,854
Taxes and penalties payable	135,681	110,971
Total	$ 1,179,519	$ 482,427

(in Canadian dollars)

11. CAPITAL STOCK

(a) Authorized

Unlimited common shares without par value

(b) Issued and Outstanding

Year ended June 30, 2014

In March 2014 the Company completed private placements of 13,004,060 shares at $0.20 per share for gross proceeds of $2,600,812 and 5,856,608 shares at $0.20 per share for gross proceeds of $1,171,322. The Company incurred costs of $174,727 towards these private placements.

In December 2013 the Company completed the second and final tranche of a private placement of 4,837,000 shares at US $0.15 per share for gross proceeds of $786,929 (USD $725,550). In October 2013 the Company completed the first tranche of the private placement of 6,186,612 shares at US $0.15 per share for gross proceeds of $955,832 (USD $927,992). The Company had incurred costs of $54,482 towards this private placement of which $36,960 was paid as at June 30, 2013.

Year ended June 30, 2013

In December 2013 the Company closed a private placement of 2,984,160 units at $0.125 per unit for total gross proceeds of $373,020. Each unit consists of one common share and one transferable share purchase warrant, each warrant entitling the holder to purchase one additional common share for a period of two years at a price of $0.25 per share. The Company paid a total of $12,600 in cash and issued 100,800 share purchase warrants to finders for their efforts in finding certain placees. Each finder's warrant is exercisable into one common share of the Company for two years at a price of $0.125 per share. The warrants have two expiry dates, 2,756,160 warrants expire on November 13, 2014 and 228,000 warrants expire on December 20, 2014.The finder's warrants expire on November 13, 2014 for 92,800 warrants and on December 20, 2014 for 8,000 warrants. The finder's warrants have a total value of $6,548 which was calculated using the Black-Scholes option pricing model using a risk-free interest rate of 1.25%, an expected life of 2 years, an expected volatility of 93.7% and a dividend rate of 0.00%. Other issue costs amount to $2,473.

(c) Stock Options

The Company has a rolling stock option plan (the "Plan") whereby the Company may grant stock options to executive officers and directors, employees and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value on the date of grant. The Plan provides for the issuance of up to 10% of the Company's issued common shares as at the date of grant with each stock option having a maximum term of five years. The board of directors has the exclusive power over the granting of options and their vesting provisions.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2012	6,525,000	$ 0.40
Granted	3,850,000	0.15
Cancelled/expired	(3,750,000)	0.48
Balance, June 30, 2013	6,625,000	$ 0.20
Granted	2,835,000	0.24
Exercised	(1,640,000)	0.23
Cancelled/expired	(760,000)	0.35
Balance, June 30, 2014	7,060,000	$ 0.19
Number of options currently exercisable	7,060,000	$ 0.20

During fiscal 2014, the Company granted 2,285,000 stock options at $0.17 each, 500,000 stock options at $0.50 each and 50,000 stock options at $0.65 each all for a period of three years. Using a Black Scholes model the value of the options granted during fiscal 2014 was calculated to be $407,249 which was charged to operations. During fiscal 2013, the Company granted 3 850,000 stock options at $0.15 each for a period of three years. Using a Black Scholes model the value of the optons granted during fiscal 2013 was calculated to be $278,063 which was charged to operations.

(in Canadian dollars)

11. CAPITAL STOCK continued

The fair value of stock options granted and the assumptions used to calculate compensation expense are estimated using the Black-Scholes Option Pricing Model as follows:

	Year ended June 30, 2014	Year ended June 30, 2013
Fair value per option granted during the year	$ 0.07	$ 0.07
Risk-free interest rate	1.25%	1.25%
Expected dividend yield	0%	0%
Expected stock price volatility	102.9%	96.0%
Expected option life in years	3.00	3.00

The following table summarizes information about stock options outstanding at June 30, 2014:

Exercise price	Number outstanding	Number exercisable	Expiry date
$ 0.20	975,000	975,000	January 12, 2015
$ 0.15	1,925,000	1,925,000	January 18, 2016
$ 0.15	1,325,000	1,325,000	February 25, 2016
$ 0.17	2,285,000	2,285,000	January 10, 2017
$ 0.50	500,000	500,000	May 9, 2017
$ 0.65	50,000	50,000	May 20, 2017
	7,060,000	7,060,000	

(d) Warrants

(i) Warrant transactions are summarized as follows:

	Year ended June 30, 2014	Weighted average exercise price	Year ended June 30, 2013	Weighted average exercise price
Balance, opening	19,093,871	$ 0.36	16,008,911	$ 0.36
Granted	-	-	3,084,960	0.25
Exercised	(2,020,820)	0.25	-	-
Expired	(16,008,911)	0.35	-	0.35
Balance, closing	1,064,140	$ 0.24	19,093,871	$ 0.36

At June 30, 2014 the Company has outstanding warrants, exercisable as follows:

Number	Exercise Price	Expiry Date
788,000	$ 0.25	November 13, 2014
228,000	$ 0.25	December 20, 2014
48,140	$ 0.125	November 13, 2014
1,064,140		

12. FLOW THROUGH LIABILITIES

The Company issued 8,337,000 common shares on a flow-through basis for gross proceeds of $2,501,100 in November 2010. The Company recorded a flow-through premium liability of $416,850 based on the premium on the flow-through shares issued. The Company did not incur sufficient eligible expenditures to reduce the flow-through premium liability to $nil leaving a flow through premium liability of $244,890 as of June 30, 2013. The Company has since completed its required flow through tax filings with the Canada Revenue Agency and the liability has been reduced to $nil.

Pursuant to the flow-through share issuance above, the Company was required to incur eligible flow-through expenditures up to November 2011. The Company was short by approximately $1,470,000 in meeting this requirement. Under the subscription agreement the Company has an obligation to indemnify the subscriber for any taxes that may arise from the Company failing to meet the flow-through expenditure requirements. As a result the Company has estimated the indemnification liability to be $778,750.

(in Canadian dollars)

13. RELATED PARTY TRANSACTIONS

The following expenses were incurred with directors and officers of the Company

Key management personnel remuneration	Year ended June 30, 2014	Year ended June 30, 2013
Management fees	$ 588,182	$ 180,000
Professional fees	54,500	63,000
Consulting fees	-	16,000
Share based compensation	211,202	135,030
Total key management personnel remuneration	853,884	394,030
Rent (to a company with a former common director)	36,889	40,243
Total	$ 890,773	$ 434,273

As at June 30, 2014 accounts payable included $4,565 (2013 - $227,854) owing to officers and directors.

The Company received advances during fiscal 2013 from an officer and director of the Company for a total of $165,000 of which $150,000 (2013 - $15,000) was repaid. The advances were non-interest bearing and there were no terms of repayment.

As at June 30, 2014 receivables include $2,515 from a company with a former common director.

14. INCOME TAXES

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

	2014	2013
Loss before income taxes	$ 1,715,980	$ 2,899,777
Combined federal and provincial statutory income rate	26%	26%
Income tax expense (recovery) at statutory tax rates	$ (446,000)	$ (725,000)
Change in statutory rates and other	(27,637)	4,000
Non-deductible expenditures and non-taxable revenues	54,000	75,000
Share issue costs	(4,000)	(4,000)
Change in unrecognized deductible temporary differences	379,000	735,000
Current income tax	$ (44,637)	$ 85,000

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

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

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	Expiry dates	**2014**	2013
Share issue costs	2034 to 2037	$ 339,000	$ 307,000
Non-capital losses	2015 to 2033	8,588,000	7,071,000
Equipment and other tax assets	Not applicable	103,000	59,000
Mineral properties	Not applicable	2,918,000	2,918,000

15. CAPITAL MANAGEMENT

The capital of the Company consists of the items included in shareholder's equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company's objective for capital management is to plan for the capital required to support the Company's ongoing acquisition and exploration of its exploration and evaluation assets and to provide sufficient funds for its corporate activities.

The Company is in the exploration stage. As an exploration stage company, the Company is currently unable to self-finance its operations. The Company has historically relied on equity financings to finance its operations. In order to carry out the Company's planned exploration programs and to pay for administrative cost, the Company will spend its existing working capital and raise additional funds as required. To effectively manage the Company's capital requirements, the Company's management has in place a planning and budgeting process.

16. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, receivables, marketable securities, accounts payable and accrued liabilities, and advances from a related party. The carrying value of receivables, accounts payable and accrued liabilities, and advances from a related party approximates their fair values due to their immediate or short-term maturity. Cash and marketable securities are carried at fair value using a level 1 fair value measurement.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

i) Credit risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by investing its cash with a large Canadian chartered bank. The Company's receivables consist primarily of sales tax receivables due from the federal government. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's receivables and cash.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. The Company does not have any interest bearing financial instruments.

iii) Currency risk

The Company conducts exploration and evaluation activities in the United States. As such, it is subject to risk due to fluctations in the exchange rates for the Canadian and US dollars. As at June 30, 2014 the Company had a net monetary liability position of US$630,643. Each 1% in the US dollar relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately $6,300.

iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales or exploration option agreements, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further exploration and development of the Company's properties.

v) Equity market risk

The Company is exposed to equity price risk arising from its dependence on equity financings for working capital.

(vi) 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.

(in Canadian dollars)

17. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and mineral exploration of exploration and evaluation assets. Geographical information is as follows:

	June 30, 2014	June 30, 2013
Non-current assets		
Canada	$ 69,134	$ 49,669
United States	14,560,909	12,330,691
	$ 14,630,043	$ 12,380,360

18. COMMITMENTS

The Company entered into a consulting agreement with a related party for an indefinite period commencing September 23, 2013 to pay consulting fees of $270,000 USD per year, constituting the base fee. The Company paid a signing bonus in the amount of $165,000 USD. The base fee does not include any bonus or incentive payments, the introduction of such payments, if any, and the amount thereof will be determined by the Board in its sole discretion. In an event of a change in control, or termination the consultant will receive a lump sum payment equal to 12 months base fees and bonus, if any, based on the preceding two year period.

The Company entered into a consulting agreement with a related party for an indefinite period commencing May 1, 2014 to pay consulting fees of $210,000 per year, constituting the base fee. The base fee does not include any bonus or incentive payments, the introduction of such payments, if any, and the amount thereof will be determined by the Board in its sole discretion. In an event of a change in control, or termination the consultant will receive a lump sum payment equal to 12 months base fees and bonus, if any, based on the preceding two year period.

The Company has entered into an agreement to lease office space starting June 1, 2014 ending on May 31, 2017, Annual rental payments are $63,904.

19. SUBSEQUENT EVENTS

On July 28, 2014 the Company granted 2,300,000 stock options to directors, officers and consultants at a price of $0.65 per share for a period of three years.

The Company received $129,150 from the exercise of 820,000 stock options and 8,000 warrants.

The Company entered into an agreement with Mackie Research Capital Corporation to complete a private placement of special warrants at $0.55 per special warrant to raise gross proceeds of up to $16,500,000. The financing will be on a "best efforts" basis. Each special warrant will be exchanged for no further consideration into one unit consisting of one common share and one share purchase warrant. Each warrant will entitle the holder to acquire one common share at a price of $0.65 per share for twenty-four months.

The Company entered into an option agreement with Alberta Star Development Corp. ("Alberta Star") whereby Alberta Star can earn up to a 60% interest in the Archie Lake property by incurring cumulative exploration expenditures of $1,750,000 by October 20, 2017. The agreement is subject to regulatory approval. In addition, Alberta Star will subscribe for not less than $1,500,000 in the Company's special warrant financing.