

**Micrex Development Corporation**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED PREPARED BY MANAGEMENT)**

**For the six months ended February, 2015 and 2014**

## CONTENTS

Managements Responsibility for Condensed Interim Consolidated Financial Statements.....	3
Condensed Interim Consolidated Statements of Financial Position .....	4
Condensed Interim Consolidated Statements of Comprehensive Loss .....	5
Condensed Interim Consolidated Statements of Changes In Shareholders' Equity .....	6
Condensed Interim Consolidated Statements of Cash Flows .....	7
1. Corporate Information.....	8
2. Basis of Preparation .....	8
3. Summary of Significant Accounting Policies.....	9
4. Critical Accounting Estimates and Judgments .....	15
5. Cash at Bank.....	16
6. Exploration and Evaluation Assets.....	17
7. Property and Equipment .....	19
8. Other Liabilities .....	20
9. Promissory Notes.....	20
10. Granite Property Obligation.....	21
11. Share Capital and Reserves.....	21
12. Share-Based Payments .....	23
13. Income Taxes.....	25
14. Related Party Transactions.....	26
15. Segmental Reporting.....	27
16. Loss Per Share.....	27
17. Non-Cash Transactions .....	27
18. Financial Instruments .....	27
19. Capital Disclosure.....	29
20. Subsequent Events.....	29

## **Managements responsibility for Condensed Interim Consolidated Financial Statements**

The accompanying unaudited condensed interim consolidated financial statements of Micrex Development Corp. (the "Company" or "Micrex") are the responsibility of management and the Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### **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 condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed unaudited 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 financial statements.

DATED this 29th day of April, 2015.

MICREX DEVELOPMENT CORP.

# Micrex Development Corporation

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

As at	February 28, 2015	August 31, 2014
<b>Assets</b>		
<b>Current assets</b>		
Cash at bank (Note 5)	\$ 27,622	\$ 1,261
Prepaid expenses and deposits	3,000	5,000
Accounts receivable	7,855	38,157
<b>Total current assets</b>	<b>38,477</b>	<b>44,418</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (Note 6)	1,729,785	1,728,775
Property and equipment (Note 7)	439,220	439,963
<b>Total non-current assets</b>	<b>2,169,005</b>	<b>2,168,738</b>
<b>Total assets</b>	<b>\$ 2,207,482</b>	<b>\$ 2,213,156</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Trade and other payables (Note 14)	\$ 404,655	\$ 460,485
Promissory Notes (Note 9)	484,543	413,120
Due to shareholders and directors (Note 14)	428,268	295,586
Granite property obligation (Note 10)	100,000	100,000
Other liabilities (Note 8)	269,858	274,858
<b>Total current liabilities</b>	<b>1,687,324</b>	<b>1,544,049</b>
<b>Non-current liabilities</b>		
Granite property obligation (Note 10)	211,000	170,000
<b>Total non-current liabilities</b>	<b>211,000</b>	<b>170,000</b>
<b>Total liabilities</b>	<b>1,898,324</b>	<b>1,714,049</b>
<b>Shareholders' equity</b>		
Share capital (Note 11)	12,776,936	12,776,936
Contributed surplus (Note 11)	1,384,017	1,384,017
Accumulated deficit	(13,851,795)	(13,661,846)
<b>Total shareholders' equity</b>	<b>309,158</b>	<b>499,107</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,207,482</b>	<b>\$ 2,213,156</b>

Subsequent Events (Note 20).

Signed on behalf of the Board of Directors by: "Stanley Marshall" (signed)

\_\_\_\_\_  
"Max Morpurgo" (signed)

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

# Micrex Development Corporation

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

	Three months ended February 28,		Six months ended February 28,	
	2015	2014	2015	2014
<b>Expenses</b>				
Stock based compensation (Notes 12 and 14)	\$ -	\$ 20,844	\$ -	\$ 20,844
Consulting fees (Note 14)	75,000	75,000	75,000	75,000
Subcontract (Note 14)	20,700	14,300	27,600	38,000
Professional fees (Note 14)	12,541	13,432	13,116	29,673
Insurance	-	(145)	-	(145)
Office	336	1,845	5,023	5,705
Depreciation (Note 7)	372	531	744	1,062
Travel and promotion	335	461	1,071	2,172
Automotive	183	54	501	3,903
Telephone	2,262	3,147	4,562	6,343
Investor relations	4,344	2,527	7,989	6,617
Bank charges	1,094	356	1,920	721
Interest on promissory notes	6,094	4,652	11,423	5,923
Accretion on granite property obligation (Note 10)	21,000	-	41,000	-
Impairment of mineral properties (Note 6)	-	-	-	-
Reversal of impairment on mineral properties (Note 6)	-	-	-	-
<b>Total expenses</b>	<b>144,261</b>	<b>137,004</b>	<b>189,949</b>	<b>195,818</b>
<b>Other income and (expenses)</b>				
Other income (expenses)	-	-	-	-
Gain on sale of assets	-	-	-	123
<b>Total other income and (expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>123</b>
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (144,261)</b>	<b>\$ (137,004)</b>	<b>\$ (189,949)</b>	<b>\$ (195,695)</b>
<b>Loss per common share, basic and diluted (Note 16)</b>	<b>\$ (0.002)</b>	<b>\$ (0.002)</b>	<b>\$ (0.003)</b>	<b>\$ (0.003)</b>

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

# Micrex Development Corporation

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

	Share capital (Note 11)	Contributed surplus (Note 11)	Accumulated deficit	Total
<b>Balance at September 1, 2013</b>	\$ 12,746,936	\$ 1,363,173	\$ (12,576,875)	\$ 1,533,234
Loss for the year	-	-	(1,084,971)	(1,084,971)
Share capital issued (Note 11)	30,000	-	-	30,000
Share options issued	-	20,844	-	20,844
<b>Balance at August 31, 2014</b>	\$ 12,776,936	\$ 1,384,017	\$ (13,661,846)	\$ 499,107
Loss for the period	-	-	(189,949)	(189,949)
Share capital issued (Note 11)	-	-	-	-
Stock options issued	-	-	-	-
<b>Balance at February 28, 2015</b>	\$ 12,776,936	\$ 1,384,017	\$ (13,851,795)	\$ 309,158

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

# Micrex Development Corporation

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS ( UNAUDITED PREPARED BY MANAGEMENT )

Expressed in Canadian Dollars

For the six months ended	February 28, 2015	February 28, 2014
<b>Cash flows from operating activities</b>		
Loss for the period	\$ (189,949)	\$ (195,695)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation (Note 7)	744	1,062
Gain on sale of assets	-	(123)
Stock based compensation (Note 12)	-	20,844
Accretion on granite property obligation (Note 10)	41,000	-
Accrued interest on promissory notes	11,422	-
Impairment of mineral properties (Note 6)	-	-
Reversal of impairment on mineral properties (Note 6)	-	-
Changes in non-cash working capital balances:		
Accounts receivable	30,302	6,754
Prepaid expenses and deposits	2,000	-
Trade and other payables	(55,830)	(41,233)
Other liabilities	(5,000)	-
Cash generated from operations	(165,311)	(208,391)
Income tax renouncement, net (Note 8)	-	-
<b>Total cash inflows (outflows) from operating activities</b>	<b>(165,311)</b>	<b>(208,391)</b>
<b>Cash flows from investing activities</b>		
Investment in exploration and evaluation assets	(1,010)	11,060
Refund of exploration and evaluation deposit	-	-
Investment in property and equipment	-	(150,000)
Proceeds on disposal of assets	-	600
<b>Total cash (outflows) from investing activities</b>	<b>(1,010)</b>	<b>(138,340)</b>
<b>Cash flows from financing activities</b>		
Advances from shareholders and directors	132,682	29,650
Proceeds from promissory notes	60,000	316,081
<b>Total cash inflows from financing activities</b>	<b>192,682</b>	<b>345,731</b>
<b>Total (decrease) increase in cash during the period</b>	<b>26,361</b>	<b>(1,000)</b>
Cash and cash equivalents at beginning of period (Note 5)	1,261	10,440
<b>Cash and cash equivalents at end of period (Note 5)</b>	<b>\$ 27,622</b>	<b>\$ 9,440</b>

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

## 1. CORPORATE INFORMATION

Micrex Development Corporation's business activity is the exploration and evaluation of mineral properties in Canada and the United States. Micrex Development Corporation (the "Company") was incorporated under the Business Corporations Act (Alberta) on February 16, 1987. The Company is listed on the TSX Venture Exchange, having the symbol MIX, and is in the process of exploring its mineral properties.

The address of the Company's corporate office and principal place of business is 156 Laurier Drive, Edmonton, Alberta, Canada.

## 2. BASIS OF PREPARATION

### a) Statement of Compliance

The condensed interim consolidated financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements are prepared following the same accounting policies as the annual consolidated financial statements for the year ended August 31, 2014. The disclosures provided in these condensed interim consolidated financial statements are incremental to those included with the annual consolidated financial statements. Certain information and disclosures included in the notes to the annual financial statements are condensed herein or are disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended August 31, 2014.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2015.

### b) Basis of Measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, see note 3(f).

### c) Functional and Presentation Currency

The condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

### d) Use of Estimates and Judgments

The preparation of condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 4.

### e) Going Concern

The Company has not generated revenue from operations. The Company incurred a net loss of \$189,949 during the six months ended February 28, 2015 (2014 - \$195,695) and, as of that date, the Company's current liabilities exceeded its current assets by \$1,648,847 (2014 - \$335,565) and Company's accumulated deficit was \$13,851,795 (2014 - \$12,772,570). As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These matters indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue to meet its obligations as they become due.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements, unless otherwise indicated.

#### a) Basis of Consolidation

##### SUBSIDIARIES

The condensed interim consolidated financial statements include the financial statements of the Company and subsidiaries controlled by the Company. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses are eliminated in full on consolidation.

The Company holds a 100% interest in Gee Cee Mines Ltd. which acts as a bare trustee and owns claims relating to the Wild Horse Placer Mine and the 100% interest in the Big Horn Mine property and its related equipment. Gee Cee Mines Ltd. has no other operations, assets or liabilities.

The financial statements of the subsidiaries are prepared using the same reporting period as the parent company, using consistent accounting policies

The following entities have been consolidated within the Company's financial statements:

Entity	Registered	Holding	Principal activity
Micrex Development Corp.	Canada	Parent	Core business
Gee Cee Mines Ltd.	Canada	100%	Mineral properties rights holder

#### b) Foreign Currency Transactions

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the period-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the period-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a re-valued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive income consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

#### c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held on call with a financial institution. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

#### d) Mineral Exploration and Evaluation Expenditures

##### PRE-EXPLORATION COSTS

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

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

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## EXPLORATION AND EVALUATION EXPENDITURES

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (“E&E”) 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 period in which they occur.

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.

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 condensed interim consolidated statement of comprehensive loss.

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.

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 costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

## e) Property and Equipment

### RECOGNITION AND MEASUREMENT

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

### SUBSEQUENT COSTS, MAJOR MAINTENANCE AND REPAIRS

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

### GAINS AND LOSSES

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

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## DEPRECIATION

Depreciation is recognized in profit or loss and is provided on a declining balance basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	20%
Computer equipment	30%
Vehicles	30%
Field equipment	30%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Depletion of development assets is calculated on the units or production basis and commences when the property starts commercial production. Depletion is based on assessment of measured and indicated resources available to be extracted to the extent that such resources are considered to be economically recoverable.

### f) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. 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 six cash-generating units for which impairment testing is performed.

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

An impairment loss may be reversed in a situation where there is a change in the circumstances that had initially dictated that impairment had occurred.

### g) Financial Instruments

#### FINANCIAL ASSETS

Financial assets are classified into the following category 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:

#### Loans and Receivables

Loans and receivables include cash at bank, and accounts receivable. These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

#### 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.

## FINANCIAL LIABILITIES

### Financial Liabilities at Fair Value Through Profit and Loss

Financial liabilities at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. The Company designates certain liabilities at fair value through profit and loss. Financial instruments included in this category include financial instrument embedded derivatives and derivatives entered into by the Company that are not designated as hedging instruments.

These instruments are measured at fair value, both initially and subsequently. The related transaction costs are expensed. Gains and losses arising from changes in fair value of these instruments are recorded in the condensed interim consolidated statement of comprehensive loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at "fair value through profit or loss". The embedded derivative of Company's promissory notes is classified as financial liabilities at fair value through profit or loss.

### Other Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade and other payables, due to shareholder and directors, other liabilities, granite property obligation and promissory notes. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the condensed interim consolidated statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

## 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 period 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 mining assets. 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 period in which they occur. Since inception, the Company has not recognized any rehabilitation provision for its mineral properties.

## 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 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.

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

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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 period, 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

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, share warrants and flow-through common 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 expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

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 portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds in Note 8.

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 a financial expense until paid.

## EARNINGS / LOSS PER SHARE

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

## 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 immediately to the condensed interim consolidated statement of comprehensive income as the Company's options vest immediately.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

## **l) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets. All other borrowing costs are recognized in finance costs in the period in which they are incurred.

## **m) Standards, Amendments and Interpretations Not Yet Effective**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after September 1, 2014.

The following new standards, amendments and interpretations, that have not been early adopted in these condensed interim consolidated financial statements, will or may have an effect on the Company's future results and financial position:

- **IFRIC 21 Levies**

The IASB issued IFRIC 21, Levies in May 2013, which provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Company intends to adopt IFRIC 21 in its financial statements for the annual period beginning October 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements.

- **IAS 36 Impairment of Assets**

In May 2013 the IASB issued amendments to IAS 36 to reverse the unintended requirement in IFRS 13 Fair Value Measurement, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The Company intends to adopt the amendments in its financial statements for the annual period beginning October 1, 2014. As the amendments impact certain disclosure requirements only, the Company does not expect the amendments to have a material impact on the financial statements.

- **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 effective date of transition has not yet been determined. The Company is yet to assess the full impact of IFRS 9.

- **IFRS 15 Revenue from Contracts with Customers**

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years ending on or after December 31, 2017 and is available for early adoption. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Micrex Development Corporation 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 by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

### CRITICAL JUDGMENTS

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 condensed interim consolidated financial statements within the next financial year are discussed below:

#### i) Mineral Property Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure 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 period the new information becomes available.

#### ii) Rehabilitation Provisions

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including rehabilitation provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and also on properties in which it has previously had an interest.

The Company believes it conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

#### iii) Shareholder Indemnity

The Company raised capital through the issuance of flow through shares in 2013 which provided indemnity to the subscriber for additional taxes payable if the Company was unable to, or failed to, renounce the qualifying expenditures as agreed. The Company was not able to spend the flow through funds raised on eligible expenditures. The Company is exposed to costs for the indemnification of the subscribers which has been estimated and accrued (Note 8). The accrued amount is subject to measurement uncertainty due to the tax filing positions of the subscribers, their tax rates and the amount of personal taxes that may be payable and the interpretation of the indemnity agreement, which will not be known until potentially affected subscribers are reassessed for their tax positions by the Canada Revenue Agency and these amounts become known to the Company.

#### iv) Acquisitions

The Company applies judgment in determining whether the assets it acquires are considered to be asset acquisitions or business combinations. Key factors in this determination are whether processes have been established; whether the project is capable of being managed as a business by a market participant, and the nature of the additional work to convert resources into reserves. The Company has considered all acquisitions to date to be asset acquisitions.



## CRITICAL ACCOUNTING ESTIMATES

### i) Mineral Property Exploration and Evaluation Expenditure

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The amounts shown as mineral exploration and evaluation assets represent costs incurred after the acquisition of a qualifying technical evaluation less impairment, which the Company has chosen to defer until it gathers sufficient data on the mineral properties to determine if mineral reserves exist in large enough quantities of a sufficient grade to permit the economic recovery of such resources. The costs deferred do not necessarily represent present or future values. The recoverability of these amounts is dependent upon the discovery of economically recoverable mineral reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, commodity prices, changes in environmental and other government regulations, political and economic factors and future profitable production or proceeds from the disposition thereof. The recoverable amount is the greater of its value-in-use and its fair value less costs to sell. Value-in-use calculations require estimates for future recoverable resources, future commodity prices, expected future operating and capital costs and the current market assessment of the time value of money. Fair value less costs to sell involves estimates of the arm's length transaction price between knowledgeable, willing parties less the costs of disposal.

### ii) 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 share 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.

### iii) Market Interest Rate

The Promissory Notes and the Granite Property Obligation bear interest below the market rates. As a result, the Company estimated the fair value interest rate used to calculate the amortized cost of the loan payable based on the rate it expects it would be charged on a loan from third party (Note 10).

### iv) Expected Revenue

The Granite Property Obligation and the Promissory Notes both contain royalty which is based on a percentage of the gross revenue from granite property acquired during the year. Estimates have been used to determine the expected revenue from granite property in order calculated the expected cash disbursements related to the royalty. The timing and amount of the expected royalty cash disbursements have been used to determine the carrying value of the Granite Property Obligation and the Promissory Notes.

## 5. CASH AT BANK

Cash at banks earns interest at floating rates based on daily bank deposit rates.



# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

## 6. EXPLORATION AND EVALUATION ASSETS

	Burmis	Big Horn	Deadwood/ Mount Royal	Saint- Charles-de- Bourget - Quebec	Total
<b>Balance at September 1, 2013</b>	\$ -	\$ 350,000	\$ 244,541	\$ 1,507,501	\$ 2,102,042
Acquisition and Exploration costs	4,292	-	3,531	(26,798)	(18,975)
Impairment	(4,292)	(350,000)	-	-	(354,292)
<b>Balance at August 31, 2014</b>	\$ -	-	248,072	1,480,703	1,728,775
Acquisition and Exploration costs	-	-	-	1,010	1,010
Impairment	-	-	-	-	-
<b>Balance at February 28, 2015</b>	\$ -	\$ -	\$ 248,072	\$ 1,481,713	\$ 1,729,785

The Company assessed its future plans for its mineral exploration and evaluation assets at August 31, 2014 and at August 31, 2013 and determined there are indicators of impairment. As a result, the Company decided to record an impairment loss for its Burmis and Big Horn mineral properties based on Management's best estimate of fair value less costs to sell, recognizing an impairment of \$354,292 at August 31, 2014 (2013 - \$3,056,017).

**Burmis Magnetite Mine, Alberta:** The Company has a 32% (2014 - 32%) interest in the claims and 100% interest in all production from the claims relating to the Burmis Magnetite deposit located in the Crowsnest Pass area of Alberta. The Company originally acquired a 12% equity interest in this property in 1997 by the issuance of 100,000 common shares having a value of \$103,000, plus \$10,000 cash, plus a \$200,000 expenditure commitment which was fulfilled in a previous year. The purchase agreement provides the Company the right to acquire an additional 2% interest per year by the annual payment of \$70,000 by way of cash or common shares or the Company can purchase outright the remaining interest at any time. Accordingly, future payments totaling \$2,380,000 would be necessary to acquire the remaining 68% interest, although there is no commitment in place to acquire this additional interest. Management has assessed this property and has determined there to be an impairment in value. As a result the value of this property has been written down to zero, however, the Company still holds a valid license on the property.

**Big Horn Mine, British Columbia:** The Company has an 87.5% (2014 - 87.5%) interest in the Big Horn hard rock mine located in the Atlin area of British Columbia. This property was acquired in 1993 by the issuance of 2,747,283 common shares having a value of \$631,875 (\$159,270 for equipment; \$472,605 for mining property). Management has assessed this property and has determined there to be an impairment in value in 2013. As a result the value of this property had been written down to \$350,000 in fiscal 2013. Management reassessed this property in fiscal 2014 and determined there to be an impairment in value. As a result the value of this property has been written down to zero, however, the Company still holds a valid license on the property.

**Deadwood Mine, New Mexico:** The Company owns a 100% (2014 - 100%) interest in the Deadwood patented hard rock mine and Sunburst patented hard rock mine claim located in Catron County, New Mexico, U.S.A. The Company owns the land and mineral rights. The license is current on this property and the Company still considers it as an active property. No impairment has been provided during current or prior year.

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

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St. Charles de Bourget, Quebec: The Company owns a 33% (2014 33%) interest in the claims and 100% interest in all production from the claims relating to the Quebec magnetite deposit located near Chicoutimi, Quebec, Canada. The Company originally acquired a 12% interest in this property in the 2005 fiscal year by the issuance of 290,323 common shares having a fair value of \$90,290. The purchase agreement provides the Company the right to acquire an additional 2% interest per year by an annual payment of \$45,000 by way of cash or common shares or the Company can purchase outright the remaining equity interest at any time. In the current period nil (2014 - nil) common shares were issued to purchase another nil% (2013 - nil%) interest. Accordingly, future payments totalling \$1,520,000 would acquire the remaining 67% interest, although there is no commitment to acquire this additional interest. The interest is subject to a gross overriding royalty to the vendor upon commencement of production at the greater of 1% of gross sales or \$0.25 per ton. Decrease in value relates to refunds during the year which are credited against carrying value of the property. No impairment has been provided during current or prior periods.

Wild Horse, British Columbia: The Company owns 100% (2014 - 100%) interest in Wild Horse placer mine located in Fort Steele, British Columbia. This property was originally acquired in 1996, however management has assessed this property and has determined there to be an impairment in value. As a result the value of this property has been written down to zero, however, the Company still holds a valid license on the property.

Mount Royal, New Mexico: The Company owns a 33% (2014 - 33%) interest in the Mount Royal patented hard rock mine claim located in the Steeple Rock district of New Mexico, U.S.A. The Company owns the land and mineral rights. Management had assessed this property and had determined there to be an impairment in value in prior years and this property had been written down to zero. However, during fiscal 2013, Management's best estimate of fair value less costs to sell for the property was revisited, and the Company reversed the property impairment by \$111,065. The Company still holds a valid license on the property.

As of February 28, 2015, depreciation of \$nil (2014 - \$nil) has been capitalized to exploration and evaluation activities.

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

## 7. PROPERTY AND EQUIPMENT

	Saint-Alexis-des-Monts	Furniture and fixtures	Computer equipment	Vehicles	Field equipment	Total
<b>Cost</b>						
Balance at September 1, 2013	\$ -	\$ 750	\$ 50,608	\$ 40,540	\$ 415,250	\$ 507,148
Additions	435,000	-	-	-	-	435,000
Disposals	-	-	-	(40,540)	-	(40,540)
<b>Balance at August 31, 2014</b>	<b>435,000</b>	<b>750</b>	<b>50,608</b>	<b>-</b>	<b>415,250</b>	<b>901,608</b>
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>Balance at February 28, 2015</b>	<b>\$ 435,000</b>	<b>750</b>	<b>50,608</b>	<b>-</b>	<b>415,250</b>	<b>901,608</b>
<b>Depreciation and impairment losses</b>						
Balance at September 1, 2013	\$ -	726	44,337	40,063	414,458	499,584
Depreciation for the year	-	5	1,880	-	239	2,124
Disposals	-	-	-	(40,063)	-	(40,063)
<b>Balance at August 31, 2014</b>	<b>\$ -</b>	<b>731</b>	<b>46,217</b>	<b>-</b>	<b>414,697</b>	<b>461,645</b>
Depreciation for the period	-	2	659	-	83	744
Disposals	-	-	-	-	-	-
<b>Balance at February 28, 2015</b>	<b>\$ -</b>	<b>\$ 733</b>	<b>\$ 46,876</b>	<b>\$ -</b>	<b>\$ 414,780</b>	<b>\$ 462,389</b>
<b>Carrying amounts</b>						
At August 31, 2014	\$ 435,000	\$ 19	\$ 4,391	\$ -	\$ 553	\$ 439,963
At February 28, 2015	\$ 435,000	\$ 17	\$ 3,732	\$ -	\$ 470	\$ 439,219

Saint-Alexis-des-Monts granite property: During the 2014 fiscal year the Company purchased a 100% interest in a granite claim located near Saint-Alexis-des-Monts, Quebec. The Company agreed to pay \$680,000 plus 1,000,000 common shares of the Company for the property. The purchase price is payable as follows: \$150,000 in cash and 1,000,000 treasury shares at a deemed price of \$0.03 at closing (Note 11). In addition \$100,000 will be paid on each of the second, third, fourth and fifth anniversary dates of closing and \$30,000 will be paid on the sixth anniversary date. The Company shall have the right to elect annually to pay part or all of each annual payment in treasury shares at the then current market price. In addition, the vendor will receive a production royalty of 20% of net sales to be paid quarterly until such time as a total of \$100,000 has been paid. The anniversary and royalty payment were present valued using a market interest rate (Note 10). The Company also capitalized \$15,000 of legal costs that were directly attributed to the acquisition of the property.

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

## 8. OTHER LIABILITIES

Other liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuances.

### a) Flow-through Shares

	<u>Total</u>
<b>Balance at September 1, 2013</b>	<b>\$ -</b>
Federal Government Part XII.6 tax	21,549
Quebec Government tax	21,549
Indemnity liability to shareholders due to full amount of renounced expenditures not having been expended	231,760
<b>Balance at August 31, 2014</b>	<b>274,858</b>
Indemnity payment to a shareholder	(5,000)
<b>Balance at February 28, 2015</b>	<b>\$ 269,858</b>

## 9. PROMISSORY NOTES

	<u>February 28, 2015</u>	<u>August 31, 2014</u>
Prior year ending balance	\$ 413,120	\$ 86,978
Promissory notes issued	60,000	310,000
Accrued interest	11,423	16,142
<b>Balance at the end of the period</b>	<b>\$ 484,543</b>	<b>\$ 413,120</b>

The Company has entered into the Promissory Note arrangements as follows:

On November 19, 2014 the Company issued a promissory note of \$60,000 to a related party. The note is due on demand and pays interest at the rate of 5% per annum. Interest is payable on the earlier of on demand or the last day of each year both before and after demand, default and judgment, with interest on overdue interest payable at the same rate.

During the 2013 fiscal year the Company entered into promissory note arrangements in the total amount of \$85,000. The principal amount is repayable on December 31, 2014. Interest is payable on the principal amount outstanding at 6% per annum, calculated annually, with interest on the outstanding principal payable semi-annually on June 30 and December 31 of each year commencing June 30, 2013. As additional compensation for making the 2013 loans the Company granted the holder warrants, each warrant entitling the holder to purchase one common share from treasury for \$0.10 until December 31, 2014. The amount of warrants to be issued is equal to 40% of the principal amount divided by \$0.10. The total number of warrants issued was 340,000 (Note 11). Management has determined that the fair value of the warrants issued was nominal.

During the 2014 fiscal year the Company entered into a promissory note arrangement in the total amount of \$10,000. The principal amount is repayable on December 31, 2014. Interest is payable on the principal amount outstanding at 5% per annum, calculated annually, with interest on the outstanding principal payable semi-annually on June 30 and December 31 of each year commencing June 30, 2014.

During the 2014 fiscal year the Company issued \$300,000 in 3 year promissory notes which carry a 5% interest rate plus a 5% sales royalty on sales from the granite quarry until repaid, and then converts to a 2% royalty. The Company has the option to repurchase the royalty at any time, 2 years from the promissory note is repaid, for a total of \$300,000. The principal amount is repayable on December 31, 2016. The Company has the option to repay the notes at any time prior to the maturity date. Interest is payable on the principal amount outstanding at 5% per annum, calculated annually, with interest on the outstanding principal payable semi-annually on June 30 and December 31 of each year commencing June 30, 2014.

The fair value of the 3 year promissory notes issued during the 2014 fiscal year at initial recognition was estimated to be \$300,000 based on a fair value interest rate of 30% and a lump-sum principal repayment on the maturity date, December 31, 2016. As well the Company has estimated expected revenues to determine the estimated cash disbursements related to the

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

royalty. The estimated revenues will be revised when additional information becomes available, which impact the carrying value of the promissory notes. Any adjustment will be recorded to the statement of loss. A 10% increase or decrease in the estimated revenues would result in a \$10,000 change in the value of the promissory note.

During the 2014 fiscal year and in the current period the Company was required to make interest payments on the 3 year promissory notes issued during the 2014 fiscal year. The Company did not make the scheduled interest payments. As result of this default the promissory notes have been presented as current liabilities. As security for its obligations the Company will grant to the holders, upon request, a first ranking general security interest against its present and after acquired property.

Under the promissory notes agreement, in the event of a change of Company's control, the holder is entitled to put the promissory notes to the Company at 101% of par, plus accrued and unpaid interest, if any, to the date of purchase. This option is considered to be an embedded derivative.

The prepayment option and the change in control requirement are closely related to the underlying debt instrument. Thus, the Company has not separately accounted for these features as derivative liabilities on a fair value basis.

There were no changes to the derivative financial instrument fair value from the date of issue to February 28, 2015.

## 10. GRANITE PROPERTY OBLIGATION

As mentioned in Note 7 the Company acquire the Saint-Alexis-des-Monts granite property. Under the terms of the purchase agreement an additional \$430,000 is payable as follows: \$100,000 will be paid on each of the second, third, fourth and fifth anniversary dates of closing and \$30,000 will be paid on the sixth anniversary date. The Company shall have the right to elect annually to pay part or all of each annual payment in treasury shares at the then current market price. In addition, the vendor will receive a production royalty of 20% of net sales to be paid quarterly until such time as a total of \$100,000 has been paid.

The fair value of the granite property obligation at initial recognition was estimated to be \$240,000 based on a fair value interest rate of 30% and payments based on the anniversary dates mentioned above. As well the Company has estimated revenues to determine the amount and timing of the cash disbursements related to the royalty. The Company has estimated it will incur royalty payments of \$100,000 within the next year.

The Company recorded \$41,000 (2013 \$nil) of accretion related to the obligation during the period.

## 11. SHARE CAPITAL AND RESERVES

### a) Common Shares

The Company is authorized to issue an unlimited number of common voting shares.

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.

The following is a summary of changes in common share capital from September 1, 2013 to February 28, 2015:

	Number of shares	Issue price	Amount
<b>Balance at September 1, 2013</b>	<b>57,937,439</b>		<b>\$ 12,746,936</b>
Issued for acquisition of granite property	1,000,000	\$ 0.03	30,000
<b>Balance at August 31, 2014</b>	<b>58,937,439</b>		<b>12,776,936</b>
Issued for acquisition of granite property	-	\$ -	-
<b>Balance at February 28, 2015</b>	<b>58,937,439</b>		<b>\$ 12,776,936</b>

On June 13, 2014, 1,000,000 common shares were issued as part of the purchase price of the Saint-Alexis-des-Monts granite property for a total value of \$30,000. The shares were issued at a fair value price of \$0.03 per share.

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

On August 28, 2013, 450,000 common shares were issued for a 2% interest acquisition in the St. Charles mineral properties for a total value of \$45,000. The shares were issued at the fair value of \$0.10 per share.

During the period, nil (2014 - nil) warrants were exercised for proceeds of \$nil (2014 - \$nil).

## b) Preferred Shares

The Company is authorized to issue 10,000,000 preferred shares and 10,000,000 convertible preferred shares. Preferred shares and convertible preferred shares may be issued in one or more series. The directors are authorized to fix the number of shares in each series to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

No preferred shares have been issued since the Company's inception.

## c) Contributed Surplus

The following is a summary of changes in contributed surplus from September 1, 2013 to February 28, 2015:

	February 28, 2015		August 31, 2014	
Prior year ending contributed surplus amount	\$	1,384,017	\$	1,363,173
Fair value of stock options issued (Note 12)		-		20,844
<b>Contributed Surplus</b>	<b>\$</b>	<b>1,384,017</b>	<b>\$</b>	<b>1,384,017</b>

## d) Share Purchase Warrants

The following is a summary of changes in warrants from September 1, 2013 to February 28, 2015:

	Number of Warrants	
<b>Balance as at September 1, 2013</b>	<b>6,571,388</b>	
Expiry of warrants	(6,231,388)	
<b>Balance as at August 31, 2014</b>	<b>340,000</b>	
Expiry of warrants	(340,000)	
<b>Balance as at February 28, 2015</b>	<b>-</b>	

As at February 28, 2015, the Company had no outstanding warrants.

## e) Nature and Purpose of Equity and Reserves

The reserves recorded in shareholders' equity on the Company's condensed interim consolidated statement of financial position include 'Contributed Surplus', and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and broker warrants/options prior to exercise.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings from year to year.

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

## 12. SHARE-BASED PAYMENTS

### a) Option Plan Details

The Company has a stock option plan administered by the Board of Directors under which the Company may reserve a maximum of 10% of the issued and outstanding listed common shares. Under this plan, the Company currently has outstanding options for 5,228,743 (2014 - 5,793,743) common shares, having various exercise prices as determined on the date of issuance of the options. The options have no vesting period, may be exercised at any time within five years of issuance and expire thirty days following the date the optionee ceases to be a director, officer or employee, or one year following the date of death of the optionee. All options issued are exercisable as at the end of the year.

The following is a summary of changes in stock options from September 1, 2014 to February 28, 2015:

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the Year			Closing Balance	Vested and Exercisable	Unvested	Remaining Contractual Life
				Granted	Exercised	Lapsed				
04/15/2010	04/15/2015	\$0.17	870,000	-	-	-	870,000	870,000	-	.1
10/18/2010	10/18/2015	\$0.11	746,000	-	-	-	746,000	746,000	-	.6
01/06/2011	01/06/2016	\$0.22	375,521	-	-	-	375,521	375,521	-	.8
03/24/2011	03/24/2016	\$0.24	968,570	-	-	-	968,570	968,570	-	1.1
12/09/2011	12/09/2016	\$0.16	381,484	-	-	-	381,484	381,484	-	1.7
04/24/2012	04/24/2017	\$0.10	578,452	-	-	-	578,452	578,452	-	2.1
07/16/2012	07/16/2017	\$0.10	787,616	-	-	-	787,616	787,616	-	2.3
01/10/2014	01/10/2019	\$0.10	521,100	-	-	-	521,100	521,100	-	3.8
			5,228,743	-	-	-	5,228,743	5,228,743	-	1.7
Weighted Average Exercise Price			\$ 0.15	\$ -	\$ -	\$ -	\$ 0.15	\$ 0.15	\$ -	-

The following is a summary of changes in stock options from September 1, 2013 to August 31, 2014:

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the Year			Closing Balance	Vested and Exercisable	Unvested	Remaining Contractual Life
				Granted	Exercised	Lapsed				
01/02/2009	01/02/2014	\$0.10	234,336	-	-	(234,336)	-	-	-	-
07/06/2009	07/06/2014	\$0.10	565,000	-	-	(565,000)	-	-	-	-
04/15/2010	04/15/2015	\$0.17	870,000	-	-	-	870,000	870,000	-	.6
10/18/2010	10/18/2015	\$0.11	746,000	-	-	-	746,000	746,000	-	1.1
01/06/2011	01/06/2016	\$0.22	375,521	-	-	-	375,521	375,521	-	1.4
03/24/2011	03/24/2016	\$0.24	968,570	-	-	-	968,570	968,570	-	1.6
12/09/2011	12/09/2016	\$0.16	381,484	-	-	-	381,484	381,484	-	2.3
04/24/2012	04/24/2017	\$0.10	578,452	-	-	-	578,452	578,452	-	2.6
07/16/2012	07/16/2017	\$0.10	787,616	-	-	-	787,616	787,616	-	2.9
01/10/2014	01/10/2019	\$0.10	-	521,100	-	-	521,100	521,100	-	4.4
			5,506,979	521,100	-	(799,336)	5,228,743	5,228,743	-	1.7
Weighted Average Exercise Price			\$ 0.15	\$ 0.10	\$ -	\$ 0.10	\$ 0.15	\$ 0.15	\$ -	-

The fair value of the share options granted in the periods ended February 28, 2015 and August 31, 2014, using the Black-Scholes option pricing model, are as follows:

January 10, 2014: The assumptions utilized in determining the value of 521,100 stock options issued to two directors were a share price of \$0.04, a strike price of \$0.10, a risk-free interest rate of 1.44%, volatility of 177%, expected dividend yield of nil, and a maturity of 5 years. The estimate of the fair value of the options issued is \$20,844, which are fully vested. The Company has estimated a 0% forfeiture rate, as the options vested immediately.

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

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Total stock based compensation expense for the period was \$- (2014 - \$20,844). Option pricing models require the input of subjective assumptions and, accordingly, the fair value estimates can vary as a result of changes in the assumptions.

Volatility was determined based on Company's historical share prices.

## b) Fair Value of Options Issued During the Period

The weighted average fair value at grant date of stock options granted during the period ended February 28, 2015 was \$nil per option (2014 - \$.04).

### OPTIONS ISSUED TO EMPLOYEES

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

### OPTIONS ISSUED TO NON-EMPLOYEES

Options issued to non-employees are measured based on the fair value of the goods or services received at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably the options are measured by determining the fair value of the options granted, using a valuation model.



# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

## 13. INCOME TAXES

The Company's statutory tax rate for the year ending August 31, 2014 is 25.0% (2013 - 25.0%).

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate are as follows:

	August 31, 2014	August 31, 2013
Loss before income taxes	\$ (1,084,971)	\$ (3,251,660)
Tax recovery based on the statutory rate of 25.0% (2013 - 25.0%)	(271,243)	(812,915)
Stock based compensation not deductible for tax	5,211	-
Flow-through share premium	-	(30,625)
Expired losses	67,611	-
Renounced expenditures	-	126,993
Other adjustments	(139,902)	-
Non-deductible expenses	65,703	1,922
Change in unrecognized deferred tax assets	272,620	714,625
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

### Deferred Tax Assets and Liabilities

The deferred tax liability has been offset by a deferred tax asset and the remaining deferred tax assets have not been recognized:

	August 31, 2014	August 31, 2013
Property, plant and equipment	\$ 61,067	\$ 20,849
Exploration and evaluation assets	(159,434)	(340,410)
Deferred financing and share issue costs	16,243	29,773
Non-capital losses carried forward	1,143,634	1,078,678
	<b>\$ 1,061,510</b>	<b>\$ 788,890</b>

Deferred tax assets have not been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is unlikely that these assets will be recovered.

As at August 31, 2014, the Company had estimated capital losses for Canadian tax purposes of \$nil. These losses do not expire and may be utilized to reduce future capital gains, if any.

As at August 31, 2014, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. A summary of these tax losses is provided below.

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

## Tax Losses

These tax losses will expire as follows:

<u>Year of expiry</u>	<u>Taxable losses</u>
2015	\$ 300,787
2026	358,184
2027	314,318
2028	594,187
2030	609,686
2031	617,113
2032	685,081
2033	564,913
2034	530,268
<b>Total</b>	<b>\$ 4,574,537</b>

## 14. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the period:

### a) Due to Shareholders and Directors

The balance of \$428,268 (August 2014 - \$295,586) due to shareholders and directors are unsecured, non interest bearing and are due on demand.

### b) Promissory Notes

From the total amount of \$60,000 (2014 - \$310,000) in promissory notes issued during the period (Note 9), \$60,000 (2014 - \$244,000) was from related parties.

### c) Legal Fees

Legal fees of \$2,676 (2014 - \$18,729), incurred in connection with the Company's financings as well as general corporate matters, were expended to a law firm of which one partner is corporate secretary of the Company. At February 28, 2015, \$107,818 (2014 - \$39,933) owing to this legal firm was included in accounts payable.

### d) Subcontract Services

During the period, the Company recorded expenses of \$20,700 (2014 - \$38,000) to certain shareholders for subcontract services. At February 28, 2015, \$13,800 (2014 - \$15,000) owing was included in accounts payable.

### e) Key Management Compensation

Key management personnel compensation comprised:

	<u>February 28, 2015</u>	<u>February 28, 2014</u>
Short term employee benefits and consulting fees	\$ 75,000	\$ 75,000
Share-based payments	-	20,844
	<b>\$ 75,000</b>	<b>\$ 95,844</b>

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

## 15. SEGMENTAL REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

	February 2015 Property and equipment and mineral exploration properties	August 2014 Property and equipment and mineral exploration properties
Canada	\$ 1,920,758	\$ 1,920,460
United States	248,247	248,278
	<b>\$ 2,169,005</b>	<b>\$ 2,168,738</b>

## 16. LOSS PER SHARE

The basic loss per share amount is calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period. The effect of the conversion of options, warrants and other equity instruments would be anti-dilutive, making the basic and diluted loss per share equal.

### a) Weighted Average Number of Common Shares:

	February 28, 2015	February 28, 2014
Issued common shares at the beginning of the period	58,937,439	57,937,439
Effect of shares issued	-	-
Weighted average number of common shares (basic and diluted)	<b>58,937,439</b>	<b>57,937,439</b>

### b) Loss per Share

	February 28, 2015	February 28, 2014
Net and comprehensive loss	\$ (189,949)	\$ (195,695)
Weighted average number of common shares (basic and diluted)	58,937,439	57,937,439
<b>Basic and diluted loss per share</b>	<b>\$ (0.003)</b>	<b>\$ (0.003)</b>

## 17. NON-CASH TRANSACTIONS

Significant non-cash transactions for the period consist of the issuance of common shares as consideration for acquisition of interests in mining properties as follows:

- During the 2014 fiscal year Saint-Alexis-des-Monts granite property issuance of 1,000,000 common shares with a value of \$30,000 as part of the purchase of the property.
- No income taxes were paid or received during the current and prior period.

## 18. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of cash and cash equivalents, and accounts receivable which will result in future cash receipts, as well as trade and other payables due to shareholders and directors, other liabilities, and promissory notes, which will result in future cash outlays.

# Micrex Development Corporation

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED PREPARED BY MANAGEMENT)

Expressed in Canadian Dollars

For the six months ended February 28, 2015 and 2014

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The Company's activities expose it to a variety of risks in respect of certain of the financial instruments held. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

## a) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices.

### i) Commodity Risk

The Company is exposed to fluctuations in commodity prices and has no contracts in place to mitigate these exposures.

## b) Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. Cash and cash equivalents are held with a reputable Canadian chartered bank, from which management believes the risk of loss to be minimal.

A significant portion of accounts receivable consists of sales tax receivable from government authorities in Canada. Management believes that the credit risk concentration with respect to financial instruments included in sales tax receivable is minimal.

There was no allowance for doubtful accounts recorded in 2015 (2014 - \$nil).

## c) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. The Company currently does not have enough cash to cover the current trade and other payable, due to shareholders and directors, promissory notes granite property obligation and other liabilities. The Company has historically raised funds through the issuance of debt, equity, or monetization of non-core assets. The Company will continue to review additional sources of capital and replacement debt structures to continue its operations and discharge its commitments as they become due.

Besides the promissory notes, which mature on December 31, 2016 and the granite property obligation (Note 10), the Company has no financial instruments maturing beyond one year.

## d) Fair Value Risk

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The condensed interim consolidated statement of financial position carrying amounts for cash and cash equivalents, accounts receivable, trade and other payables, due to shareholders and directors, and other liabilities approximate its fair value due to the immediate or short term maturity of these instruments. Due to the use of subjective judgments and uncertainties in the determination of fair values, these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

### Fair value hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the promissory note derivatives are level 3 measurements respectively.

## 19. CAPITAL DISCLOSURE

The capital structure of the Company consists of equity attributable to common shareholders and includes share capital of \$12,776,936 (August 2014 - \$12,776,936), contributed surplus of \$1,384,017 (August 2014 - \$1,384,017), less an accumulated deficit of \$13,851,795 (August 2014 - \$13,661,846).

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

The properties in which the Company currently has interests in are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital, raise additional funds as needed and look for profitable sale opportunities of their properties when available. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

There were no changes in the Company's approach to capital management during the period ended February 28, 2015. The Company is not subject to externally imposed capital requirements.

## 20. SUBSEQUENT EVENTS

Except as disclosed elsewhere in these condensed interim consolidated financial statements, the Company has had no events after the reporting date requiring additional disclosure.