I-Minerals Inc.

Condensed Interim Consolidated Financial Statements
For the three months ended July 31, 2014
(Unaudited - Expressed in US dollars)

I-Minerals Inc.

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

I-Minerals Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Expressed in US dollars)

	Notes	July 31, 2014 $	April 30, 2014 $
ASSETS			
Current assets			
Cash		482,001	604,936
Receivables and prepaids	5	136,169	109,007
		618,170	713,943
Equipment		18,081	19,547
Mineral property	6	13,746,686	13,449,071
Deposits		14,932	8,728
		14,397,869	14,191,289
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7,11	706,674	592,150
		706,674	592,150
Promissory notes	8	4,627,304	4,191,629
Warrant derivatives	9	2,426,798	3,179,812
Deferred income tax liability		748,000	748,000
		8,508,776	8,711,591
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	10	16,047,795	15,935,039
Contributed surplus		1,676,775	1,624,164
Commitment to issue shares	8	12,000	79,223
Deficit		(11,847,477)	(12,158,728)
		5,889,093	5,479,698
		14,397,869	14,191,289

NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN (Note 1)
SUBSEQUENT EVENTS (Note 15)

On behalf of the Board

ñThomas M. Conwayò Director ñW. Barry Girlingò Director

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

I-Minerals Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three months ended July 31, 2014 and 2013

(Unaudited - Expressed in US dollars)

	Note	2014 $	2013 $
EXPENSES			
Accounting		16,304	8,458
Amortization		1,466	1,429
Management and consulting fees	11	14,813	22,642
Office, telephone and miscellaneous		26,123	22,538
Professional fees		111,647	12,433
Promotion and shareholder communication		41,537	2,040
Share-based payments	10(b)	60,182	97,420
Transfer and regulatory fees		4,398	2,908
		(276,470)	(169,868)
Foreign exchange gain		2,452	5,477
Amortization of financing fees	8	(36,168)	-
Interest on convertible loans, demand loans and loans		-	(9,186)
Interest on promissory notes	8	(153,293)	(60,548)
Change in fair value of warrant derivatives	9	774,730	(751,222)
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		311,251	(985,347)
Income (loss) per share ï basic and diluted	10(d)	0.00	(0.01)
Weighted average number of shares outstanding		76,116,611	68,301,991

I-Minerals Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended July 31, 2014 and 2013

(Unaudited - Expressed in US dollars)

	2014 $	2013 $
OPERATING ACTIVITIES		
Income (loss) for the period	311,251	(985,347)
Items not involving cash:		
Amortization	1,466	1,429
Share-based payments	60,182	97,420
Foreign exchange gain	-	(4,420)
Amortization of financing fees	36,168	-
Change in fair value of warrant derivatives	(774,730)	751,222
	(365,663)	(139,696)
Change in non-cash operating working capital items:		
Receivables and prepaids	(27,162)	253
Accounts payable and accrued liabilities	189,031	(16,993)
Cash flows used in operating activities	(203,794)	(156,436)
INVESTING ACTIVITIES		
Deposits (paid) recovered	(6,204)	50,000
Mineral property expenditures	(372,122)	(181,575)
Purchase of equipment	-	(8,276)
Cash flows used in investing activities	(378,326)	(139,851)
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	9,185	-
Promissory notes received, net of cash transaction costs	450,000	645,000
Cash flows from financing activities	459,185	645,000
(DECREASE) INCREASE IN CASH	(122,935)	348,713
CASH, BEGINNING OF THE PERIOD	604,936	43,196
CASH, END OF THE PERIOD	482,001	391,909
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	-	-
Taxes paid	-	-

Non-cash transactions (Note 14)

I-Minerals Inc.

Condensed Interim Consolidated Statements of Changes in Equity
For the three months ended July 31, 2014 and 2013

(Unaudited - Expressed in US dollars)

	Number of Shares #	Amount $	Contributed Surplus $	Commitment to Issue Shares $	Accumulated Deficit $	Total Equity Attributable to Shareholders $
Balance at April 30, 2013	68,301,991	14,756,503	1,444,926	-	(8,156,554)	8,044,875
Share-based payments	-	-	97,420	-	-	97,420
Loss and comprehensive loss for the period	-	-	-	-	(985,347)	(985,347)
Balance at July 31, 2013	68,301,991	14,756,503	1,542,346	-	(9,141,901)	7,156,948
Balance at April 30, 2014	76,019,706	15,935,039	1,624,164	79,223	(12,158,728)	5,479,698
Issued during the period:						
Shares issued pursuant to the exercise of stock options	100,000	9,185	-	-	-	9,185
Shares issued as a financing fee	412,193	96,000	-	(79,223)	-	16,777
Commitment to issue shares as a financing fee	-	-	-	12,000	-	12,000
Transfer of value on exercise of stock options	-	7,571	(7,571)	-	-	-
Share-based payments	-	-	60,182	-	-	60,182
Income and comprehensive income for the period	-	-	-	-	311,251	311,251
Balance at July 31, 2014	76,531,899	16,047,795	1,676,775	12,000	(11,847,477)	5,889,093

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

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN:

I-Minerals Inc. (the ñCompanyò) was incorporated under the laws of British Columbia, Canada, in 1984. The Company is listed for trading on the TSX Venture Exchange under the symbol ñIMAò and the OTCQX marketplace under the symbol ñIMAHFò. The Companyôs address and head office is 880 - 580 Hornby Street, Vancouver, British Columbia, Canada.

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the next year. Realization values may be substantially different from carrying values as shown and 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. At July 31, 2014, the Company was still in the exploration stage and had not yet achieved profitable operations, had an accumulated deficit of $11,847,477 since inception and expects to incur further losses in the development of its business, all of which indicates the existence of a material uncertainty that may cast significant doubt upon the Companyôs ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Companyôs ability to continue as a going concern is dependent upon its ability to complete a feasibility study, to obtain the necessary financing to develop the property and to meet its obligations and repay its liabilities arising from normal business operations when they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The Company is currently receiving funds from a company controlled by a director of the Company through promissory notes (Note 8).

2. BASIS OF PRESENTATION:

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (ñIFRSò) as issued by the International Accounting Standards Board (ñIASBò) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended April 30, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended April 30, 2014.

These financial statements were approved by the board of directors for issue on September 29, 2014.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE:

The following new standards have been issued but not yet applied.

IFRS 9 ï Financial Instruments: Classification and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial instruments and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact on its consolidated financial statements.

IAS 32 ï Financial instruments, Presentation. IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The amendments apply to annual periods beginning on or after January 1, 2014. The change in accounting standard will not have a significant impact on the Companyôs consolidated financial statements.

(Unaudited - Expressed in US dollars except where otherwise indicated)

IAS 36 – Impairment of Assets. IFRS 36 was amended by *recoverable amount disclosures for nonfinancial assets.* The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. The change in accounting standard will not have a significant impact on the Company's consolidated financial statements

IFRIC 21 – Levies. IFRIC 21 clarifies and provides guidance on when to recognize the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The change in accounting standard does not have a significant impact on the Company's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The preparation of financial statements requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements:

(i) The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year. The factors considered by management are disclosed in Note 1.

(ii) The Company is in the process of advancing its mineral property. The Company has identified probable reserves. The recoverability of amounts shown for mineral property acquisition costs and mineral property deferred costs is dependent upon the ability of the Company to obtain the necessary financing to complete the development of its mineral property, and upon future profitable production or proceeds from the disposition or development of its mineral property.

(iii) The assessment of indicators of impairment for the mineral property and the related determination of the recoverable amount and write-down of the property where applicable.

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

(v) The Company operates in the United States and Canada and transacts in multiple currencies including Canadian dollars, US dollars and Euros. Being an exploration stage company, the Company has no revenues from operations to date and therefore has based the determination of functional currency on expenditures, financial commitments and historical financing, the areas where the majority of the Company's transactions occur. Transactions related to all three of these criteria occur in more than one currency, however the US dollar is the dominant currency for each of these criteria and therefore the currency of the primary economic environment to which the Company is the most significantly exposed. As such, management has determined the US dollar to be the functional currency of the Company and all significant subsidiaries within the consolidated group.

5. RECEIVABLES AND PREPAIDS:

	July 31, 2014 $	April 30, 2014 $
GST recoverable	7,343	10,266
Prepaid expenses	17,185	39,493
Deposits	51,221	57,900
Accounts receivable	60,420	1,348
Total receivables and prepaids	136,169	109,007

(Unaudited - Expressed in US dollars except where otherwise indicated)

6. MINERAL PROPERTY:

The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

Helmer-Bovill Property – Latah County, Idaho

Details of acquisition and exploration costs for the three months ended July 31, 2014 are as follows:

	Helmer-Bovill Property $
Balance, April 30, 2013	13,449,071
EXPLORATION COSTS	
Engineering and consulting	109,275
Environmental	18,750
Excavation and screening	8,460
Field and survey	12,740
Marketing and research	16,620
Mineral analysis and processing	78,771
Permitting, licenses and fees	25,735
Project management	17,006
Travel	10,258
	297,615
Balance, July 31, 2014	13,746,686

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	July 31, 2014 $	April 30, 2014 $
Trade payables	214,126	257,360
Amounts due to related parties (Note 11)	182,076	177,611
Interest payable on promissory notes (Note 8)	310,472	157,179
Total accounts payable and accrued liabilities	706,674	592,150

(Unaudited - Expressed in US dollars except where otherwise indicated)

8. PROMISSORY NOTES:

	$
Balance, April 30, 2013	1,905,000
Add: Proceeds from promissory notes	2,545,000
Add: Accrued interest rolled in as principal	104,280
Deduct: Finance fees	(423,907)
Add: Amortization of finance fees	61,256
Balance, April 30, 2014	4,191,629
Add: Proceeds from promissory notes	450,000
Deduct: Finance fees	(50,493)
Add: Amortization of finance fees	36,168
Balance, July 31, 2014	4,627,304

On September 13, 2013 and January 27, 2014, the Company entered into additional agreements with a company controlled by a director of the Company (the "Lender") pursuant to which up to $5,787,280 will be advanced to the Company in tranches, of which $5,004,280 had been advanced as at July 31, 2014 (the "Promissory Notes"). The Promissory Notes mature as to $1,000,000 on December 31, 2015, $2,000,000 on June 30, 2016 and the balance due on December 31, 2016. Certain conditions may result in early repayment.

The Promissory Notes bear interest at the rate of 12% per annum and during the three months ended July 31, 2014, the Company recorded interest of $153,293 (2013 - $60,548). Interest is payable semi-annually as calculated on May 31st and November 30th. Interest is to be paid either in cash or in common shares at the option of the Lender. The Promissory Notes are collateralized by the Company's Helmer-Bovill Property (Note 6).

The Company will issue the Lender bonus shares and bonus share purchase warrants equal to 6% of the amounts advanced. Each bonus share purchase warrant will entitle the Lender to purchase one common share of the Company at a price equal to the greater of (a) the market price of the Company's common shares on the date of the advance and (b) the volume weighted average price of the Company's common shares over the twenty trading days immediately prior to the date of the advance. The bonus share purchase warrants expire on the earlier of (a) December 1, 2016 and (b) the date the advance has been repaid in full, including interest.

During the three months ended July 31, 2014, the Company issued 412,193 bonus shares to the Lender at the fair value of $96,000 and the Company was committed to issue an additional 51,502 bonus shares to the Lender at the fair value of $12,000. The fair value of the bonus shares was determined by reference to the trading price of the Company's common shares on the date the advances were received.

The Company also committed to issue 150,045 bonus share purchase warrants to the Lender with a weighted average exercise price of $0.28. During the three months ended July 31, 2014, the Company issued 412,193 bonus share purchase warrants to the Lender with a weighted average exercise price of $0.286. At July 31, 2014, the Company was committed to issuing an aggregate of 51,202 bonus share purchase warrants. The fair value of bonus share purchase warrants committed to be issued during the three months ended July 31, 2014 of $21,716 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: stock price – CDN$0.26; exercise price – CDN$0.28; expected risk-free interest rate – 1.13%; expected life – 2.5 years; expected volatility – 109% and expected dividend rate – 0%.

The aggregate finance fees are recorded against the Promissory Notes balance and are being amortized to the Statement of Comprehensive Loss over the life of the Promissory Notes.

(Unaudited - Expressed in US dollars except where otherwise indicated)

At July 31, 2014, accounts payable and accrued liabilities included $310,472 (April 30, 2014 - $157,179) of interest payable on the Promissory Notes.

9. DERIVATIVE LIABILITIES:

Derivate liabilities are financial instruments classified as fair value through profit or loss financial liabilities.

	$
Balance, April 30, 2013	234,596
Warrants issued/committed to be issued pursuant to Promissory Notes	150,144
Warrants issued pursuant to private placement of units	148,123
Change in fair value of warrant derivatives	2,646,949
Balance, April 30, 2014	3,179,812
Warrants issued/committed to be issued pursuant to Promissory Notes (Note 8)	21,716
Change in fair value of warrant derivatives	(774,730)
Balance, July 31, 2014	2,426,798

Warrant Derivative Liabilities

During the three months ended July 31, 2014, the Company issued 412,193 share purchase warrants and was committed to issuing 51,202 share purchase warrants pursuant to the Promissory Notes (Note 8). As a variable amount of US dollars are exercisable into a fixed number of common shares, the share purchase warrants (the "Warrant Derivative Liabilities") are classified as derivative liabilities.

At July 31, 2014, the Company determined the fair value of Warrant Derivative Liabilities to be $2,426,798 (April 30, 2014 - $3,179,812) as estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	July 31, 2014	April 30, 2014
Stock price (CDN$)	0.23	0.28
Exercise price (CDN$)	0.38	0.38
Risk-free interest rate (%)	1.13	1.13
Expected life (years)	1.78	2.03
Expected volatility (%)	125	117
Expected dividends ($)	Nil	Nil

10. SHARE CAPITAL:

Common shares

a) Authorized:

Unlimited number of common shares, without par value.

The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

(Unaudited - Expressed in US dollars except where otherwise indicated)

b) Stock options:

The Company has granted stock options under the terms of its Stock Option Plan (the ñPlanò). The Plan provides that the directors of the Company may grant options to purchase common shares to directors, officers, employees and service providers of the Company on terms that the directors of the Company may determine are within the limitations set forth in the Plan. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. The maximum term of stock options is ten years. All stock options vest on the date of grant, unless otherwise stated.

The Companyõs stock options outstanding as at July 31, 2014 and April 30, 2014 and the changes for the periods then ended are as follows:

	Number Outstanding		Weighted Average Exercise Price
Balance at April 30, 2013	2,450,000	CDN$	0.42
Granted	2,410,000	CDN$	0.15
Forfeited	(700,000)(1)	CDN$	0.46
Balance outstanding at April 30, 2014	4,160,000	CDN$	0.26
Granted	300,000	CDN$	0.25
Exercised	(100,000)	CDN$	0.10
Balance outstanding at July 31, 2014	4,360,000	CDN$	0.26
Balance exercisable at July 31, 2014	3,675,000	CDN$	0.27

Notes:
(1) The stock options were forfeited as they were to vest based on milestones associated with the Kellyõs Basin Project. The Company adjusted its strategy to focus on developing the Bovill Kaolin Project.

The stock options vest on the date of grant, based on the completion of certain performance milestones or based on the passage of time.

The weighted average grant date fair value of stock options granted during the three months ended July 31, 2014 of CDN$0.17 was estimated using the Black-Scholes option pricing model with the following assumptions: stock price ï CDN$0.25; exercise price ï CDN$0.25; expected risk-free interest rate ï 2.0%; expected life ï 5.0 years; expected volatility ï 100% and expected dividend rate ï 0%.

Expected volatility was determined by reference to the historical volatility of the Companyõs common shares trading on the TSX Venture Exchange. During the three months ended July 31, 2014, an amount of $60,182 (2013 ï $97,420) was expensed and credited to contributed surplus based on stock options granted during the period and the vesting of previously granted stock options.

(Unaudited - Expressed in US dollars except where otherwise indicated)

Summary of stock options outstanding at July 31, 2014:

Security	Number Outstanding	Exercise Price	Expiry Date
Stock options	1,150,000	CDN$ 0.40	January 7, 2015
Stock options	100,000	CDN$ 0.40	February 15, 2015
Stock options	500,000	CDN$ 0.40	December 1, 2015
Stock options	1,300,000	CDN$ 0.10	July 30, 2018
Stock options	260,000	CDN$ 0.15	July 30, 2018
Stock options	300,000	CDN$ 0.25	July 30, 2018
Stock options	200,000	CDN$ 0.25	November 19, 2018
Stock options	150,000	CDN$ 0.25	January 8, 2019
Stock options	100,000	CDN$ 0.25	April 25, 2019
Stock options	300,000	CDN$ 0.25	May 23, 2019

The weighted average remaining contractual life of stock options outstanding at July 31, 2014 is 2.8 years (April 30, 2014 ï 2.9 years).

c) Share purchase warrants:

A summary of fully-exercisable share purchase warrants as at July 31, 2014 and April 30, 2014 and the changes for the periods then ended are as follows:

	Number Outstanding		Weighted Average Exercise Price
Balance at April 30, 2013	(1)20,000,000	CDN$	0.40
Issued	3,089,262	CDN$	0.29
Balance at April 30, 2014	23,089,262	CDN$	0.39
Issued	412,193	CDN$	0.29
Balance at July 31, 2014	23,501,455	CDN$	0.38

Summary of warrants outstanding at July 31, 2014:

Security	Number Outstanding	Exercise Price	Expiry Date
Warrants	1,550,000	CDN$ 0.40	January 31, 2016
Warrants	200,000	CDN$ 0.25	January 31, 2016
Warrants	20,000,000	CDN$ 0.40	April 29, 2016
Warrants	667,520	CDN$ 0.14	December 1, 2016(1)
Warrants	122,142	CDN$ 0.14266	December 1, 2016(1)
Warrants	104,119	CDN$ 0.165	December 1, 2016(1)
Warrants	76,723	CDN$ 0.17	December 1, 2016(1)
Warrants	87,818	CDN$ 0.17223	December 1, 2016(1)
Warrants	111,762	CDN$ 0.185	December 1, 2016(1)
Warrants	94,764	CDN$ 0.23	December 1, 2016(1)
Warrants	92,357	CDN$ 0.276	December 1, 2016(1)
Warrants	200,091	CDN$ 0.28	December 1, 2016(1)
Warrants	45,439	CDN$ 0.29	December 1, 2016(1)
Warrants	96,261	CDN$ 0.292	December 1, 2016(1)
Warrants	52,459	CDN$ 0.305	December 1, 2016(1)

Notes:
(1) The warrants are exercisable until the earlier of December 1, 2016 or the date that the promissory note advance is repaid (Note 8).

(Unaudited - Expressed in US dollars except where otherwise indicated)

d) Basic and diluted loss per share:

During the three months ended July 31, 2014, potentially dilutive common shares totalling 27,861,455 (2013 ï 24,410,000) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive.

11. RELATED PARTY TRANSACTIONS:

During the three months ended July 31, 2014, management and consulting fees of $13,863 (2013 ï $14,515) were charged by directors or officers or companies controlled by them. A further $37,500 (2013 ï $37,500) in consulting fees were charged by directors and are included with mineral property deferred costs.

Included in accounts payable and accrued liabilities are amounts owed to directors or officers or companies controlled by them. As at July 31, 2014, the amount was $182,076 (April 30, 2014 ï $177,611). All amounts are non-interest bearing, unsecured, and due on demand.

The promissory notes received from a company controlled by a director (Notes 8 and 15) are related party transactions.

Key management includes the Chief Executive Officer and the directors of the Company. The compensation paid or payable to key management for services during the three months ended July 31, 2014 and 2013 is as follows:

	2014 $	2013 $
Consulting fees	51,363	52,015
Share-based payments	-	74,818
	51,363	126,833

12. SEGMENT DISCLOSURES:

The Company considers its business to comprise a single operating segment, being exploration of resource properties, within the geographic area of the United States.

13. CONTIGENT LIABILITY:

On March 20, 2014, the Company announced that it had been served with a complaint by Robert Lemke (carrying on business as Hoodoo Resources, LLC) and the Brent Thomson Family Trust, each minority partners as to a 12.5% interest in Idaho Industrial Minerals, LLC (ñIIMò). Following preliminary review of the complaint by management and legal counsel, in addition to a separate declaratory action pending amongst the members of IIM, management believes that Thomson and Lemke are attempting to exercise derivative rights without the consent of the majority of the members of IIM and reject consideration paid to IIM with respect to the Companyøs Helmer-Bovill Property in January 2013 pursuant to an August 10, 2001 agreement, as amended, between the Company and IIM (the ñIIM Agreementò).

The IIM Agreement required the Company to deliver a total of 1.8 million shares to IIM for the Company to earn outright title to the mineral leases which comprise the Helmer-Bovill Property. The final tranche of 1.3 million shares was delivered to IIM on January 22, 2013. Thomson and Lemke allege they were deceitfully induced into signing the fourth amendment to the IIM Agreement. Thomson and Lemke are seeking specific performance in the return of the Helmer-Bovill Property (Note 6). Preliminary review by the Companyøs legal counsel can find no basis for a derivative rights action. The Company believes the probability of an economic outlay for this contingent liability is remote.

14. NON-CASH TRANSACTIONS:

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. During the three months ended July 31, 2014, the following transactions were excluded from the condensed interim consolidated statement of cash flows:

a) Deferred exploration expenditures of $54,566 included in accounts payable and accrued liabilities at July 31, 2014, less expenditures included in accounts payable at April 30, 2014 of $129,073 (net inclusion of $74,507); and,

b) The commitment to issue of 150,045 common shares at the fair value of $36,000 and 150,045 warrants at the fair value of $21,716 pursuant to the Promissory Notes (Note 8).

During the three months ended July 31, 2013, the following transactions were excluded from the condensed interim consolidated statement of cash flows:

a) Deferred exploration expenditures of $98,408 included in accounts payable and accrued liabilities at July 31, 2013, less expenditures included in accounts payable at April 30, 2013 of $29,288 (net exclusion of $69,120).

15. SUBSEQUENT EVENTS:

Subsequent to July 31, 2014:

a) The Company received an aggregate of $300,000 of Promissory Notes (Note 8).

b) On August 12, 2014, the Company settled $211,937 of interest payable on the Promissory Notes (Note 8) by the issuance of 741,233 common shares. The interest settled was for the period from January 1, 2014 to May 31, 2014.