

**AUGUSTINE VENTURES INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTH PERIOD**  
**ENDED MAY 31, 2014**

(UNAUDITED – PREPARED BY MANAGEMENT)

Notice to Reader

Under National Instrument 51-102, Part 4, paragraph 4.3(3)(a), if an auditor has not performed a review of 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 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 unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# AUGUSTINE VENTURES INC.

## Condensed Interim Statements of Financial Position (unaudited)

(Expressed in Canadian Dollars)

	As at May 31 2014	As at November 30 2013
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (note 5)	\$ 149,090	\$ 163,189
Sundry receivables (note 6)	59,658	38,829
Prepaid expenses	3,389	5,492
<b>Total current assets</b>	<b>212,137</b>	<b>207,510</b>
<b>Non-current</b>		
Property, plant and equipment (note 7)	74,751	84,708
Exploration and evaluation assets (note 8)	3,023,812	2,872,616
<b>Total non-current assets</b>	<b>3,098,563</b>	<b>2,957,324</b>
<b>Total assets</b>	<b>\$ 3,310,700</b>	<b>\$ 3,164,834</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 9)	\$ 487,022	\$ 424,497
Due to related parties (note 10)	868,017	795,153
<b>Total liabilities</b>	<b>1,355,039</b>	<b>1,219,650</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 11)	3,490,919	3,425,106
Reserves for warrants (note 11)	426,073	1,950,114
Reserves for share-based payments (note 12)	2,797,266	1,097,538
Deficit	(4,758,597)	(4,527,574)
<b>Total shareholders' equity</b>	<b>1,955,661</b>	<b>1,945,184</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,310,700</b>	<b>\$ 3,164,834</b>

Basis of preparation and going concern assumption (note 1)

Commitments (note 15)

Events subsequent to the reporting period (note 16)

Approved by the Board:

"John Sadowski"

Director

"Robert Dodds"

Director

# AUGUSTINE VENTURES INC.

## Condensed Interim Statements of Comprehensive Loss (unaudited)

(Expressed in Canadian Dollars)

	3 months ended		6 months ended	
	May 31	May 31	May 31	May 31
	2014	2013	2014	2013
<b>Expenses</b>				
Depreciation (note 7)	\$ 4,978	\$ 6,621	\$ 9,957	\$ 13,242
Directors fees (note 10)	15,500	17,500	28,000	32,000
General and administrative	8,414	23,589	17,163	40,962
Interest expense (note 10)	5,497	1,019	10,865	2,036
Management fees (note 10)	30,000	60,000	60,000	120,000
Professional fees	9,050	7,500	17,250	15,810
Rent and occupancy costs (notes 10,15)	22,124	12,741	44,155	19,403
Salaries and benefits	-	18,015	12,096	38,144
Shareholder services and public company costs	5,187	16,696	31,537	38,996
Share based payments (note 12)	-	68,877	-	96,777
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (100,750)</b>	<b>\$ (232,558)</b>	<b>\$ (231,023)</b>	<b>\$ (417,370)</b>
<b>Loss per common share (basic and fully diluted) (note 13)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>				
Basic and diluted (note 13)	46,934,399	35,776,790	44,507,559	34,728,438

# AUGUSTINE VENTURES INC.

## Condensed Interim Statements of Cash Flows (unaudited)

(Expressed in Canadian Dollars)

	6 months ended	
	May 31 2014	May 31 2013
<b>Cash provided by (used in) operating activities</b>		
Net loss for the period	\$ (231,023)	\$ (417,370)
Share based payments	-	96,777
Depreciation	9,957	13,242
Changes in non-cash working capital items		
Sundry receivables	(20,829)	(17,674)
Prepaid expenses	2,103	
Accounts payable	62,525	105,485
Due to related parties	72,864	136,598
	<b>(104,403)</b>	<b>(82,942)</b>
<b>Cash provided by (used in) investing activities</b>		
Acquisition of exploration and evaluation assets	-	(36,413)
Mining property exploration and evaluation expenses	(151,196)	(134,979)
	<b>(151,196)</b>	<b>(171,392)</b>
<b>Cash provided by (used in) financing activities</b>		
Issuance of share capital	<b>241,500</b>	<b>220,400</b>
Increase (decrease) in cash and cash equivalents	(14,099)	(33,934)
Cash and cash equivalents, beginning of the period	163,189	78,177
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 149,090</b>	<b>\$ 44,243</b>
<b>Cash and cash equivalents consists of:</b>		
Cash	\$ 139,090	\$ 34,243
Short-term investments (note 5)	10,000	10,000
	<b>\$ 149,090</b>	<b>\$ 44,243</b>

## AUGUSTINE VENTURES INC.

### Condensed Interim Statements of Changes in Shareholders' Equity (unaudited)

(Expressed in Canadian Dollars)

	Share capital		Reserves for	Reserves for	Deficit	Total
	Shares	Amounts	Share-based payments	Warrants		
<b>Balances, November 30, 2012</b>	<b>33,376,790</b>	<b>\$ 3,071,510</b>	<b>\$ 762,122</b>	<b>\$ 2,091,014</b>	<b>\$ (3,858,822)</b>	<b>\$ 2,065,824</b>
Private placements	8,400,000	540,000	-	-	-	540,000
Shares issued for exploration and evaluation assets	250,000	5,000	-	-	-	5,000
Warrant valuation	-	(98,400)	-	98,400	-	-
Costs of issue - cash	-	(56,668)	-	-	-	(56,668)
Costs of issue - compensation warrants	-	(8,736)	8,736	-	-	-
Share-based payments	-	-	87,380	-	-	87,380
Expiry of warrants	-	-	239,300	(239,300)	-	-
Flow through premium	-	(27,600)	-	-	-	(27,600)
Net loss for the year	-	-	-	-	(668,752)	(668,752)
<b>Balances, November 30, 2013</b>	<b>42,026,790</b>	<b>3,425,106</b>	<b>1,097,538</b>	<b>1,950,114</b>	<b>(4,527,574)</b>	<b>1,945,184</b>
Private placements	5,250,000	262,500	-	-	-	262,500
Warrant valuation	-	(162,673)	-	162,673	-	-
Costs of issue - cash	-	(21,000)	-	-	-	(21,000)
Costs of issue - compensation warrants	-	(13,014)	13,014	-	-	-
Share-based payments	-	-	-	-	-	-
Expiry of warrants	-	-	1,686,714	(1,686,714)	-	-
Net loss for the period	-	-	-	-	(231,023)	(231,023)
<b>Balances, May 31, 2014</b>	<b>47,276,790</b>	<b>\$ 3,490,919</b>	<b>\$ 2,797,266</b>	<b>\$ 426,073</b>	<b>\$ (4,758,597)</b>	<b>\$ 1,955,661</b>

# **AUGUSTINE VENTURES INC.**

**Notes to Condensed Interim Financial Statements (unaudited)**

**May 31, 2014 and 2013**

**(Expressed in Canadian Dollars)**

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## **1. Nature of operations and going concern**

Augustine Ventures Inc. ("Augustine" or the "Company") was established on May 7, 1997 as Black Mountain Minerals Inc. by statutory amalgamation of Triangle Capital Energy Corp. and Per-X Minerals Inc. pursuant to the provisions of the *Business Corporations Act* (Ontario). The Company engages in the exploration and evaluation of mining properties in Canada. To date, the Company has not earned any revenues from its mining properties and is considered to be in the exploration and evaluation stage. The Company is listed on the Canadian Securities Exchange (CSE) under the symbol WAW. The primary office of the Company is located at 130 King Street West, Suite 720, Toronto, Ontario, Canada, M5X 1A6.

The Company is in the exploration stage and has not yet determined whether its mineral properties contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for exploration and evaluation assets is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral properties, and if they are proven successful, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to dispose of its interest on an advantageous basis; all of which are uncertain.

The amount shown for exploration and evaluation assets does not necessarily represent its present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation assets. These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has a working capital deficiency as at May 31, 2014 of \$1,142,902 (November 30, 2013 - \$1,012,140) and will need to raise additional capital in the near term to fund its ongoing operations and exploration activities. As a result of these circumstances, there are material uncertainties which cast significant doubts as to the appropriateness of the going concern presumption. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and classifications in the statement of financial position that may be necessary were the Company unable to continue as a going concern and these adjustments could be material.

## **2. Basis of preparation and summary of significant accounting policies**

These condensed interim financial statements of the Company for the six month period ended May 31, 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

These condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended November 30, 2013 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The condensed interim financial statements have been prepared using accounting policies consistent with those used in the Company's November 30, 2013 annual financial statements.

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

The condensed interim financial statements were authorized for issue by the Board of Directors on July 24, 2014.

The preparation of 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 financial statements are disclosed in note 3.

# AUGUSTINE VENTURES INC.

## Notes to Condensed Interim Financial Statements (unaudited)

May 31, 2014 and 2013

(Expressed in Canadian Dollars)

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### *Basis of measurement*

These condensed interim financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified as at fair value through profit or loss, which are measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

### *Significant accounting judgments and estimates*

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *Future accounting changes*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for annual periods beginning on or after January 1, 2013 or later periods. Many are not applicable to or do not have a significant impact on the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

- (i) IFRS 9 - 'Financial instruments' ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board. The standard is effective for years beginning January 1, 2018.
- (ii) IFRS 11 - Joint arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- (iii) IFRS 12 - Disclosure of interests in other entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, subsidiaries, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

# AUGUSTINE VENTURES INC.

## Notes to Condensed Interim Financial Statements (unaudited)

May 31, 2014 and 2013

(Expressed in Canadian Dollars)

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- (iv) IFRS 13 - Fair value measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- (v) IAS 27 - Separate Financial Statements ("IAS 27") was reissued in May 2011 and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. As the consolidation guidance will now be included in IFRS 10, IAS 27 will only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IAS 39 (or IFRS 9 if early adopted) Financial Instruments.
- (vi) In October 2011, the IASB issued IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine. This interpretation requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. Retrospective application of this interpretation is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

### 3. Critical accounting estimates and judgments

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- (i) the recoverability of sundry receivables that are included in the statement of financial position;
- (ii) the recoverability of exploration and evaluation expenditures incurred on the Company's property interests;
- (iii) although the Company has taken steps to verify title to mining properties in which it has an interest, these procedures do not guarantee the Company's title and such properties may be subject to prior agreements or transfers and title may be affected by undetected issues;
- (iv) the estimated useful lives and residual value of property and equipment which are included in the financial statements and the related depreciation included in profit or loss;
- (v) the inputs used in accounting for share based payment transactions and in valuation of warrants included in financial assets at fair value through profit or loss;
- (vi) management's position that there are no income tax considerations required within these unaudited condensed interim financial statements; and
- (vii) management's judgment in determining the functional currency of the Company as Canadian Dollars.

#### *Critical accounting judgments*

#### *Income taxes and recovery of deferred tax assets*

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes



# AUGUSTINE VENTURES INC.

## Notes to Condensed Interim Financial Statements (unaudited)

May 31, 2014 and 2013

(Expressed in Canadian Dollars)

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only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

### *Restoration, rehabilitation and environmental obligations*

Management's assumption of no material restoration, rehabilitation and environmental exposure, is based on the facts and circumstances that existed in the current and prior periods.

## 4. Financial instruments and risk exposures

The Company's financial instruments consist of cash and cash equivalents, sundry receivables, accounts payable and accrued liabilities, and due to related parties.

Financial assets and financial liabilities were as follows:

<b>May 31, 2014</b>	Other liabilities (\$)	Loans and receivables (\$)	Assets/(liabilities) at fair value through profit/loss (\$)	Total (\$)
Cash and cash equivalents	-	-	149,090	149,090
Sundry receivables	-	59,658	-	59,658
Accounts payable and accrued liabilities	487,022	-	-	487,022
Due to related parties	868,017	-	-	868,017

<b>November 30, 2013</b>	Other liabilities (\$)	Loans and receivables (\$)	Assets/(liabilities) at fair value through profit/loss (\$)	Total (\$)
Cash and cash equivalents	-	-	163,189	163,189
Sundry receivables	-	38,829	-	38,829
Accounts payable and accrued liabilities	424,497	-	-	424,497
Due to related parties	795,153	-	-	795,153

The Company's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk, interest rate risk and market risk, which includes commodity and equity price risks. Risk management is carried out by the Company's management with guidance from the Audit Committee. It is management's opinion that the Company is not exposed to significant credit risk, currency or market risks arising from the financial instruments.

### *Currency risk*

As the majority of the Company's expenditures are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars.

### *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is mainly held through a chartered Canadian financial institution.

# **AUGUSTINE VENTURES INC.**

## **Notes to Condensed Interim Financial Statements (unaudited)**

**May 31, 2014 and 2013**

**(Expressed in Canadian Dollars)**

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The majority of the Company's sundry receivables are comprised of sales tax refunds due from government authorities in Canada and deposits held with service providers in the form of advances. The tax receivable is in good standing and was not past due as of May 31, 2014. Management believes that the credit risk concentration with respect to this financial instrument is low.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. As at May 31, 2014, the Company has working capital deficiency of \$1,146,291 (November 30, 2013 - \$1,102,140). It is management's opinion that the Company is exposed to liquidity risk in that it had a working capital deficiency; however, it continues its discussions with its creditors to delay formal demands for payment of their receivables.

### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

### *Commodity price and equity price risk*

The Company is not exposed to commodity price risk with respect to prices for gold and other precious metals because the Company is not in the production stage and the Company does not hold any of above commodities. The Company is also not exposed to equity price risk because it does not hold any investment in marketable securities that are subject to equity price fluctuation.

### *Sensitivity analysis*

The Company believes the sensitivity to a plus or minus 1% change in interest rates would not have a significant impact on the reported net loss for the period ended May 31, 2014 because other than the related party loans, which have a fixed interest term, none of the Company's assets or liabilities bear interest.

## **5. Restricted cash**

The Company has one credit card with a major financial institution with an aggregate credit limit of \$10,000. The financial institution holds \$10,000 in a Guaranteed Investment Certificate as collateral on the credit amount as long as the credit card is active. The restricted cash amount would change if there were any change in the credit limit on the card.

# AUGUSTINE VENTURES INC.

## Notes to Condensed Interim Financial Statements (unaudited)

May 31, 2014 and 2013

(Expressed in Canadian Dollars)

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### 6. Sundry receivables

	As at May 31, 2014 (\$)	As at November 30, 2013 (\$)
Harmonized sales tax recoverable	29,581	28,510
Sundry receivables	30,077	10,319
	<u>59,658</u>	<u>38,829</u>

Harmonized sales tax recoverable and sundry receivables are not past due.

### 7. Property, plant and equipment

	Furniture and equipment (\$)	Mining equipment (\$)	Computer equipment (\$)	Vehicles (\$)	Totals (\$)
<b>Cost:</b>					
Balance, November 30, 2012	65,500	5,000	33,358	25,545	129,403
Additions	-	-	-	-	-
Balance, November 30, 2013	65,500	5,000	33,358	25,545	129,403
Additions	-	-	-	-	-
Balance, May 31, 2014	<u>65,500</u>	<u>5,000</u>	<u>33,358</u>	<u>25,545</u>	<u>129,403</u>
<b>Depreciation and impairment losses:</b>					
Balance, November 30, 2012	1,638	125	6,862	9,587	18,212
Depreciation for the year	12,772	975	7,949	4,787	26,483
Balance, November 30, 2013	14,410	1,100	14,811	14,374	44,695
Depreciation for the period	5,109	390	2,782	1,676	9,957
Balance, May 31, 2014	<u>19,519</u>	<u>1,490</u>	<u>17,593</u>	<u>16,050</u>	<u>54,652</u>
<b>Carrying amounts:</b>					
At November 30, 2012	63,862	4,875	26,496	15,958	111,191
At November 30, 2013	51,090	3,900	18,547	11,171	84,708
At May 31, 2014	<u>45,981</u>	<u>3,510</u>	<u>15,765</u>	<u>9,495</u>	<u>74,751</u>

# AUGUSTINE VENTURES INC.

## Notes to Condensed Interim Financial Statements (unaudited)

May 31, 2014 and 2013

(Expressed in Canadian Dollars)

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### 8. Exploration and evaluation assets

As at May 31, 2014, the carrying value of the Company's exploration and evaluation assets was as follows:

	Surluga (\$)	Oakley (\$)	Brackin (\$)	Total (\$)
Balance, November 30, 2012	2,101,730	478,150	1	2,579,881
Acquisition costs	41,413	-	-	41,413
Exploration costs	251,323	-	-	251,323
Impairment	-	-	(1)	(1)
Balance, November 30, 2013	2,394,466	478,150	-	2,872,616
Acquisition costs	-	-	-	-
Exploration costs	151,196	-	-	151,196
Balance, May 31, 2014	2,545,662	478,150	-	3,023,812

#### *Wawa properties*

##### Surluga

Pursuant to the terms of an option agreement dated September 22, 2010 (the "Option Agreement"), as amended by an amending agreement dated November 25, 2010, entered into between the Company, Delta Uranium Inc. ("Delta") and Delta Precious Metals (Ontario) Inc. ("DPMI") and also pursuant to the terms of an assignment agreement dated September 15, 2010 (the "Assignment Agreement") entered into between the Company, Delta, DPMI, Citadel Gold Mines Inc. ("Citadel") and Citabar Limited Partnership ("Citabar"), the Company acquired an option to earn a 60% interest in the Surluga Property, which encompasses 172 mineral claims in McMurray Township, southeast of the town of Wawa, Ontario.

Pursuant to the terms of the Assignment Agreement, Citabar and Citadel consented to Delta and DPMI assigning their rights under an option agreement dated April 16, 2009, as amended, (the "Delta Option Agreement") whereby Delta and DPMI granted DPMI the exclusive right to earn an undivided 60% interest in the Surluga Property. In consideration for Citabar's consent for the assignment, the Company agreed to issue an aggregate of 1,000,000 common shares to Citabar as follows:

- (1) 250,000 common shares on November 10, 2010, being the date that the Ontario Ministry of Northern Development, Mines and Forestry consents to the transfer of the Surluga Property from Citadel to Citabar (the "Consent Date"), of which the said 250,000 common shares have been issued on December 22, 2010; and
- (2) an additional 250,000 common shares on each of the first, second and third year anniversaries of the Consent Date. The 250,000 common shares pertaining to each of the first and second anniversaries were issued.

Pursuant to the Option Agreement, the Company has agreed to pay Delta an aggregate of \$100,000 and issue an aggregate of 3,810,000 common shares of which the \$100,000 has been paid during the fiscal year ended November 30, 2010 and the 3,810,000 common shares later issued on December 22, 2010. This transaction was completed at fair value. However the transaction is considered a related party transaction because Delta and the Company had common officers, a director and that Delta was a significant shareholder of the Company (at the time of the transaction) after they received shares from the option agreement.

## **AUGUSTINE VENTURES INC.**

**Notes to Condensed Interim Financial Statements (unaudited)**

**May 31, 2014 and 2013**

**(Expressed in Canadian Dollars)**

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Due to the provisions of the above noted agreements and pursuant to the original agreements between the original property owner and Citadel, the Company was also committed to make additional cash payments to the original property vendor in the amount of \$35,000 US each on or before February 1, 2013 and 2012, which payments were made.

Pursuant to an Amending Agreement dated October 12, 2012 with Citabar Limited Partnership ("Citabar") and Delta, certain terms to earn a 60% interest in the Wawa Gold Project have been amended to provide that the date to have spent an additional \$1,500,000 in eligible property expenditures by November 10, 2012 (for an aggregate of \$2,000,000 of eligible property expenditures) had been extended to June 30, 2013. For consideration of Citabar entering into the Amending Agreement, the Company issued an additional 500,000 common shares in the capital of the Company to Citabar.

On March 18, 2013, the Company reached a further amending agreement ("Second Amending Agreement") with Citabar to amend the Option Agreement. Under the Second Amending Agreement, the Company has an option to earn an undivided 60% interest in the Surluga Property from Citabar by expending an aggregate of \$4.0 million in eligible expenditures on or before November 30, 2013. Under the Second Amending Agreement, the Company also shall have the right to acquire an additional undivided 15% ownership interest on the Wawa Gold Project by expending an additional \$4.0 million in eligible expenditures (for an aggregate total of \$8.0 million in eligible expenditures) on or before June 30, 2015.

In consideration for amending the Option Agreement, the Company shall, upon the closing of the \$3.5 million private placement, announced on April 2, 2013, if successful, issue to Citabar such number of common shares of the Company that would result in Citabar owning, in the aggregate, 30% of the issued and outstanding common shares of the Company, excluding shares that Citabar or its affiliates own prior to the \$3.5 million private placement.

Effective October 21, 2013, the Company reached a Third Amending Agreement with Citabar to further amend the original Option Agreement and Second Amending Agreement. Under the Third Amending Agreement, Citabar agreed to extend the date to earn an undivided 60% interest in the Wawa Gold Project from Citabar by expending an aggregate of \$4 million in eligible expenditures from November 30, 2013 to June 30, 2014, subject to the Company demonstrating to the satisfaction of Citabar, in Citabar's sole discretion, that the Company have firm commitments of sufficient financing by December 15, 2013 and having received the proceeds of such funding by January 15, 2014. Subsequent to January 15, 2014, Citabar waived the requirement for the Company to have sufficient financing by December 15, 2013 and having received the proceeds of such funding by January 15, 2014. In consideration for amending the Option Agreement, the Company shall, upon having spent sufficient funds so as to earn in a 60% interest in the Wawa Gold Project, issue to Citabar such number of the Company's common shares that will represent 30% of the issued and outstanding common shares of the Company, independent of the shares already owned by Citabar and any of its wholly owned subsidiaries and affiliates.

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The following table summarizes the Company's requirements as at May 31, 2014, updated to reflect the Third Amending Agreement to earn its 75% interest in the Surluga property:

	Cash payments (\$)	Number of common shares	Exploration expenditures (\$)
Paid on signing	100,000		
Consent date (issued December 22, 2010)		250,000	
November 10, 2011 (completed)		250,000	500,000
February 1, 2012 (\$35,000 US - paid)	35,534		
November 10, 2012 (issued)		250,000	
February 1, 2013 (\$35,000 US - paid)	36,413		
November 10, 2013 (issued)		250,000	
June 30, 2014 (i)			3,500,000
June 30, 2015			4,000,000
	171,947	1,000,000	8,000,000

(i) The Company has negotiated an extension to its June 30, 2014 commitment (see note 16 - events subsequent to the reporting period).

As at May 31, 2014, the Company had expended a total of \$1,845,030 in exploration expenditures.

#### Additional staked claims

In March 2011 and April 2012, the Company staked an additional 5 mining claims contiguous to the Surluga property.

#### Oakley Lake

On September 27, 2011, the Company purchased 22 mining claims comprising 161 claim units located in McMurray and Naveau Townships southeast of Wawa, Ontario (the "Oakley Lake Property").

Under the terms of the agreement, the Company acquired a 100% undivided interest in and to the Oakley Lake Property subject to a royalty of 2% of Net Smelter Returns ("Net Smelter Royalty") for and in consideration of \$30,000 cash (paid during fiscal 2011) and the issuance of 2,000,000 shares in the capital stock of the Company, which shares were issued at a value of \$0.22 per common share (being \$440,000 in the aggregate), based on the average closing price of the Company's common shares as traded on the Canadian National Stock Exchange at that time. The Company also has the option to purchase one-half of the Net Smelter Royalty (i.e. 1% of Net Smelter Returns) at any time up to the commencement of commercial production from the Oakley Lake Property for the price of \$1,000,000. This transaction was at arm's length to the Company.

#### Brackin Township

The Company holds a 100% interest in 4 patented mining claims located in Brackin Township, Ontario. The carrying value of \$1 is impaired and the property was written off during 2013.

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### 9. Accounts payable and accrued liabilities

Accounts payable and other liabilities of the Company are principally comprised of amounts outstanding for purchases relating to exploration costs on exploration and evaluation assets, general operating activities, amounts payable for financing activities and professional fees activities.

	As at May 31, 2014 (\$)	As at November 30, 2013 (\$)
Accounts payable	464,522	394,997
Accrued liabilities	22,500	29,500
	<u>487,022</u>	<u>424,497</u>

The following is an aged analysis of the accounts payable and other liabilities:

	As at May 31, 2014 (\$)	As at November 30, 2013 (\$)
Current to 2 months	205,473	131,935
From 2 to 3 months	23,915	58,209
Greater than 3 months	257,634	234,353
	<u>487,022</u>	<u>424,497</u>

### 10. Related party disclosure

During the period ended May 31, 2014, the Company entered into the following transactions with related parties:

- (a) The Company paid or accrued fees to its senior officers totaling \$60,000 (2013 - \$120,000). Included in due to related parties are amounts of \$478,750 (2013 - \$427,750) due to current and former officers with respect of such fees. These amounts are non-interest bearing and are due on demand.
- (b) The Company accrued or paid directors fees totaling \$20,000 (2013 - \$32,000) to directors of the Company for their services as directors. Included in due to related parties are amounts of \$104,053 (2013 - \$142,350) due to current and former directors as a group with respect of such fees. These amounts are non-interest bearing and are due on demand.
- (c) During the fiscal year ended November 30, 2012, the Company received an aggregate of \$48,000 in loans evidenced by convertible promissory notes (the "2012 Notes") that were due on January 31, 2013 and for which the Company granted general security agreements in favour of the lenders. Pursuant to the terms of the 2012 Notes, the holders could elect to convert some or all of the principal outstanding on or before their due date into units of the Company comprised of one common share and one common share purchase warrant. On their due date, the holders of the 2012 Notes elected to continue to receive interest on the 2012 Notes and not convert into units. One of the 2012 Notes in the amount of \$13,000 is being held by the President and Chief Executive Officer of the Company and as such, is a related party to the Company. The remainder of the 2012 Notes totaling \$35,000 are held by two holders who are shareholders of the Company.

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During the fiscal year ended November 30, 2013, the Company received an aggregate of \$220,000 in loans evidenced by convertible promissory notes (the "2013 Notes") that are due on June 30, 2014 and for which the Company has granted general security agreements in favour of the lenders. One of the 2013 Notes in the amount of \$20,000 is being held by the President and Chief Executive Officer of the Company and as such, is a related party to the Company. The remainder of the 2013 Notes totaling \$200,000 are held by two holders who are shareholders of the Company. The 2013 Notes continue to accrue interest.

As at November 30, 2012, the Company had a non-interest bearing loan of \$20,000 due to the Chief Executive Officer and such loan was repaid during fiscal 2013.

As at May 31, 2014, included in due to related parties are the following amounts for the outstanding 2012 and 2013 Notes:

	<b>Amounts (\$)</b>
Principal - 2012 Notes	48,000
Principal - 2013 Notes	220,000
Accrued interest - 2012 Notes	6,759
Accrued interest - 2013 Notes	10,445
	<b>285,204</b>

(d) Key management personnel compensation during the period is comprised of:

	<b>May 31, 2014 (\$)</b>	<b>May 31, 2013 (\$)</b>
Management fees (a)	60,000	120,000
Directors' fees (b)	28,000	32,000
Share based payments	-	80,647
	<b>88,000</b>	<b>232,647</b>

(e) From January 1, 2011 to July 31, 2012, the Company subleased its office space from Delta on a month to month basis at a rate of \$7,500 per month. At the time Delta was considered a related party to the Company due to reasons disclosed in Note 8. Effective August 1, 2012, the Company entered into a tenancy agreement whereby it agreed to assume the entire office space and therefore all obligations with respect to the office lease at a rate of \$10,701 per month. The office obligation was until July 31, 2013, at which time the Company had the option to extend the office lease for a further five years at a rate to be agreed upon between the Company and the landlord. Effective December 1, 2012, the Company entered into a sublease arrangement with an unrelated third party for the third party to occupy and therefore assume the remaining lease obligations at those premises.

(f) During the fiscal year ended November 30, 2012, the Company accrued a \$200,000 severance as a result of the termination of employment agreement with the former CEO of the Company. This amount is included as part of the overall compensation to the management and officer of the Company disclosed in part (a) above. The severance payment will occur in eighteen consecutive monthly installments of \$11,111 and will begin immediately following the Company's next cumulative capital raises totaling \$2.5 million dollars, which as at May 31, 2014, has not yet been raised.



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- (g) During the fiscal year ended November 30, 2013, directors and officers of the Company subscribed for a total of 2,700,000 units at the price of \$0.05 per unit for gross proceeds of \$135,000 (see note 11 - share capital and reserves).

### 11. Share capital and reserves

#### Common shares summary

The Company is authorized to issue an unlimited number of common shares without par value. The holders of the common shares 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 November 30, 2012 to May 31, 2014:

Date		Number of Shares	Amount (\$)
<b>November 30, 2012</b>	<b>Balances</b>	<b>33,376,790</b>	<b>3,071,510</b>
February 7, 2013	Private placement (1)	1,200,000	120,000
February 28, 2013	Private placement (2)	1,200,000	120,000
July 4, 2013	Private placement (3)	6,000,000	300,000
November 9, 2013	Issued for mining property (4)	250,000	5,000
	Warrant valuation		(98,400)
	Cost of issue - cash		(56,668)
	Cost of issue - compensation warrants		(8,736)
	Flow-through premium		(27,600)
November 30, 2013	Balances	42,026,790	3,425,106
March 6, 2014	Private placement (5)	5,250,000	262,500
	Warrant valuation		(162,673)
	Cost of issue - cash		(21,000)
	Cost of issue - compensation warrants		(13,014)
<b>May 31, 2014</b>	<b>Balances</b>	<b>47,276,790</b>	<b>3,490,919</b>

- (1) Financing for 800,000 non-flow through units and 400,000 flow through units at the price of \$0.10 per unit for gross proceeds of \$120,000. Each flow through unit consisted of one common share and one-half of one common share purchase warrant and non-flow through unit consisted of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 expiring on February 7, 2015. The value of the associated warrants was estimated to be \$26,000 using the Black-Scholes pricing option model and was disclosed as a separate component of shareholders' equity (see "Warrants summary" below). As a result of this private placement, the Company paid cash commissions of \$19,600 and issued 96,000 compensation warrants with an estimated value of \$2,976 assigned to these broker warrants (see "Compensation warrants summary" in note 12).
- (2) Financing for 1,200,000 flow through units at the price of \$0.10 per Unit for gross proceeds of \$120,000. Each flow through unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 expiring on February 28, 2015. The value of the associated warrants was estimated to be \$17,400 using the Black-Scholes pricing option model and was disclosed as a separate component of shareholders' equity (see "Warrants summary" below). No commissions were paid as a result of this private placement.

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- (3) Financing for 1,000,000 flow through units and 5,000,000 non-flow through units at the price of \$0.05 per unit for gross proceeds of \$300,000. Each flow through unit consisted of one common share and one-half of one common share purchase warrant and non-flow through unit consisted of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 expiring on July 4, 2015. The value of the associated warrants was estimated to be \$55,000 using the Black-Scholes pricing option model and was disclosed as a separate component of shareholders' equity (see "Warrants summary" below). As a result of this private placement, the Company paid cash commissions of \$37,068 and issued 480,000 compensation warrants with an estimated value of \$5,760 assigned to these broker warrants (see "Compensation warrants summary" in note 12).
- (4) Issuance of 250,000 common shares at the price of \$0.05 per common share with regard to the Delta Option Agreement.
- (5) Financing for 4,305,000 flow through units and 945,000 non-flow through units at the price of \$0.05 per unit for gross proceeds of \$262,500. Each flow through unit consisted of one common share and one common share purchase warrant and each non-flow through unit consisted of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.05 expiring on March 5, 2017. The value of the associated warrants was estimated to be \$162,673 using the Black-Scholes pricing option model and was disclosed as a separate component of shareholders' equity (see "Warrants summary" below). As a result of this private placement, the Company paid cash commissions of \$21,000 and issued 420,000 compensation warrants with an estimated value of \$13,014 assigned to these broker warrants (see "Compensation warrants summary" in note 12).

### Warrants summary

The Company issued warrants in connection with private placements and is disclosed as a separate component of shareholders' equity. The following tables summarize changes in warrant balances from November 30, 2012 to May 31, 2014.

Changes in warrants from the year ended November 30, 2013 to the period ended May 31, 2014:

Grant Date	Expiry Date	Exercise Price (\$)	Opening Balance	Granted	Exercised	Expired	Closing Balance
Dec. 22, 2010	Dec. 22, 2013 (a)	0.40	5,075,000	-	-	(5,075,000)	-
Feb. 8, 2011	Feb. 8, 2014 (a)	0.40	3,512,500	-	-	(3,512,500)	-
Mar. 23, 2011	Mar. 23, 2014 (a)	0.40	2,300,000	-	-	(2,300,000)	-
Dec. 29, 2011	Dec. 29, 2013	0.50	1,075,000	-	-	(1,075,000)	-
Mar. 22, 2012	Mar. 21, 2016	0.25	1,000,000	-	-	-	1,000,000
Feb 7, 2013	Feb. 7, 2015	0.20	1,000,000	-	-	-	1,000,000
Feb. 28, 2013	Feb. 28, 2015	0.20	600,000	-	-	-	600,000
July 4, 2013	July 4, 2015	0.10	5,500,000	-	-	-	5,500,000
March 6, 2014	March 5, 2017	0.05	-	5,250,000	-	-	5,250,000
			<b>20,062,500</b>	<b>5,250,000</b>	<b>-</b>	<b>(11,962,500)</b>	<b>13,350,000</b>
<b>Weighted average exercise price (\$)</b>			<b>0.30</b>	<b>0.05</b>	<b>-</b>	<b>0.41</b>	<b>0.10</b>

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Changes in warrants from the year ended November 30, 2012 to the year ended November 30, 2013:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Opening Balance</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired</b>	<b>Closing Balance</b>
Dec. 22, 2010	Dec. 22, 2013 (a)	0.40	5,075,000	-	-	-	5,075,000
Feb. 8, 2011	Feb. 8, 2014 (a)	0.40	3,512,500	-	-	-	3,512,500
Mar. 23, 2011	Mar. 23, 2014 (a)	0.40	2,300,000	-	-	-	2,300,000
Apr. 27, 2011	Apr. 27, 2013	0.40	761,250	-	-	(761,250)	-
June 13, 2011	June 13, 2013	0.40	526,875	-	-	(526,875)	-
July 28, 2011	July 28, 2013	0.40	345,000	-	-	(345,000)	-
Dec. 29, 2011	Dec. 29, 2013	0.50	1,075,000	-	-	-	1,075,000
Mar. 22, 2012	Mar. 21, 2016	0.25	1,000,000	-	-	-	1,000,000
Feb 7, 2013	Feb. 7, 2015	0.20	-	1,000,000	-	-	1,000,000
Feb. 28, 2013	Feb. 28, 2015	0.20	-	600,000	-	-	600,000
July 4, 2013	July 4, 2015	0.10	-	5,500,000	-	-	5,500,000
			<b>14,595,625</b>	<b>7,100,000</b>	<b>-</b>	<b>(1,633,125)</b>	<b>20,062,500</b>
<b>Weighted average exercise price (\$)</b>			<b>0.40</b>	<b>0.12</b>	<b>-</b>	<b>0.40</b>	<b>0.30</b>

- (a) On December 7, 2012, the Company extended the expiry date of these warrants by one year; the dates above reflect the amended expiry dates.

The fair values of the associated warrants were estimated on their dates of issue using the Black-Scholes option pricing model and the following assumptions:

<b>Issue Date</b>	<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Market Price (\$)</b>	<b>Risk Free Interest Rate (%)</b>	<b>Expected Volatility Range (%)</b>	<b>Average Expected Life (years)</b>	<b>Expected Dividend Yield (%)</b>	<b>Fair Values (\$)</b>
Apr. 27, 2011	Apr. 27, 2013 (b)	0.40	0.20	1.66	190	2	0	114,949
June 13, 2011	June 13, 2013 (b)	0.40	0.20	1.88	180	2	0	76,396
July 28, 2011	July 28, 2013 (b)	0.40	0.20	1.68	172	2	0	47,955
Dec. 22, 2010	Dec. 22, 2013 (b)	0.40	0.20	1.66	190	2	0	766,326
Dec. 29, 2011	Dec. 29, 2013 (b)	0.50	0.15	0.95	160	2	0	91,375
Feb. 8, 2011	Feb. 8, 2014 (b)	0.40	0.20	1.88	180	2	0	509,313
Mar. 23, 2011	Mar. 23, 2014 (b)	0.40	0.20	1.68	172	2	0	319,700
								<b>1,926,014</b>
Mar. 22, 2012	Mar. 21, 2016	0.25	0.18	1.71	179	4	0	165,000
Feb. 7, 2013	Feb. 7, 2015	0.20	0.05	1.16	155	2	0	26,000
Feb. 28, 2013	Feb. 28, 2015	0.20	0.055	0.99	155	2	0	17,400
July 4, 2013	July 4, 2015	0.10	0.02	1.20	155	2	0	55,000
Mar. 6, 2014	Mar. 5, 2017	0.05	0.05	1.07	100	3	0	162,673
								<b>426,073</b>

- (b) These warrants expired unexercised.

The expected price volatility was based on the historic volatility (based on the remaining life of the warrants), adjusted for any expected changes to future volatility due to publicly available information.

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*Reserves for share-based payments summary:*

	Amounts (\$)
<b>Balance, November 30, 2012</b>	<b>762,122</b>
Share based payments (note 12)	87,380
Fair value of compensation warrants (note 12)	8,736
Reallocation of value from expired warrants	239,300
	<b>1,097,538</b>
<b>Balance, November 30, 2013</b>	
Share based payments (note 12)	-
Fair value of compensation warrants (note 12)	13,014
Reallocation of value from expired warrants	1,686,714
	<b>2,797,266</b>

## 12. Share based payments

### *Stock option plan details*

The Company has an incentive stock option plan (the "Plan") enabling the Board of Directors to grant options to employees, directors and officers of the Company and persons providing ongoing services to the Company. The purpose of the Plan is to attract, retain and motivate management, staff, consultants and other qualified individuals by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and benefit from its growth.

As at May 31, 2014, the maximum number of common shares which may be set aside for issue under the Plan was 7,119,581 common shares, provided that the Board has the right, from time to time, to increase such number subject to the approval of the shareholders of the Company. Any shares subject to an option which for any reason is cancelled or terminated prior to exercise will be available for a subsequent grant under the Plan. The option price of any common shares cannot be less than the closing price of the shares on the day immediately preceding the day upon which the option is granted. Options granted under the Plan may be exercised during a period not exceeding ten (10) years, subject to earlier termination upon the optionee ceasing to be an employee, senior officer, director or consultant of the Company or any of its affiliates, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. The options are non-transferable. The Plan contains provisions for adjustment in the number of shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the common shares, a merger or other relevant changes in the Company's capitalization. The Board of Directors may from time to time amend or revise the terms of the Plan or may terminate the Plan at any time.

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### Stock options granted

The following tables summarize changes in stock option balances from November 30, 2012 to May 31, 2014.

Changes in stock options from the year ended November 30, 2013 to the period ended May 31, 2014:

Grant Date	Expiry Date	Exercise Price (\$)	Opening Balance	Granted	Exercised	Expired / Forfeited	Closing Balance	Vested and Exercisable	Unvested
Nov. 24, 2009	Nov. 24, 2014	0.10	60,000	-	-	60,000	-	-	-
Jan. 12, 2012	Jan. 1, 2014	0.20	475,000	-	-	(472,500)	-	-	-
Jan. 12, 2012	June 1, 2014 (a)	0.20	675,000	-	-	(65,000)	610,000	610,000	-
Jan. 25, 2013	Jan. 24, 2015	0.10	330,000	-	-	-	330,000	330,000	-
Apr. 30, 2013	Apr. 30, 2016	0.10	2,600,000	-	-	(75,000)	2,525,000	2,525,000	-
			<b>4,140,000</b>	<b>-</b>	<b>-</b>	<b>(675,000)</b>	<b>3,465,000</b>	<b>3,465,000</b>	<b>-</b>
<b>Weighted average exercise price (\$)</b>			<b>0.13</b>	<b>-</b>	<b>-</b>	<b>0.18</b>	<b>0.12</b>	<b>0.12</b>	<b>-</b>

(a) These options expired unexercised after the interim period ended May 31, 2014.

Changes in stock options from the year ended November 30, 2012 to the year ended November 30, 2013:

Grant Date	Expiry Date	Exercise Price (\$)	Opening Balance	Granted	Exercised	Expired / Forfeited	Closing Balance	Vested and Exercisable	Unvested
Nov. 24, 2009	Nov. 24, 2014	0.10	367,196	-	(133,598)	(173,598)	60,000	60,000	-
Apr. 25, 2011	Oct. 3, 2013	0.20	865,000	-	-	(865,000)	-	-	-
Jan. 12, 2012	Oct. 3, 2013	0.20	1,055,000	-	-	(1,055,000)	-	-	-
Jan. 12, 2012	Jan. 1, 2014	0.20	527,500	-	-	(52,500)	475,000	475,000	-
Jan. 12, 2012	June 1, 2014	0.20	1,030,000	-	-	(355,000)	675,000	675,000	-
Jan. 25, 2013	Jan. 24, 2015	0.10	-	330,000	-	-	330,000	247,500	82,500
Apr. 30, 2013	Apr. 30, 2016	0.10	-	2,600,000	-	-	2,600,000	2,600,000	-
			<b>3,844,696</b>	<b>2,930,000</b>	<b>(133,598)</b>	<b>(2,501,098)</b>	<b>4,140,000</b>	<b>4,057,500</b>	<b>82,500</b>
<b>Weighted average exercise price (\$)</b>			<b>0.19</b>	<b>0.10</b>	<b>0.10</b>	<b>0.19</b>	<b>0.13</b>	<b>0.13</b>	<b>0.10</b>

The Company applies the fair value method of accounting for stock-based compensation awards. For valuation purposes, the fair values of options granted were estimated on their dates of grant using the Black-Scholes option pricing model and the following assumptions:

Grant Date	Expiry Date	Exercise Price (\$)	Market Price (\$)	Risk Free Interest Rate (%)	Expected Volatility Range (%)	Average Expected Life (years)	Expected Dividend Yield (%)	Fair Values (\$)
Nov. 24, 2009	Nov. 24, 2014	0.10	0.054	2.54	100	5	0	13,219
Apr. 25, 2011	Apr. 1, 2013	0.20	0.20	1.83	171	2	0	130,975
Jan. 12, 2012	Oct. 1, 2013	0.20	0.16	0.99	155	1.72	0	106,925
Jan. 12, 2012	Jan. 1, 2014	0.20	0.16	0.99	154	1.97	0	54,482
Jan. 12, 2012	June 1, 2014	0.20	0.16	0.99	165	2.39	0	155,620
Jan. 25, 2013	Jan. 24, 2015	0.10	0.07	1.14	154	2	0	3,878
Apr. 30, 2013	Apr. 30, 2016	0.10	0.035	0.97	154	3	0	65,000

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### Compensation warrants summary

The Company issued compensation warrants in connection with private placements (see note 12 - share capital and reserves). The following tables summarize changes in compensation warrant balances from November 30, 2012 to May 31, 2014.

Changes in compensation warrants from the year ended November 30, 2013 to the period ended May 31, 2014:

Issue Date	Expiry Date	Exercise Price (\$)	Opening Balance	Granted	Exercised	Expired	Closing Balance
Dec. 22, 2010	note (b)	0.20	492,000	-	-	-	492,000
Feb. 8, 2011	note (b)	0.20	312,000	-	-	-	312,000
Mar. 23, 2011	note (b)	0.20	216,000	-	-	-	216,000
Dec. 29, 2011	Dec. 29, 2013	0.20	52,500	-	-	(52,500)	-
Mar. 22, 2012	Mar. 21, 2016	0.25	80,000	-	-	-	80,000
Feb. 7, 2013	Feb. 7, 2015	0.10	96,000	-	-	-	96,000
July 4, 2013	July 4, 2015	0.05	480,000	-	-	-	480,000
Mar. 6, 2014	Mar. 5, 2017	0.05	-	420,000	-	-	420,000
			1,728,500	420,000	-	(52,500)	2,096,000
<b>Weighted average exercise price (\$)</b>			<b>0.16</b>	<b>0.05</b>	<b>-</b>	<b>0.20</b>	<b>0.13</b>

Changes in compensation warrants from the year ended November 30, 2012 to the year ended November 30, 2013:

Issue Date	Expiry Date	Exercise Price (\$)	Opening Balance	Granted	Exercised	Expired	Closing Balance
Dec. 22, 2010	note (b)	0.20	492,000	-	-	-	492,000
Feb. 8, 2011	note (b)	0.20	312,000	-	-	-	312,000
Mar. 23, 2011	note (b)	0.20	216,000	-	-	-	216,000
Dec. 29, 2011	Dec. 29, 2013	0.20	52,500	-	-	-	52,500
Mar. 22, 2012	Mar. 21, 2016	0.25	80,000	-	-	-	80,000
Feb. 7, 2013	Feb. 7, 2015	0.10	-	96,000	-	-	96,000
July 4, 2013	July 4, 2015	0.05	-	480,000	-	-	480,000
			1,152,500	576,000	-	-	1,728,500
<b>Weighted average exercise price (\$)</b>			<b>0.20</b>	<b>0.06</b>	<b>-</b>	<b>-</b>	<b>0.16</b>

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For valuation purposes, the fair values of compensation warrants granted were estimated on their dates of issue using the Black-Scholes option pricing model and the following assumptions:

Issue Date	Expiry Date	Exercise Price (\$)	Market Price (\$)	Risk Free Interest Rate (%)	Expected Volatility Range (%)	Average Expected Life (years)	Expected Dividend Yield (%)	Fair Values (\$)
Dec. 22, 2010	note (b)	0.20	0.20	1.66	190	2	0	81,180
Feb. 8, 2011	note (b)	0.20	0.20	1.88	180	2	0	49,920
Mar. 23, 2011	note (b)	0.20	0.20	1.68	172	2	0	33,696
Dec. 29, 2011	Dec. 29, 2013	0.20	0.15	0.95	160	2	0	5,565
Mar. 22, 2012	Mar. 21, 2016	0.20	0.18	1.71	179	4	0	13,360
Feb. 7, 2013	Feb. 7, 2015	0.10	0.055	0.99	155	2	0	2,976
July 4, 2013	July 4, 2015	0.05	0.02	1.20	155	2	0	5,760
Mar. 6, 2014	Mar. 5, 2017	0.05	0.05	1.07	100	3	0	13,014

- (b) In addition to commissions paid pertaining to private placements that closed in fiscal 2011, the Company issued at arm's length an aggregate of 1,020,000 compensation warrants. Each compensation warrant entitles the holder thereof to acquire one Unit at an exercise price of \$0.20 per Unit (the "Unit") for a period of two years from the date that the Company completes either: (i) a distribution to the public of common shares in Canada pursuant to a prospectus and the concurrent listing of the common shares for trading on a recognized stock exchange, or (ii) another transaction as a result of which all outstanding common shares, or the securities of another issuer issued in exchange for all such outstanding common shares, are traded on a recognized stock exchange and are freely tradable (subject to control block restrictions) (the "Liquidity Event").

Each Unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional common share of the Company at \$0.40 expiring two years from the Liquidity Event. The Liquidity Event has not as yet occurred.

The expected price volatilities were based on the average historic volatility of three similar companies as historical price data for the Company's common shares is insufficient (based on the remaining life of the stock and compensation options), adjusted for any expected changes to future volatility due to publicly available information.

### 13. Basic and diluted loss per share

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period:

	May 31, 2014	May 31, 2013
Loss attributable to common shareholders	\$ 231,023	\$ 417,370
Weighted average number of common shares	44,507,559	34,728,438
<b>Basic and diluted loss per share</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>
Weighted average number of common shares:		
Balance, November 30, 2013 and 2012	42,026,790	33,376,790
Effect of common shares issued for private placements	2,480,769	1,351,648
<b>Balance, May 31, 2014 and 2013</b>	<b>44,507,559</b>	<b>34,728,438</b>

The basic and diluted loss per share is the same as the outstanding options and warrants are anti-dilutive. As at May 31, 2014, there were 13,350,000 warrants (2013 - 20,062,500), 3,465,000 options (2013 - 4,140,000) and

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2,096,000 compensation warrants (2013 - 1,728,500) outstanding. These were excluded because they were anti-dilutive.

### 14. Segmented information

The Company's operations comprise a single reporting operating segment engaged in resource exploration through investing in resource properties. As the operations comprise a single reporting segment, amounts disclosed in the financial statements for loss for the period also represent segment amounts. All of the Company's operations and assets are situated in Canada.

### 15. Commitments

#### *Office leases*

The Company has entered into office license agreements to occupy its office premises located at 130 King Street West in Toronto. The first term is from November 1, 2013 to October 31, 2014 at a base rent of \$43,019 per annum payable in equal monthly instalments of \$3,585, and the second term is from November 1, 2014 to October 31, 2015 at a base rent of \$47,357 per annum payable in equal monthly instalments of \$3,946 each. All payments are due in advance on the first day of each calendar month during the term.

As at May 31, 2014, the Company was committed to rent payments on its office space as follows:

	<b>Amount (\$)</b>
Year ending November 30, 2014	21,871
Year ending November 30, 2015	43,406

#### *Wawa property*

Pursuant to the acquisition agreements of the Surluga property in 2010 (see note 8 - exploration and evaluation assets) and after giving effect to amendments to the Wawa Gold Property agreements (described below), the Company has the following remaining expenditures to earn its interest in the property:

	<b>Common Shares (#)</b>	<b>Exploration expenditures (\$)</b>	<b>Cumulative interest earned</b>
Upon completion of financing	(see below)		
June 30, 2014		2,154,970	60%
June 30, 2015		4,000,000	75%
		<u>6,154,970</u>	

The Company reached a second amending agreement dated March 18, 2013 (the "Second Amending Agreement") with Citabar Limited Partnership ("Citabar") to amend the previous Option Agreement. Under the Second Amending Agreement, the Company has an option to earn an undivided 60% interest in the Surluga Property from Citabar by expending an aggregate of \$4.0 million in eligible expenditures on or before November 30, 2013. Under the Second Amending Agreement, the Company also shall have the right to acquire an additional undivided 15% ownership interest on the Wawa Gold Project by expending an additional \$4.0 million in eligible expenditures (for an aggregate total of \$8.0 million in eligible expenditures) on or before June 30, 2015. In consideration for amending the Option Agreement, the Company shall, upon the closing of the recent announced \$3.5 million private placement, issue to



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Citabar such number of common shares of the Company that would result in Citabar owning, in the aggregate, 30% of the issued and outstanding common shares of the Company, excluding shares that Citabar and its affiliates already own. The issuance of the shares to Citabar is subject to any and all necessary regulatory and other approvals. On October 21, 2013, the Company reached a third amending agreement ("Third Amending Agreement") with Citabar to extend the November 30, 2013 to incur the aggregate expenditure of \$4.0 million to June 30, 2014 and left other terms regarding the acquisition of the additional 15% ownership interest unchanged.

## **16. Events subsequent to the reporting period**

On July 14, 2014, the Company reached a Fourth Amending Agreement with Citabar to further amend its previous Option Agreements (see note 8 - exploration and evaluation assets). Under the Fourth Amending Agreement, Citabar has extended the date from June 30, 2014 to March 31, 2015 for the Company to earn an undivided 60% interest in the Wawa Gold Project from Citabar by expending an aggregate of \$4.0 million in eligible expenditures. The extension to said date is subject to the Company demonstrating to the satisfaction of Citabar, in Citabar's sole discretion, that the Company has received the cash proceeds of at least \$2.6 million on or before November 30, 2014.