



**Consolidated Financial Statements of**

**GB MINERALS LTD.**

**For the Years Ended June 30, 2014 and 2013**

(Expressed in Canadian dollars)

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**GB Minerals Ltd.**

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **GB Minerals Ltd.** and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2014 and June 30, 2013, and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years ended June 30, 2014 and June 30, 2013, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparations and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **GB Minerals Ltd.** and its subsidiaries as at June 30, 2014 and June 30, 2013, and its financial performance and its cash flows for the years ended June 30, 2014 and June 30, 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that **GB Minerals Ltd.** incurred a net loss of \$4,871,967 for the year ended June 30, 2014 and, as of that date, the company's current liabilities exceed current assets by \$22,377,755. These conditions, along with other matters as set forth in Note 1, including the Company's default on its debt payable, indicate the existence of a material uncertainty that may cast significant doubt about **GB Minerals Ltd.**'s ability to continue as a going concern.

*SF Partnership, LLP*

**Toronto, Canada**  
October 15, 2014

**LICENSED PUBLIC ACCOUNTANTS**

**GB MINERALS LTD.**  
**(An exploration stage company)**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian dollars)**

	June 30, 2014	June 30, 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 351,525	\$ 175,122
Funds held in trust (note 4)	1,249	-
Other receivable	20,107	23,305
Prepaid expenses	79,787	20,047
	452,668	218,474
<b>Equipment</b> (note 5)	95,026	138,023
<b>Intangible assets:</b>		
Other assets	137	255
Mineral rights (note 6)	71,782,758	68,583,031
<b>Total Assets</b>	<b>\$ 72,330,589</b>	<b>\$ 68,939,783</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Bank indebtedness	\$ 26	\$ 26
Accounts payable and accrued liabilities	6,108,761	4,586,655
Notes payable (note 7)	2,750,000	500,000
Current portion of debt payable (note 8)	9,457,286	5,995,125
Convertible debentures (note 9)	4,514,350	2,798,240
	22,830,423	13,880,046
<b>Deferred income tax liability</b> (note 10)	6,949,838	6,949,838
<b>Long-term portion of debt payable</b> (note 8)	-	5,934,896
<b>Provision for reclamation and rehabilitation</b> (note 12c)	59,228	54,480
	29,839,489	26,819,260
<b>Shareholders' Equity</b>		
Share capital (note 11b)	52,085,828	47,469,513
Share-based payment reserve – options (note 11c)	2,625,714	2,041,137
Share-based payment reserve - warrants (note 11d)	615,859	615,859
Convertible feature on convertible debentures (note 9)	480,003	292,865
Cumulative Translation Reserve	(202,186)	(56,700)
Deficit	(13,114,118)	(8,242,151)
<b>Shareholders' Equity</b>	42,491,100	42,120,523
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 72,330,589</b>	<b>\$ 68,939,783</b>
Commitments and Contractual Arrangements (note 12)		

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

Signed "Owen Ryan"  
Director

Signed "Luis da Silva"  
Director

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

**GB MINERALS LTD.**  
**(An exploration stage company)**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian dollars)**

	Year Ended June 30, 2014	Year Ended June 30, 2013
<b>Expenses</b>		
Interest expense	\$ 1,731,680	\$ 704,359
Management and consulting fees	1,710,485	801,111
Loss (gain) on foreign exchange	1,346,957	(50,438)
Professional fees (audit and legal)	776,206	653,106
Stock options compensation	584,577	91,541
General and administrative	525,083	539,348
Travel	285,891	282,716
Salaries and wages	241,670	222,252
Investor relations	203,987	117,120
Director fees	123,333	121,400
Social development costs	92,345	-
Filing and transfer agent fees	35,578	43,602
Impairment of equipment (note 5)	9,790	-
Amortization	2,872	4,909
Finders' fees	-	25,000
(Recovery of) Financial advisory costs	(199,797)	247,460
<b>Loss before other loss</b>	<b>7,470,657</b>	<b>3,803,486</b>
<b>Other expense (income)</b>		
Impairment of intangible assets (note 3)	-	18,253,131
Loss (Gain) on debt settlement (note 3 and 11b)	(2,598,690)	(503,426)
<b>Net Loss before income taxes</b>	<b>4,871,967</b>	<b>21,553,191</b>
Provision for income taxes	-	-
<b>Net Loss</b>	<b>4,871,967</b>	<b>21,553,191</b>
<b>Other Comprehensive Loss</b>		
Currency translation differences translating foreign operations	145,486	149,230
Currency translation differences translating non-controlling interest	-	28,540
<b>Comprehensive Loss</b>	<b>\$ 5,017,453</b>	<b>\$ 21,730,961</b>
<b>Comprehensive Loss attributable to:</b>		
Controlling equity holders	\$ 5,017,453	\$ 21,296,201
Non-controlling interest	-	434,760
	<b>\$ 5,017,453</b>	<b>\$ 21,730,961</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>61,442,258</b>	<b>24,253,527</b>
<b>Loss per Share – basic and diluted</b>	<b>\$ 0.08</b>	<b>\$ 0.89</b>

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

**GB MINERALS LTD.**  
**(An exploration stage company)**  
**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

	Year Ended June 30, 2014	Year Ended June 30, 2013
<b>Operating Activities:</b>		
Net (loss) for the period	\$ (4,871,967)	\$ (21,553,191)
Adjustments for non-cash items:		
Gain on settlement of debt (note 3 and 11b)	(2,598,690)	(503,426)
Impairment on intangible assets (note 3)	-	18,253,131
Impairment on equipment (note 5)	9,790	-
Amortization (note 5)	2,872	4,909
Stock options compensation	584,577	91,541
Convertible debentures – amortization (note 9)	253,249	91,307
Shares issued for compensation for services (note 14)	234,000	-
Interest expense	1,436,217	613,052
Unrealized foreign exchange adjustment	1,045,934	(35,008)
Changes in non-cash working capital:		
Other receivable	3,912	210,552
Prepaid expenses	(59,740)	50,526
Accounts payable and accrued liabilities	1,880,644	1,691,305
Net Cash used in Operating Activities	(2,079,202)	(1,085,302)
<b>Investing Activities:</b>		
Funds held in trust (note 4)	(1,249)	-
Additions in mineral rights (note 6)	(3,145,353)	(9,327,075)
Notes receivable	-	883,000
Purchase of equipment	-	(873)
Disposal of equipment	-	4,538
Net Cash used in Investing Activities	(3,146,602)	(8,440,410)
<b>Financing Activities:</b>		
Bank indebtedness	-	(3,276)
Proceeds from promissory notes	2,250,000	500,000
Issuance of convertible debentures (note 9)	2,000,000	3,000,000
Repayment of convertible debentures (note 9 and 18b)	(350,000)	-
Issuance of common shares (net of costs) (note 11b)	2,941,806	-
Issuance of common shares for debt settlement (note 11b)	(1,440,509)	-
Proceeds from debt payable (note 8)	-	6,188,113
Net Cash provided by Financing Activities	5,401,297	9,684,837
Impact of foreign exchange on cash	910	1,264
Net increase (decrease) in cash and cash equivalents	176,403	160,389
Cash and cash equivalents - beginning of period	175,122	14,733
Cash and cash equivalents - end of period	\$ 351,525	\$ 175,122

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

**GB MINERALS LTD.**  
**(An exploration stage company)**  
**Consolidated Statements of Changes in Equity**  
**(Expressed in Canadian dollars)**

	Number of Common Shares <sup>1</sup>	Common Shares <sup>1</sup>	Share-Based Payment Reserve - Options	Share- Based Payment Reserve - Warrants Convertible	Fair Value of Convertible Feature on Convertible Debenture	Non- Controlling Interest	Cumulative Translation Reserve	Deficit	Shareholders' Equity
<b>Balance – June 30, 2012</b>	<b>19,393,854</b>	<b>\$40,035,887</b>	<b>\$ 1,949,596</b>	<b>\$ 615,859</b>	<b>\$ -</b>	<b>\$ 24,078,928</b>	<b>\$ 60,656</b>	<b>\$(10,707,474)</b>	<b>\$ 56,033,452</b>
Shares issued for acquisition of remaining 49.9% of GB Minerals AG on April 4, 2013	19,361,200	7,014,056	-	-	-	-	-	-	7,014,056
Loss attributable to non-controlling interest up to April 4, 2013	-	-	-	-	-	(406,220)	-	-	(406,220)
Other comprehensive loss attributable to non-controlling interest up to April 4, 2013	-	-	-	-	-	(28,540)	-	-	(28,540)
Reversal of non-controlling interest for acquisition of remaining 49.9% of GB Minerals AG on April 4, 2013	-	-	-	-	-	(23,612,294)	-	23,612,294	-
Reversal of non-controlling interest of cumulative translation reserve for acquisition of remaining of 49.9% of GB Minerals AG on April 4, 2013	-	-	-	-	-	(31,874)	31,874	-	-
Shares issued for exchanged GB Minerals AG debt	1,250,000	452,843	-	-	-	-	-	-	452,843
Shares issue cost – filing fees	-	(33,273)	-	-	-	-	-	-	(33,273)
Stock options compensation	-	-	91,541	-	-	-	-	-	91,541
Warrants expired	-	-	-	-	-	-	-	-	-
Convertible debentures – equity portion	-	-	-	-	292,865	-	-	-	292,865
Other comprehensive loss	-	-	-	-	-	-	(149,230)	-	(149,230)
Loss for the period	-	-	-	-	-	-	-	(21,146,971)	(21,146,971)
<b>Balance – June 30, 2013</b>	<b>40,005,054</b>	<b>47,469,513</b>	<b>2,041,137</b>	<b>615,859</b>	<b>292,865</b>	<b>-</b>	<b>(56,700)</b>	<b>(8,242,151)</b>	<b>42,120,523</b>
Shares issued for equity financing	15,000,000	3,000,000	-	-	-	-	-	-	3,000,000
Shares issued for settlement GBMMEC debt (note 11b)	9,000,000	1,350,000	-	-	-	-	-	-	1,350,000
Shares issued for other debt settlement (note 11b)	620,063	90,509	-	-	-	-	-	-	90,509
Shares issued for compensation for services	1,800,000	234,000	-	-	-	-	-	-	234,000
Shares issue cost – filing and legal fees	-	(58,194)	-	-	-	-	-	-	(58,194)
Stock options compensation	-	-	584,577	-	-	-	-	-	584,577
Convertible debentures – equity portion	-	-	-	-	187,138	-	-	-	187,138
Other comprehensive loss	-	-	-	-	-	-	(145,486)	-	(145,486)
Loss for the period	-	-	-	-	-	-	-	(4,871,967)	(4,871,967)
<b>Balance – June 30, 2014</b>	<b>66,425,117</b>	<b>\$52,085,828</b>	<b>\$ 2,625,714</b>	<b>\$ 615,859</b>	<b>\$ 480,003</b>	<b>\$ -</b>	<b>\$(202,186)</b>	<b>\$(13,114,118)</b>	<b>\$ 42,491,100</b>

<sup>1</sup>On March 25, 2013, the shareholders of the Company approved a consolidation of the Company's outstanding common shares on a 20-to-1 basis to reduce the issued and outstanding common shares from 387,877,088 to 19,393,854. Effective March 28, 2013, the Company's shares commenced trading on a consolidated basis under the symbol "GBL". All figures for common shares outstanding and earning per share have been adjusted retrospectively.

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

**GB MINERALS LTD.**  
**(An exploration stage company)**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2014 and 2013**  
**(Expressed in Canadian dollars)**

**1. Nature and Continuance of Operations**

*Nature of Operations*

GB Minerals Ltd. (“GBML” or the “Company”) was incorporated under British Columbia’s Business Corporations Act on July 24, 2007 under the name of Resource Hunter Capital Corporation (“RHC”), which commenced trading on the TSX Venture Exchange initially as a Capital Pool Company. On June 11, 2010, RHC completed a qualifying transaction to become a tier 2 mining issuer. On February 25, 2011, RHC was acquired by Plains Creek Mining Limited (“PCM”) in a reverse takeover transaction. RHC changed its name to Plains Creek Phosphate Corporation (“PCP”) effective May 16, 2011, and subsequently to GB Minerals Ltd. trading under the symbol “GBL” effective March 28, 2013 and PCM subsequently changed its name to GB Mineral Holdings Ltd. (“GBM Holdings”) effective June 26, 2013. The Company’s registered address is 1000 – 595 Burrard Street, PO Box 49290, Three Bentall Centre, Vancouver, BC V7X 1S8.

On February 25, 2011, the Company acquired a 50.1% interest in a Swiss company GB Minerals AG (“GBM AG”) and its wholly owned subsidiary GB Minerals SARL (“GBM SARL”) by cash and the issuance of shares. As a result of this transaction, the Company acquired control of GBM AG which owns the mineral rights in the Farim Phosphate Project in Guinea-Bissau. On April 4, 2013, the Company acquired the remaining 49.9% of the shares of its 50.1%-owned subsidiary, GBM AG (the “Acquisition”). The Acquisition occurred pursuant to the terms and conditions of the share purchase and exchange agreement among the Company, its wholly owned subsidiary, GBM Holdings, GBM AG, Aterra Investments Limited (“Aterra”), and WAD Consult AG (“WAD”) dated February 22, 2013 (“2013 SPEA”) and allowed the Company to consolidate ownership of its phosphate mineral property in Guinea-Bissau (see notes 3 and 6).

GBMH Minerals (Barbados) Ltd. (“GBMH Barbados”), a wholly-owned subsidiary of GBM Holdings, was incorporated under the Companies Act of Barbados on September 19, 2013, and GBMH Minerals, Unipessoal LDA (“GBMH Unipessoal”), a wholly-owned subsidiary of GBMH Barbados, was incorporated under the Commercial Registry of the Madeira Free Trade Zone on October 31, 2013.

*Going Concern*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and/or obtaining additional financing.



**GB MINERALS LTD.**  
**(An exploration stage company)**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2014 and 2013**  
**(Expressed in Canadian dollars)**

**1. Nature and Continuance of Operations (Cont'd)**

*Going Concern (Cont'd)*

The Company's principal business activities include the acquisition, exploration, and development of the mineral rights located in Guinea-Bissau. The business of mining, exploration and development involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its exploration and evaluation properties and development programs.

Although the Company was able to obtain adequate financing in the past, there is no assurance that the Company will continue to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The recoverability of amounts shown for exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets.

Although the Company has taken steps to verify title to the property on which it is conducting exploration and development and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Since the Company currently does not have sufficient cash on hand to continue with its exploration and development programs for the immediate future, its immediate and long term continuance is dependent on obtaining sufficient external financing (predominantly through the issuance of equity and/or debt) to realize the recoverability of its investment in its mineral rights which is dependent upon the existence of economically recoverable reserves and upon future profitable production.

As at June 30, 2014, the Company had negative working capital of \$22,377,755 (June 30, 2013 - \$13,661,572), and net loss of \$4,871,967 for the year ended June 30, 2014 (June 30, 2013 - \$21,553,191). Accordingly, these consolidated financial statements do not reflect adjustments to the carrying value of assets, liabilities, the reported expenses and balance sheet classifications used that might be necessary if the going concern assumption were not appropriate.



**GB MINERALS LTD.**  
**(An exploration stage company)**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2014 and 2013**  
**(Expressed in Canadian dollars)**

**1. Nature and Continuance of Operations (Cont'd)**

*Going Concern (Cont'd)*

Additionally, the Company is currently engaged in litigation with GBM Minerals Engineering Consultants Limited ("GBMMEC") related to unpaid invoices as well as the Company's debt payable. If the Company is unable to resolve this dispute favourably or obtain favourable decision from the courts, it may have material adverse impact on its financial condition, cash flow and results of operations. The Company has withheld payment of its first quarterly instalment to GBMMEC under the Settlement Deed on the grounds that, pursuant to GBM Holdings' defence and counterclaim to the claim introduced by GBMMEC against it, the Company's position is that GBM Holdings is not liable for further payments to GBMMEC under the Services Agreement with GBMMEC. As a result of withholding payment, as at June 30, 2014, the Company is in default of the first quarterly principal instalment in the amount of \$1,141,313 (£625,000) of its debt payable. Should the Company's above-noted position not be accepted, if the debtor exercises its rights under the debt payable, the Company may be forced to liquidate its assets including mineral rights in order to repay the debt if, at that date, it lacks sufficient funds to satisfy this liability (refer to note 8 and note 12a for further discussion of the agreement and ongoing litigation).

**2. Significant Accounting Policies**

**a) Statement of compliance with IFRS**

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**b) Basis of presentation**

The accounting policies set out below have been applied consistently by the Company and its subsidiaries to all periods presented in these consolidated statements.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at October 15, 2014, the date the Board of Directors approved these consolidated financial statements for issue.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of loss and comprehensive loss are prepared using the functional classification.

**c) Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, GBM Holdings (formerly Plains Creek Mining Limited) and its wholly owned subsidiaries, GBMH Barbados and GBM AG. These consolidated financial statements also include the accounts of the wholly owned subsidiary of GBM AG, GBM SARL, and the wholly owned subsidiary of GBMH Barbados, GBMH Unipessoal. All intercompany transactions, balances, and unrealized gains and losses on intercompany transactions have been eliminated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

**GB MINERALS LTD.**  
**(An exploration stage company)**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2014 and 2013**  
**(Expressed in Canadian dollars)**

**2. Significant Accounting Policies (Cont'd)**

**c) Basis of consolidation (Cont'd)**

Where control of an entity is obtained during a financial period, its results are included in the consolidated statements of loss and comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

**d) Functional currency translation**

*i) Functional and presentation currency*

Items included in the consolidated financial statements of each consolidated entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the reporting parent's functional currency. The functional currency of the reporting parent's subsidiaries, GBM Holdings, GBMH Barbados, GBMH Unipessoal, and GBM AG, are the Canadian dollar, and the functional currency of GBM AG's wholly owned subsidiary, GBM SARL, is the Central African Franc ("CFA").

The financial statements of entities that have a functional currency different from that of the reporting parent's operations are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate for the period (as this is considered a reasonable approximation to the actual rates). All resulting changes are recognized in other comprehensive income or loss as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income or loss related to the foreign operation are recognized in profit or loss. If an entity disposes part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

*ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of loss and comprehensive loss.

**GB MINERALS LTD.**  
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**2. Significant Accounting Policies (Cont'd)**

**e) Measurement uncertainty**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies to financial information presented. Actual results may differ from the estimates, assumptions and judgments made. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes made to estimates are reflected in the period the changes are made.

Significant areas requiring the use of estimates and assumptions include the review of asset carrying values and estimated useful lives, valuation and impairment of mineral rights, valuation of convertible debentures, valuation of share-based payment reserves – options and warrants, recoverability of deferred tax assets, and provision for reclamation and rehabilitation. By their nature, these estimates and assumptions are subject to measurement uncertainty, and the impact of changes in estimates in the consolidated financial statements of future periods could be material. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings (loss) in the periods in which they become known.

**f) Significant accounting judgements**

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 2(e)), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the economic recoverability of the mineral properties, level of componentization, cash-generating units, definition of segments and related parties, impairment of financial assets, fair value of the convertible feature on the convertible debentures, the determination of functional currency for the Company and its subsidiaries, provision for reclamation and obligation, and the assumption that the Company will continue as a going concern.

**g) Cash and cash equivalents**

Cash and cash equivalents include cash on deposit and highly liquid short-term interest bearing investment accounts held with reputable financial institutions that are readily convertible to known amounts of cash with original maturities of less than 90 days.

**h) Equipment**

Equipment is stated at cost less accumulated amortization and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss during the period in which they are incurred.

**GB MINERALS LTD.**  
**(An exploration stage company)**  
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**(Expressed in Canadian dollars)**

**2. Significant Accounting Policies (Cont'd)**

**h) Equipment (Cont'd)**

The major categories of equipment are amortized on a declining balance basis as follows:

Machinery and equipment	30%
Vehicles	30%
Furniture	30%

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and amortizes separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of loss and comprehensive loss during the period.

**i) Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

*i) Financial assets and liabilities at fair value through profit or loss*

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The Company at this time does not have any financial instruments in this category.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit and loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

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**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2014 and 2013**  
**(Expressed in Canadian dollars)**

**2. Significant Accounting Policies (Cont'd)**

**i) Financial instruments (Cont'd)**

*ii) Available-for-sale investment*

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company at this time does not have any financial instruments in this category.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of loss as part of interest expense or income. Dividends on available-for-sale equity instruments are recognized in the statement of loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the statement of loss and included in other gains and losses.

*iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of cash and cash equivalents, funds held in trust, and other receivable, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method less a provision for impairment, if any.

*iv) Held to maturity investments*

Held to maturity investments are non-derivative financial assets with no fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured originally at fair value and then subsequently at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, the financial asset is measured at the estimated present value of future cash flows discounted at the entity's original effective interest rate. Any changes to the carrying amount of the investment are recognized in the statement of loss and comprehensive loss. The Company at this time does not have any held to maturity investments.

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**2. Significant Accounting Policies (Cont'd)**

**i) Financial instruments (Cont'd)**

*v) Other financial liabilities*

Other financial liabilities at amortized cost are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Other financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company has classified its bank indebtedness, accounts payable and accrued liabilities, notes payable, debt payable, and convertible debentures as other financial liabilities.

**j) Impairment of financial assets**

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

*i) Financial assets carried at amortized cost*

The loss is the difference between the amortized cost of the financial assets and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. The amount of the impairment is recognized in net loss.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized.

**k) Revenue recognition**

Revenue will be recorded when the fair value of the consideration is received or receivable and will be recognized to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured.

Interest income is recognized as it accrues using the effective interest rate method.

**l) Non-controlling interests**

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net loss and comprehensive loss is recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as an equity transaction.



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**2. Significant Accounting Policies (Cont'd)**

**m) Comprehensive income or loss**

Comprehensive loss is the change in equity of an enterprise during a period from transactions, events and circumstances other than those under the control of management and the owners. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company reports comprehensive loss in its consolidated statement of loss and comprehensive loss and in its consolidated statement of equity.

**n) Income taxes**

Income tax expense comprises current and deferred income taxes. Income tax expense is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to unused tax losses and unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The following temporary differences are not provided for: initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable loss and is not a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits and temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.



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**2. Significant Accounting Policies (Cont'd)**

**o) Identifiable intangible assets**

The Company's intangible assets include computer software that is not required for the operation of the on-site hardware and mineral rights with finite useful lives. Acquired computer software assets are capitalized and amortized on a declining balance basis as follows:

Software	50%
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**Mineral Rights**

The Company is in the exploration and development stage and defers all expenditures related to its mineral rights until such time as the property is put into commercial production, sold or abandoned. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

*i) Pre-Exploration*

Pre-exploration costs in areas where a legal right to explore has not been obtained are expensed as incurred.

*ii) Exploration and evaluation expenditures*

Exploration and evaluation ('E&E') costs incurred after the legal right to explore is obtained, but before technical feasibility and commercial viability of the project have been demonstrated are capitalized as E&E assets. These include the costs of acquiring the licenses and directly attributable general and administrative costs. All applicable costs are capitalized as either tangible or intangible E&E assets depending on the nature of the assets acquired. The costs are accumulated in cost centers by exploration area.

*iii) Development and production costs*

When technical feasibility and commercial viability of a property is established and the Company determines that it will proceed with development, all E&E costs attributable to that area are reclassified to construction in progress within property, plant and equipment or as intangible assets depending on the nature of the expenditure. If economically recoverable ore deposits are developed, the capitalized costs of the related property will be amortized using the unit-of-production method following the commencement of production.

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**2. Significant Accounting Policies (Cont'd)**

**p) Impairment of non-financial assets**

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether an impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

A CGU recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

Industry specific indicators for an impairment review on mineral rights and capitalized exploration related expenditures arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in variations in commodity prices and markets; and
- Variations in the exchange rate for the currency of operation

For the year end June 30, 2014, the Company has incurred an impairment loss of \$Nil (June 30, 2013 - \$18,253,131). If the discount rate associated with the Company's mineral properties was increased by 1%, an impairment loss of \$3,571,226 would have to be recognized.

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**2. Significant Accounting Policies (Cont'd)**

**q) Restoration, rehabilitation and environmental obligations**

An obligation to incur restoration, rehabilitation and environmental costs arises when the environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operation license conditions and, when applicable, the environment in which the mine operates. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense in profit or loss (refer to note 12c).

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

**r) Share-based payments**

The Company has a stock-based compensation plan, which is described in note 11. The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing stock options granted to directors, officers, consultants and employees. The estimated fair value is recognized over the applicable vesting period as stock-based compensation expense and an increase to share-base payment reserve. Any consideration paid by individuals on the exercise of stock options or purchase of stock is credited to share capital plus the amounts originally recorded as share base payment reserve. An individual is classified as an employee when they are an employee for legal purposes, or primarily performing services similar to the services that would be provided by a legal employee.

**s) Non-monetary transactions**

Transactions with no cash consideration are measured at the fair value of either the asset given up or the asset received, whichever is more reliably determinable.

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**2. Significant Accounting Policies (Cont'd)**

**t) Loss per share**

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculations as the effect would be anti-dilutive.

**u) Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange for control of the acquiree. Transaction costs directly attributable to the acquisition are expensed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured as the excess of the fair value of consideration paid over the fair value of the net identifiable tangible and intangible assets acquired. If the fair value of consideration paid is less than the fair value of the net identifiable tangible and intangible assets acquired, the difference is recognized directly in the consolidated statement of loss and comprehensive loss as a gain or bargain purchase.

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**2. Significant Accounting Policies (Cont'd)**

**v) New accounting standards and recent pronouncements**

The Company adopted the following standards and amendments issued by the International Accounting Standards Board, effective for its June 30, 2014 year-end.

**International Accounting Standards** Effective Date

IAS 1 – Presentation of Financial Statements	In June 2011, the International Accounting Standard Board (IASB) issued an amendment to International Accounting Standard (IAS) 1, which requires entities to separate items presented in other comprehensive income (“OCI”) into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.	January 1, 2013
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The adoption of IAS 1 had no material impact on the consolidated financial statements.

IAS 27 – Separate Financial Statements	As a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 28 has been amended to include joint ventures in its scope to address the changes in IFRS 10 to IFRS 13.	January 1, 2013
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The adoption of IAS 27 had no material impact on the consolidated financial statements.

IFRS 10 – Consolidated Financial Statements	IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.	January 1, 2013
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The adoption of IFRS 10 had no material impact on the consolidated financial statements.

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**2. Significant Accounting Policies (Cont'd)**

**v) New accounting standards and recent pronouncements (Cont'd)**

**International Accounting Standards** Effective Date

IFRS 12 – Disclosure of Interests in Other Entities	IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.	January 1, 2013
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The adoption of IFRS 12 had no material impact on the consolidated financial statements. The Company has provided the additional disclosures in note 15.

IFRS 13 – Fair Value Measurement	IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.	January 1, 2013
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The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at June 30, 2014.

IFRIC 20 - Stripping Costs in the Production Phase of a Mine	IFRIC 20 clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) useable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted and includes guidance on translation for pre-existing stripping assets.	January 1, 2013
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The Company does not anticipate that IFRIC 20 will impact its results of operations or financial position until it enters the production phase.

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**2. Significant Accounting Policies (Cont'd)**

**v) New accounting standards and recent pronouncements (Cont'd)**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended June 30, 2014, and have not been applied in preparing these consolidated financial statements. The following standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

<b>International Accounting Standards</b>		Effective Date
IAS 32 – Financial Instruments: Presentation	The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It focuses on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts; and the unit of account for applying the offsetting requirements. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses, and gains; and the circumstances in which financial assets and financial liabilities should be offset. The principles in this Standard complement principles for recognizing and measuring financial assets and financial liabilities in IFRS 9, and for disclosing information about them in IFRS 7.	January 1, 2014
	Concurrent with the amendments to IFRS 7, the IASB also amended IAS 32 to clarify the existing requirements for offsetting financial instruments in the balance sheet.	



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**2. Significant Accounting Policies (Cont'd)**

**v) New accounting standards and recent pronouncements (Cont'd)**

<b>International Accounting Standards</b>		Effective Date
IAS 27 – Separate Financial Statements	The objectives of the amendments include the followings:	January 1, 2014
IFRS 10 - Consolidated Financial Statements	<ul style="list-style-type: none"> <li>• Provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement</li> <li>• Require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries</li> <li>• Require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated)</li> </ul>	
IFRS 12 - Disclosure of Interests in Other Entities		
IFRS 9 – Financial Instruments		IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

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**2. Significant Accounting Policies (Cont'd)**

**v) New accounting standards and recent pronouncements (Cont'd)**

<b>International Accounting Standards</b>		Effective Date
IFRS 9 – Financial Instruments (cont'd)	Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.	January 1, 2015
	IFRS 9 is effective for annual periods beginning on or after January 2015 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.	
IAS 16 – Property, Plant, and Equipment	The IASB issued amendments to IAS 16 and IAS 38, which clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.	January 1, 2016
IAS 38 – Intangible Assets		

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**2. Significant Accounting Policies (Cont'd)**

**v) New accounting standards and recent pronouncements (Cont'd)**

<b>International Accounting Standards</b>	<b>Effective Date</b>
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IFRS 15 – Revenue from Contracts with Customers	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The steps in the model are as follows:	January 1, 2017
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- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognize revenue when (or as) the entity satisfies a performance obligation.

This standard will replace:

- IAS 11 Construction Contracts
- IAS 18 Revenues
- IFRIC 13 Customer Loyalty Programs
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 18 Transfer of Assets from Customers

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced

The Company is in the process of assessing the impact that the new and amended standards will have on its consolidated financial statements; however, no material changes are expected.

**3. Acquisition of GB Minerals AG**

On April 4, 2013, the Company indirectly acquired the remaining 49.9% of GBM AG's shares from Aterra and WAD in exchange for the issuance of common shares of the Company to Aterra and WAD pursuant to the 2013 SPEA. The acquisition allowed the Company to consolidate ownership of its phosphate mineral property in Guinea-Bissau.

Aterra and WAD entered into a purchase and option agreement dated December 17, 2012, pursuant to which, subject to certain conditions, Aterra purchased from WAD 6,100,500 GBM AG common shares (representing 24.9% ownership in GBM AG) for an aggregate purchase price of \$3,500,000. Upon the shareholders' approval, GBML purchased from Aterra the purchased GBM AG shares in exchange for 9,661,200 newly issued common shares of the Company. Concurrently, GBML purchased from WAD 6,125,000 GBM AG common shares (representing 25% ownership in GBM AG) in exchange for 9,700,000 newly issued common shares of the Company.

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**3. Acquisition of GB Minerals AG (Cont'd)**

Together the newly issued common shares represent the total consideration of 19,361,200 common shares paid for the remaining 49.9% of GBM AG's common shares.

Details of the purchase consideration and the net assets acquired are as follows:

<b>Purchase consideration</b>	
Fair value of 9,661,200 shares paid to Aterra for 24.9%	\$ 3,500,000 <sup>1</sup>
Fair value of 9,700,000 shares paid to WAD for 25%	3,514,056 <sup>2</sup>
<b>Total value of 49.9% of GBM AG</b>	<b>7,014,056</b>
	49.9%
<b>Implied value of 100% of GBM AG</b>	<b>\$ 14,056,225</b>
<b>Fair value of assets and liabilities acquired:</b>	
<b>Assets</b>	
Cash	\$ 74,767
Other Receivables	9,936
Mineral Properties	28,488,312
Machinery and equipment	28,406
Software	382
Vehicles	112,550
Furniture	9,184
<b>Liabilities</b>	
Accounts payable and accrued liabilities	(1,305,347)
Advances - WAD	(452,842)
Advances – GB Minerals Holdings Ltd.	(5,959,286)
Deferred tax liability	(6,949,838)
<b>Total fair value of net assets as at April 4, 2013</b>	<b>\$ 14,056,225</b>

The Company expensed costs of \$256,427 related to the transaction described above in its financial statements.

<sup>1</sup> As stated in note 3, Aterra agreed to purchase and WAD agreed to sell 6,100,500 GBM AG common shares (representing 24.9% ownership in GBM AG) for an aggregate purchase price of \$3,500,000. Subject to the agreement, Aterra immediately thereafter sold to the Company, and the Company purchased from Aterra, the 6,100,500 GBM AG common shares in consideration of 9,661,200 newly issued common shares of the Company implying a fair value paid of \$0.36227383761 per common share of the Company or an aggregate fair value of \$3,500,000 consideration paid.

<sup>2</sup> As stated in note 3, the Company purchased from WAD 6,125,000 GBM AG common shares (representing 25% ownership in GBM AG) for an aggregate of 9,700,000 newly issued common shares of the Company. Based on an implied fair value as noted above of \$0.36227383761 per common share of the Company, the fair value of the consideration transferred is determined to be \$3,514,056.

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**3. Acquisition of GB Minerals AG (Cont'd)**

*Re-measurement of previously held equity interest to its acquisition-date fair value*

The Company recognized a loss as a result of measuring at fair value on April 4, 2013 its 50.1% equity interest in GBM AG held prior to the acquisition date. This loss has been included in other losses and is calculated as follows

<b>Impairment on previously acquired assets</b>	
Consideration paid for previously acquired 50.1%	\$ 25,295,300
Less: implied fair value of 50.1%	(7,042,169) <sup>1</sup>
<b>Total impairment on previously acquired assets</b>	<b>\$ 18,253,131</b>

*Exchanged GB Minerals AG Debt*

On April 4, 2013, the Company issued 1,250,000 common shares to WAD equivalent to a fair value of \$452,843 in exchange for the assignment of the issuance by WAD to the Company or advances received from WAD (the "GBM AG Debt"). WAD assigned to GBML the GBM AG Debt in consideration of GBML issuing and delivering to WAD 1,250,000 common shares.

<b>Exchanged GB Minerals Debt</b>	
Book value of liability	\$ 864,708 <sup>2</sup>
Less: Settlement amount	452,843 <sup>3</sup>
<b>Gain on Settlement</b>	<b>\$ 411,866</b>
Add: Gain on write-off of accounts payable to WAD	91,560
<b>Total Gain</b>	<b>\$ 503,426</b>

**4. Funds held in trust**

As at June 30, 2014, the Company has funds held in trust in the balance of \$1,249 (June 30, 2013 - \$Nil). The funds held in trust are not subject to any restrictions.

<sup>1</sup> Prior to April 4, 2013, the Company held 12,274,500 GBM AG common shares (representing 50.1%) which were acquired on February 25, 2011. At April 4, 2013 these had a fair value derived based on the fair value of the 49.9% acquired on this date or \$7,014,056 divided by the 49.9% interest acquired and multiplied by the 50.1% interest held or \$7,042,169.

<sup>2</sup> Balance of WAD's advance to GBM AG as at April 4, 2013.

<sup>3</sup> Settlement amount represents the fair value of the balance of WAD's advance to GBM AG as at April 4, 2013.

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**5. Equipment**

	Machinery and equipment*	Vehicles*	Furniture	Total
	\$	\$	\$	\$
<b>Cost</b>				
<b>Balance at June 30, 2012</b>	47,808	223,232	20,324	291,364
Additions during the period	-	-	873	873
Disposals during the period	-	-	(4,538)	(4,538)
Foreign exchange adjustments	557	889	(1,824)	(378)
<b>Balance at June 30, 2013</b>	48,365	224,121	14,835	287,321
Additions during the period	-	-	-	-
Disposals during the period	-	(34,502)	-	(34,502)
Foreign exchange adjustments	3,317	13,919	1,018	18,254
<b>Balance at June 30, 2014</b>	<b>51,682</b>	<b>203,538</b>	<b>15,853</b>	<b>271,073</b>
<b>Accumulated amortization</b>				
<b>Balance at June 30, 2012</b>	10,606	74,494	3,577	88,677
Additions during the period	10,903	45,640	3,369	59,912
Disposals during the period	-	-	-	-
Foreign exchange adjustments	269	1,137	(697)	709
<b>Balance at June 30, 2013</b>	21,778	121,271	6,249	149,298
Additions during the period	8,267	28,855	2,670	39,792
Disposals during the period	-	(23,555)	-	(23,555)
Foreign exchange adjustments	1,750	8,251	511	10,512
<b>Balance at June 30, 2014</b>	<b>31,795</b>	<b>134,822</b>	<b>9,430</b>	<b>176,047</b>
<b>Net book value</b>				
<b>June 30, 2014</b>	<b>19,887</b>	<b>68,716</b>	<b>6,423</b>	<b>95,026</b>
June 30, 2013	26,587	102,850	8,586	138,023
June 30, 2012	37,202	148,738	16,747	202,687

*\*The usage of machinery and equipment, and vehicles is related to exploration activities. Of the \$39,792 of amortization incurred in the year-ended June 30, 2014 (June 30, 2013 - \$59,912), \$2,872 (June 30, 2013 - \$4,544) was charged to the statement of loss and comprehensive loss, and the remaining difference of \$36,920 (June 30, 2013 - \$55,368) was capitalized as exploration expenditures. For the year-ended June 30, 2014, \$9,790 (June 30, 2013 - \$Nil) was written down for an impairment of a vehicle, reducing the net book value of the impaired vehicle to \$1,625 and sold at its salvage value as at June 30, 2014.*

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**6. Mineral Rights**

*Farim Phosphate Project*

The Company, through its subsidiary GBM AG, owns 100% of the mineral rights of the Farim Phosphate Project located in the northern part of central Guinea-Bissau of West Africa, approximately five kilometers west of Farim and one hundred and twenty kilometers north of Bissau. The project consists of a high grade sedimentary phosphate deposit of a continuous phosphate bed, which extends over a known surface area of approximately forty square kilometers. As well, GBM AG holds a mining lease license, with the exclusive right to exploit, mine and commercialize the minerals for an initial period of twenty five years which may be extended for an additional twenty five years upon application.

	<b>Year Ended June 30, 2014</b>	<b>Year Ended June 30, 2013</b>
Balance of exploration assets - beginning of the period	\$ 68,583,031	\$ 73,045,069
Expenditures capitalized during the period	3,145,353	9,374,463
Acquisition of remaining 49.9% of GB Minerals AG on April 4, 2013	-	7,014,056
Impairment of the mineral rights net of purchase consideration	-	(18,253,131)
Foreign exchange adjustments	54,374	(47,388)
Change in future tax liability	-	(2,550,038)
<b>Balance of exploration assets – end of the period</b>	<b>\$ 71,782,758</b>	<b>\$ 68,583,031</b>

The Company has determined that its non-financial assets as described in note 3 and 6 are not impaired as at June 30, 2014. However, if the discount rate associated with the Company's mineral properties was increased by 1%, an impairment loss of \$3,571,226 would have to be recognized.



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**7. Notes Payable**

As at June 30, 2014, the Company have received a total aggregate amount of \$2,750,000 (June 30, 2013 - \$500,000) from existing shareholders of the Company in exchange for promissory notes.

The promissory notes have the following terms:

Note Amount	Reference	Date Issued	Outstanding at June 30, 2014	Outstanding at June 30, 2013
\$500,000	a	May 27, 2013	-	\$500,000
\$500,000	b	September 26, 2013	\$500,000	-
\$750,000	c	November 12, 2013	\$750,000	-
\$750,000	d	December 13, 2013	\$750,000	-
\$500,000	e	June 3, 2014	\$500,000	-
\$250,000	f	June 3, 2014	\$250,000	-
			<b>\$2,750,000</b>	<b>\$500,000</b>

- a) As at June 30, 2013, the Company had received a total aggregate amount of \$500,000 from an existing shareholder of the Company in exchange for a promissory note. The note was due on demand provided that no such demand may be made until the earlier of (i) November 27, 2013 and (ii) the occurrence of an event of default on convertible debentures issued to this same shareholder on April 4, 2013. On August 28, 2013 the promissory note was repaid by issuance of shares (see note 11b) and all interest was repaid.
- b) The promissory note issued on September 26, 2013 in the amount of \$500,000 is due on demand provided that no such demand may be made until the earlier of (i) November 27, 2013 unless the Company is able to raise a minimum of \$3,000,000 in equity financing prior to April 30, 2014 and (ii) the occurrence of an event of default on convertible debentures issued to this same shareholder on April 4, 2013 and March 18, 2014 (refer to notes 9a, 9b, 9d, and 9f). Under the provision of the promissory note, the principal shall remain outstanding until demanded and bear an interest at the rate of 15% per annum. Interest shall be payable quarterly in arrears on the 1st day of each January, April, July, and October (beginning on October 1, 2013).
- c) The promissory note issued on November 12, 2013 in the amount of \$750,000 is due on demand provided that no such demand may be made until the earlier of (i) April 30, 2014 and (ii) the occurrence of an event of default on convertible debentures issued to this same shareholder on April 4, 2013 and March 18, 2014 (refer to notes 9a, 9b, 9d, and 9f). Under the provision of the promissory note, the principal shall remain outstanding until demanded and bear an interest at the rate of 15% per annum. Interest shall be payable quarterly in arrears on the 1st day of each January, April, July, and October (beginning on January 1, 2014).

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**7. Notes Payable (Cont'd)**

- d) The promissory note issued on December 13, 2013 in the amount of \$750,000 is due on demand provided that no such demand may be made until the earlier of (i) June 30, 2014 and (ii) the occurrence of an event of default on convertible debentures issued to this same shareholder on April 4, 2013 and March 18, 2014 (refer to notes 9a, 9b, 9d, and 9f). Under the provision of the promissory note, the principal shall remain outstanding until demanded and bear an interest at the rate of 15% per annum. Interest shall be payable quarterly in arrears on the 1<sup>st</sup> day of each January, April, July, and October (beginning on January 1, 2014).
- e) The promissory note issued on June 3, 2014 in the amount of \$500,000 is due on demand provided that no such demand may be made until the earlier of (i) December 3, 2014 and (ii) the occurrence of an event of default on convertible debentures issued to this same shareholder on April 4, 2013 and March 18, 2014 (refer to notes 9a, 9b, 9d, and 9f). Under the provision of the promissory note, the principal shall remain outstanding until demanded and bear an interest at the rate of 15% per annum. Interest shall be payable quarterly in arrears on the 1<sup>st</sup> day of each January, April, July, and October (beginning on July 1, 2014).
- f) The promissory note issued on June 3, 2014 in the amount of \$250,000 is due on demand provided that no such demand may be made until the earlier of (i) December 3, 2014 and (ii) the occurrence of an event of default on convertible debentures issued to this same shareholder on April 4, 2013 and March 18, 2014 (refer to note 9f). Under the provision of the promissory note, the principal shall remain outstanding until demanded and bear an interest at the rate of 15% per annum. Interest shall be payable quarterly in arrears on the 1<sup>st</sup> day of each January, April, July, and October (beginning on July 1, 2014).

The parties agreed to extend the maturity date of the promissory notes described in notes 7b, 7c and 7d to September 5, 2014, with all accrued and unpaid interest due and payable in full on September 5, 2014. Subsequent to year-end, the Company repaid all promissory notes as described in note 18b.

**8. Debt Payable**

On January 30, 2013, the Company entered into an agreement with GBMMEC to settle the amounts owing over a specified period of time. As per the agreement dated January 30, 2013 and the amended settlement deed dated July 26, 2013, the Company has the ability to:

- Review and verify all of the outstanding accounts; and
- Discuss with GBMMEC any issues or concerns as a result of the review and verification regarding the quality of the work performed or amounts owed by the Company.

The Company exercised these abilities, as described in note 12a and has commenced a counterclaim.

On August 30, 2013, the Company settled an aggregate principal amount of \$3.6 million of the long-term debt with GBMMEC through issuance of 9,000,000 common shares to GBMMEC at a price of \$0.40 per share. In addition, the parties agreed to defer the remainder of the quarterly principal payments and accrued interest such that they will begin on June 30, 2014.

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**8. Debt Payable (Cont'd)**

Prior to June 30, 2014, the debt outstanding was \$9,457,286 (£5,178,959) (June 30, 2013 - \$11,930,021), of which \$5,706,562 (£3,125,000) (June 30, 2013 - \$5,995,125) was due and payable within the next twelve-month period, and the remaining balance of \$3,750,724 (£2,053,959) (June 30, 2013 - \$5,934,896) would become due and payable beyond the twelve-month period. The principal was payable in equal quarterly installments of \$1,141,313 (£625,000) from June 30, 2014 to June 30, 2016. Prior to June 30, 2014, the Company was committed to principal repayments as follows:

Year ended June 30, 2014	\$1,141,313
Year ended June 30, 2015	4,565,249
Year ended June 30, 2016	<u>3,750,724</u>
	\$9,457,286

As at June 30, 2014, the Company was in default of the first quarterly principal installment in the amount of \$1,141,313 (£625,000), and as a result, the debt outstanding of \$9,457,286 (£5,178,959) has been classified as current (refer to note 1 and note 12a). The Debt Payable is subject to simple interest at a rate of 8.5% per annum, repayable on June 30, 2016.

**9. Convertible Debentures**

*a) Convertible Debentures \$1,000,000*

On January 15, 2013, the Company closed the first tranche of its non-brokered private placement of senior secured convertible debentures of the Company for gross proceeds of \$1,000,000 issued to a shareholder of the Company. Each debenture has a face value of \$1,000, bearing interest of 10% per annum, fully secured by the assets of the Company. The debentures all rank pari passu in priority among each other and the principal amount and all accrued and unpaid interest were due and payable in full on March 31, 2014. Every \$1,000 principal amount of the debentures was convertible at any time, at the holder's option: (a) initially, into 10,000 common shares of the Company at a price of \$0.10 per common share; and (b) following a share consolidation, into common shares at a conversion price equal to \$0.01 per common share multiplied by the consolidation ratio. Security for the debentures shall become enforceable upon the occurrence of certain events of default, which will include, among other things, if the Company fails to pay the principal amount of the debentures when they become due and payable. The debentures are subject to a statutory four-month hold period from the date of issuance.

At initial recognition, the Company allocated the proceeds of \$1,000,000 of the debentures between current liabilities and the shareholders' equity. The allocation was performed by first estimating the fair value of the debentures which is the liability component in absence of the conversion feature. The Company then used the residual method to determine the value of equity component represented by the conversion feature which was determined to be \$105,815 as at January 15, 2013.

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**9. Convertible Debentures (Cont'd)**

*a) Convertible Debentures \$1,000,000 (Cont'd)*

Subsequent to initial recognition, the liability component is amortized using the effective interest rate. The equity component is not re-measured after initial recognition. The Company did not incur any costs during this transaction.

As at June 30, 2014, the parties agreed to extend the maturity date of these convertible debentures to September 5, 2014, with all accrued and unpaid interest due and payable in full on September 5, 2014. Subsequent to year-end, the Company repaid the convertible debentures and all accrued interest, as described in note 18b.

*b) Convertible Debentures \$500,000*

On February 6, 2013, the Company closed the second tranche of its non-brokered private placement of senior secured convertible debentures of the Company for gross proceeds of \$500,000. Each debenture has a face value of \$1,000, bearing interest of 10% per annum, fully secured by the assets of the Company. The debentures all rank pari passu in priority among each other and the principal amount and all accrued and unpaid interest was due and payable in full on March 31, 2014. Every \$1,000 principal amount of the debentures was convertible at any time, at the holder's option: (a) initially, into 10,000 common shares of the Company at a price of \$0.10 per common share; and (b) following the Share Consolidation, into common shares at a conversion price equal to \$0.01 per common share multiplied by the consolidation ratio. Security for the debentures shall become enforceable upon the occurrence of certain events of default, which will include, among other things, if the Company fails to pay the principal amount of the debentures when they become due and payable. The debentures are subject to a statutory four-month hold period from the date of issuance.

At initial recognition, the Company allocated the proceeds of \$500,000 of the debentures between current liabilities and the shareholders' equity. The allocation was performed by first estimating the fair value of the debentures which is the liability in absence of the conversion feature. The Company then used the residual method to determine the value of equity component represented by the conversion feature which was determined to be \$50,775 as at February 6, 2013.

Subsequent to initial recognition, the liability component is amortized using the effective interest rate. The equity component is not re-measured after initial recognition. The Company did not incur any costs during this transaction.

On July 16, 2013, \$100,000 of the second tranche convertible debentures was re-registered to an existing shareholder of the Company. The terms and conditions of these re-registered convertible debentures remain the same as described above. As at June 30, 2014, the maturity date of \$100,000 of these re-registered convertible debentures was extended to September 5, 2014, with all accrued and unpaid interest due and payable in full on September 5, 2014. Subsequent to year-end, the Company repaid the convertible debentures and all accrued interest, as described in note 18b.

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**9. Convertible Debentures (Cont'd)**

*b) Convertible Debentures \$500,000 (Cont'd)*

As at June 30, 2014, the parties agreed to extend the maturity date of \$400,000 of the second tranche convertible debentures to September 5, 2014, with all accrued and unpaid interest due and payable in full on September 5, 2014, in exchange for the Company repaying the second tranche debenture holder a total aggregate of \$100,000 principal owing on the second tranche debenture by April 4, 2014 (or as soon as reasonably possible after the Company receives payment instructions from the debenture holder). The Company repaid principal amounts of \$100,000 on April 1, 2014. Subsequent to year-end, the Company repaid the remaining \$300,000 convertible debentures and all accrued interest as described in note 18b.

*c) Convertible Debentures \$430,000*

On March 22, 2013, the Company closed the third tranche of its non-brokered private placement of senior secured convertible debentures of the Company for gross proceeds of \$430,000. Each debenture has a face value of \$1,000, bearing interest of 10% per annum, fully secured by the assets of the Company. The debentures all rank pari passu in priority among each other and the principal amount and all accrued and unpaid interest were due and payable in full on March 31, 2014. Every \$1,000 principal amount of the debentures was convertible at any time, at the holder's option: (a) initially, into 10,000 common shares of the Company at a price of \$0.10 per common share; and (b) following the Share Consolidation, into common shares at a conversion price equal to \$0.01 per common share multiplied by the consolidation ratio. Security for the debentures shall become enforceable upon the occurrence of certain events of default, which will include, among other things, if the Company fails to pay the principal amount of the debentures when they become due and payable. The debentures are subject to a statutory four-month hold period from the date of issuance.

At initial recognition, the Company allocated the proceeds of \$430,000 of the debentures between current liabilities and the shareholders' equity. The allocation was performed by first estimating the fair value of the debentures which is the liability in absence of the conversion feature. The Company then used the residual method to determine the value of equity component represented by the conversion feature which was determined to be \$39,884 as at March 22, 2013.

Subsequent to initial recognition, the liability component is amortized using the effective interest rate. The equity component is not re-measured after initial recognition. The Company paid finder's fee of \$21,500 in connection with the transaction.

As at June 30, 2014, the parties agreed to extend the maturity date of \$430,000 of the third tranche convertible debentures to September 5, 2014, with all accrued and unpaid interest due and payable in full on September 5, 2014, in exchange for the Company repaying the third tranche debenture holders an aggregate of \$215,000 principal owing, plus an additional fee of \$10,000 in connection with the consent of the extension by April 4, 2014 (or as soon as reasonably possible after the Company receives payment instructions from the debenture holder). The Company repaid principal amounts of \$215,000 plus the fee of \$10,000 on April 7, 2014. Subsequent to year-end, the Company repaid the remaining \$215,000 and all accrued interest as described in note 18b.



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**9. Convertible Debentures (Cont'd)**

*d) Convertible Debentures \$1,000,000*

On April 4, 2013, the Company closed the fourth tranche of its non-brokered private placement of senior secured convertible debentures of the Company for gross proceeds of \$1,000,000 issued to a shareholder of the Company. Each debenture has a face value of \$1,000, bearing interest of 10% per annum, fully secured by the assets of the Company. The debentures all rank pari passu in priority among each other and the principal amount and all accrued and unpaid interest were due and payable in full on March 31, 2014. Every \$1,000 principal amount of the debentures was convertible at any time, into common shares of the Company at a conversion price of \$0.20 per common share. Security for the debentures shall become enforceable upon the occurrence of certain events of default, which will include, among other things, if the Company fails to pay the principal amount of the debentures when they become due and payable.

At initial recognition, the Company allocated the proceeds of \$1,000,000 of the debentures between current liabilities and the shareholders' equity. The allocation was performed by first estimating the fair value of the debentures which is the liability in absence of the conversion feature. The Company then used the residual method to determine the value of equity component represented by the conversion feature which was determined to be \$90,084 as at April 4, 2013.

Subsequent to initial recognition, the liability component is amortized using the effective interest rate. The equity component is not re-measured after initial recognition. The Company did not incur any costs during this transaction.

As at June 30, 2014, the parties agreed to extend the maturity date of these convertible debentures to September 5, 2014, with all accrued and unpaid interest due and payable in full on September 5, 2014. Subsequent to year-end, the Company repaid the convertible debentures and all accrued interest, as described in note 18b.

*e) Convertible Debentures \$70,000*

On April 4, 2013, the Company closed the fourth tranche of its non-brokered private placement of senior secured convertible debentures of the Company for gross proceeds of \$70,000. Each debenture has a face value of \$1,000, bearing interest of 10% per annum, fully secured by the assets of the Company. The debentures all rank pari passu in priority among each other and the principal amount and all accrued and unpaid interest were due and payable in full on March 31, 2014. Every \$1,000 principal amount of the debentures was convertible at any time, into common shares of the Company at a conversion price of \$0.20 per common share. Security for the debentures shall become enforceable upon the occurrence of certain events of default, which will include, among other things, if the Company fails to pay the principal amount of the debentures when they become due and payable.

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**9. Convertible Debentures (Cont'd)**

*e) Convertible Debentures \$70,000 (Cont'd)*

At initial recognition, the Company allocated the proceeds of \$70,000 of the debentures between current liabilities and the shareholders' equity. The allocation was performed by first estimating the fair value of the debentures which is the liability in absence of the conversion feature. The Company then used the residual method to determine the value of equity component represented by the conversion feature which was determined to be \$6,307 as at April 4, 2013.

Subsequent to initial recognition, the liability component is amortized using the effective interest rate. The equity component is not re-measured after initial recognition. The Company paid finder's fee of \$3,500 in connection with this final tranche of the Private Placement.

As at June 30, 2014, the parties agreed to extend the maturity date of these convertible debentures to September 5, 2014, with all accrued and unpaid interest due and payable in full on September 5, 2014, in exchange for the Company repaying the debenture holder \$35,000 principal owing on the final tranche debenture by April 4, 2014 (or as soon as reasonably possible after the Company receives payment instructions from the debenture holder). The Company repaid principal amounts of \$35,000 on April 7, 2014. Subsequent to year-end, the Company repaid the remaining \$35,000 of principal and all accrued interest, as described in note 18b.

*f) Convertible Debentures \$2,000,000*

On March 18, 2014, the Company closed a non-brokered private placement of senior secured convertible debentures of the Company for gross proceeds of \$2,000,000 issued to two shareholders of the Company, with each shareholder subscribed for \$1,000,000 respectively. Each debenture has a face value of \$1,000, bearing interest of 10% per annum, fully secured by the assets of the Company. The debentures rank pari passu in priority with all other debentures from time to time issued, including certain previously issued debentures, and the principal amount and all accrued and unpaid interest is due and payable in full on March 31, 2015. Every \$1,000 principal amount of the debentures is convertible at any time, into common shares of the Company at a conversion price of \$0.20 per common share. Security for the debentures shall become enforceable upon the occurrence of certain events of default, which will include, among other things, if the Company fails to pay the principal amount of the debentures when they become due and payable.

At initial recognition, the Company allocated the proceeds of \$2,000,000 of the debentures between current liabilities and the shareholders' equity. The allocation was performed by first estimating the fair value of the debentures which is the liability component in absence of the conversion feature. The Company then used the residual method to determine the value of equity component represented by the conversion feature which was determined to be \$187,138 as at March 18, 2014.

Subsequent to initial recognition, the liability component is amortized using the effective interest rate. The equity component is not re-measured after initial recognition. The Company did not incur any costs during this transaction. Subsequent to year-end, the Company repaid the convertible debentures and all accrued interest, as described in note 18b.



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**10. Income Taxes and Deferred Tax**

In assessing the realization of the Company's deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax assets considered realizable could change materially in the near term based on future taxable income generated during the carry-forward period.

a) **Deferred Income Tax Assets and Liabilities**

Deferred income tax assets and liabilities:	June 30, 2014	June 30, 2013
Non-capital tax losses carried forward	\$ 3,561,904	\$ 2,413,536
Exploration and development expenses	36,736	35,323
Financing fees	344,522	509,868
Unrealized gains on foreign exchange	-	(36,655)
Total gross deferred income tax assets	3,943,161	2,922,072
Valuation allowance	(3,943,161)	(2,922,072)
Deferred income tax assets	\$ -	\$ -

The Company's deferred income tax liability of \$6,949,838 is attributable to differences between the book value and the tax value at acquisition of GBM AG (refer to note 1).

b) **Non-capital Losses**

As at June 30, 2014 the Company can carry forward Canadian non-capital losses to reduce taxable income in future years of \$12,927,835 expiring as follows:

Year 2027	\$ 116,090
Year 2028	\$ 74,853
Year 2029	\$ 140,605
Year 2030	\$ 134,568
Year 2031	\$1,099,158
Year 2032	\$2,545,442
Year 2033	\$2,672,732
Year 2034	\$6,144,387

As at June 30, 2014 the Company can carry forward Swiss non-capital losses to reduce taxable income in future years of \$1,348,962 expiring as follows:

Year 2018	\$ 337,782
Year 2019	\$ 478,700
Year 2021	\$ 532,480

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**10. Income Taxes and Deferred Tax (Cont'd)**

c) Income Tax Reconciliation

	Year Ended June 30, 2014	Year Ended June 30, 2013
Income tax recovery expected at statutory rates	\$ (1,270,161)	\$ (5,388,298)
Foreign jurisdiction tax rate difference	59,235	(1,302)
No tax benefit of losses due to foreign jurisdiction tax holiday	193,058	160,410
Effect of changes in enacted rate and other	(140,208)	(48,859)
Permanent difference	177,245	83,654
Impairment of mineral rights	-	4,563,283
Valuation allowance	(1,021,089)	290,487
Prior year adjustments	(40,258)	340,625
<b>Income taxes (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

**11. Share Capital**

a) *Authorized*

Unlimited number of common shares without par value and an unlimited number of preferred shares without par value

b) *Issued and outstanding*

Issued common shares are as follows:

	Number of shares <sup>1</sup>	Amount
<b>Balance, June 30, 2012</b>	<b>19,393,854</b>	<b>\$ 40,035,887</b>
Shares issued for acquisition of 49.9% of GB Minerals AG (b)(i)	19,361,200	7,014,056
Shares issued for exchanged GB Minerals AG's debt (b)(ii)	1,250,000	452,843
Shares issue costs – filling fees	-	(33,273)
<b>Balance, June 30, 2013</b>	<b>40,005,054</b>	<b>47,469,513</b>
Shares issued for equity financing (b)(iii)	15,000,000	3,000,000
Shares issued for settlement of GBMMEC debt (b)(iv)	9,000,000	1,350,000
Shares issued for settlement of other debt (b)(v)(vi)	620,063	90,509
Shares issued for compensation for services (vii)	1,800,000	234,000
Shares issue costs – filling and legal fees	-	(58,194)
<b>Balance, June 30, 2014</b>	<b>66,425,117</b>	<b>\$ 52,085,828</b>

<sup>1</sup>On March 25, 2013, the shareholders of the Company approved a consolidation of the Company's outstanding common shares on a 20-to-1 basis to reduce the issued and outstanding common shares from 387,877,088 to 19,393,854. Effective March 28, 2013, the Company's shares commenced trading on a consolidated basis under the symbol "GBL". All figures for common shares outstanding and earning per share have been adjusted retrospectively and are presented on a post-consolidation basis.

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**11. Share Capital (Cont'd)**

*b) Issued and outstanding (Cont'd)*

- i) On April 4, 2013, the Company issued 19,361,200 common shares at the fair value price of \$0.36 (rounded) per share pursuant to the acquisition of the remaining 49.9% of GBM AG's shares that the Company did not already indirectly own from Aterra and WAD pursuant to the 2013 SPEA.
- ii) On April 4, 2013, the Company issued 1,250,000 common shares to WAD equivalent to fair value of \$452,843 in exchange for the assignment of the issuance by WAD to the Company of advances received from WAD.
- iii) On August 28, 2013, the Company closed a non-brokered private placement of 15,000,000 common shares of the Company at a price of \$0.20 per share and raised aggregate gross proceeds of \$3,000,000. The shares were purchased by an existing shareholder of the Company.
- iv) On August 30, 2013, the Company settled an aggregate principal amount of \$3.6 million of the long-term debt described in note 8 with GBMMEC through issuance of 9,000,000 common shares to GBMMEC at a price of \$0.40 per share, of which \$0.15 per share was allocated to the value of the common shares in the amount of \$1,350,000, and the remaining \$0.25 per share was allocated as a gain on settlement of debt in the amount of \$2,250,000 million. These shares are subject to a four-month hold period and will be locked up for a period of 21 months in accordance with the lock-up agreement between the Company and GBMMEC dated August 30, 2013, wherein 2.25 million shares will be subject to a 12-month lock-up period, 2.25 million shares will be subject to a 15-month lock-up period, 2.25 million shares will be subject to a 18-month lock-up period, and 2.25 million shares will be subject to a 21-month lock-up period.
- v) On August 26, 2013, the Company settled an aggregate \$48,025 owed to a creditor for advisory services provided to the Company, by the issuance of a total of 120,063 common shares of the Company at a deemed price of \$0.40 per share, of which \$0.15 per share was allocated to the value of the common shares in the amount of \$18,009, and the remaining \$0.25 per share was allocated as a gain on settlement of debt in the amount of \$30,016. The shares were subject to a four month holding period.
- vi) On October 5, 2013, the Company settled an aggregate \$200,000 owed to a creditor for advisory work related to project financing provided to the Company by the issuance of a total of 500,000 common shares of the Company at a deemed price of \$0.40 per share, in which \$0.145 was allocated to the value of the common shares in the amount of \$72,500, and the remaining \$0.255 per share was allocated as a gain on settlement of debt in the amount of \$127,500. The shares were subject to a four month holding period.
- vii) On December 30, 2013, the Company issued 1,800,000 common shares to an officer and director of the Company in consideration of services provided pursuant to a consulting agreement whereby the shares were valued at the five day average trading price of \$0.13 per share as of the date on which the amount of compensation for services was approved by the board on November 18, 2013 for an aggregate value of \$234,000.

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**11. Share Capital (Cont'd)**

*c) Stock options and share-based payment*

- i) The Company has a stock option plan that allows for the issuance of options to purchase shares at specific prices for a specific period of time. The maximum number of shares issuable pursuant to options granted under the plan is limited to 10% of the total issued and outstanding common shares subject to shareholder approval. All directors, officers, employees, and consultants are eligible to participate in the plan. Vesting of options under the plan shall be at the discretion of the Board and will be subject to various vesting periods to reflect the nature of the options. The option price under the plan will not be less than the market price of the common shares on the date of grant. The expiry date for each option will be set by the Board of Directors at the time of issue of the option which shall not normally be more than five years from the date the option is granted.
  
- ii) On January 30, 2013, the following incentive stock options were expired or forfeited:
  - a) 55,250 at a price of \$2.00 each. These expired or forfeited options were granted on December 7, 2010 and September 24, 2010.
  
  - b) 27,500 at a price of \$2.60 each. These expired or forfeited options were granted on February 28, 2011.
  
  - c) 812,500 at a price of \$3.00 each. These expired or forfeited options were granted on March 24, 2011.
  
- iii) On January 30, 2013, 965,000 incentive stock options were granted to an officer and director of the Company. The assumptions utilized in determining the value of the 965,000 stock options granted was a share price of \$0.10, an exercise price of \$0.20, a risk-free interest rate of 1.50%, volatility of 203%, expected yield of nil, and an expected life of 5 years. The estimate of the fair value of the 965,000 stock options issued was \$93,510, of which 50% was immediately vested and exercisable upon issuance, and the remaining 50% vested and became exercisable on July 31, 2013.
  
- iv) On March 25, 2013, upon the shareholders' approval, an additional 35,000 incentive stock options were granted to the same officer and director of the Company as per note 11(c)(iii). The assumptions utilized in determining the value of the 35,000 stock options granted was a share price of \$0.20, an exercise price of \$0.20, a risk-free interest rate of 1.32%, volatility of 210%, expected yield of nil, and an expected life of 5 years. The estimate of the fair value of the 35,000 options issued was \$6,871, of which 50% was immediately vested and exercisable upon issuance, and the remaining 50% vested and became exercisable on July 31, 2013.
  
- v) On June 25, 2013, 150,000 incentive stock options at a price of \$3.00 each were forfeited. These options were granted on March 24, 2011.

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**11. Share Capital (Cont'd)**

*c) Stock options and share-based payment (Cont'd)*

- vi) On June 26, 2013, 37,500 incentive stock options at a price of \$3.00 each were forfeited. These expired or forfeited options were granted on March 24, 2011.
- vii) On August 8, 2013, 2,000,000 incentive stock options were granted to directors of the Company. The assumptions utilized in determining the value of the 2,000,000 stock options granted was a share price of \$0.19, an exercise price of \$0.20, a risk-free interest rate of 2.13%, volatility of 215%, expected yield of nil, and an expected life of 7 years. The estimate of the fair value of the 2,000,000 stock options issued was \$378,394, of which one-third was vested immediately, one-third vested on February 8, 2014, and the remaining one-third will vest on August 8, 2014.
- viii) On August 8, 2013, 333,000 incentive stock options were granted to an officer and a consultant of the Company. The assumptions utilized in determining the value of the 333,000 stock options granted was a share price of \$0.19, an exercise price of \$0.20, a risk-free interest rate of 2.13%, volatility of 215%, expected yield of nil, and an expected life of 7 years. The estimate of the fair value of the 333,000 stock options issued was \$63,003, of which one-third vested immediately, one-third vested on February 8, 2014, and the remaining one-third will vest on February 8, 2015.
- ix) On August 8, 2013, 500,000 incentive stock options were granted to an officer of the Company. The assumptions utilized in determining the value of the 500,000 stock options granted was as share price of \$0.19, an exercise price of \$0.20, a risk-free interest rate of 1.77%, volatility of 215%, expected yield of nil, and an expected life of 5 years. The estimate of the fair value of the 500,000 stock options issued was \$93,490, of which one-third will vest on each of August 8, 2014, 2015, and 2016.
- x) On August 31, 2013, the following incentive stock options were forfeited:
  - a) 10,000 at a price of \$2.60 each. These expired or forfeited options were granted on February 28, 2011.
  - b) 75,000 at a price of \$3.00 each. These expired or forfeited options were granted on March 24, 2011.

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**11. Share Capital (Cont'd)**

*c) Stock options and share-based payment (Cont'd)*

xi) On September 26, 2013, 917,000 incentive stock options were granted to directors, officers, and consultants of the Company. The assumptions utilized in determining the value of the 917,000 stock options granted was a share price of \$0.145, an exercise price of \$0.20, a risk-free interest rate of 2.21%, volatility of 215%, expected yield of nil, and an expected life of 7 years. The estimate of the fair value of the 917,000 stock options issued was \$132,308, of which one-third vested immediately, one-third vested on March 26, 2014, and the remaining one-third will vest on March 26, 2015.

xii) On April 15, 2014, 400,000 incentive stock options at a price of \$0.20 each were forfeited. These expired or forfeited options were granted on August 8, 2013.

As at June 30, 2014, the Company had 4,432,000 (June 30, 2013 – 1,167,000) stock options outstanding. The following table summarizes information about stock options outstanding:

	Number <sup>1</sup>	Amount	Weighted average exercise price <sup>1</sup>
<b>Balance, June 30, 2012</b>	1,249,750	\$1,949,596	\$ 3.00
Stock options expired (c)(ii)	(55,250)	-	2.00
Stock options expired (c)(ii)	(27,500)	-	2.60
Stock options forfeited (c)(ii)	(812,500)	-	3.00
Stock options granted (c)(iii)	965,000	85,502	0.20
Stock options granted (c)(iv)	35,000	6,039	0.20
Stock options forfeited (c)(v)	(150,000)	-	3.00
Stock options forfeited (c)(vi)	(37,500)	-	3.00
<b>Balance, June 30, 2013</b>	1,167,000	2,041,137	0.58
Stock options vested (c)(iii)	-	8,008	0.20
Stock options vested (c)(iv)	-	832	0.20
Stock options granted (c)(vii)	2,000,000	359,665	0.20
Stock options granted (c)(viii)	333,000	54,472	0.20
Stock options granted (c)(ix)	500,000	51,020	0.20
Stock options forfeited (c)(x)	(10,000)	-	2.60
Stock options forfeited (c)(x)	(75,000)	-	3.00
Stock options granted (c)(xi)	917,000	110,580	0.20
Stock options forfeited (c)(xii)	(400,000)	-	0.20
<b>Balance, June 30, 2014</b>	<b>4,432,000</b>	<b>\$ 2,625,714</b>	<b>\$ 0.25</b>

<sup>1</sup>Effective March 28, 2013, the Company's outstanding stock options were consolidated on a 20-to-1 basis to reduce the issued and outstanding stock options from 27,090,000 to 1,345,500. In addition, the exercise price of the stock options was multiplied by 20 pursuant to the consolidation of the stock options. All figures for stock options outstanding have been adjusted retrospectively and are presented on a post-consolidation basis.



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**11. Share Capital (Cont'd)**

*c) Stock options and share-based payment (Cont'd)*

The following table summarizes the options outstanding and exercisable at June 30, 2014:

Options outstanding at		Options exercisable at		
June 30, 2014	Exercise price	June 30, 2014	Expiry date	
22,000	\$2.00	22,000	September 24, 2015	
965,000	0.20	965,000	January 30, 2018	
35,000	0.20	35,000	March 25, 2018	
500,000	0.20	148,859	August 8, 2018	
1,933,000	0.20	1,286,667	August 8, 2020	
917,000	0.20	611,333	September 26, 2020	
60,000	3.00	60,000	March 24, 2021	
<b>4,432,000</b>	<b>\$0.25</b>	<b>3,128,859</b>		

*d) Warrant Reserve*

As at June 30, 2014, the Company had \$Nil (June 30, 2013 – 1,137,500) warrants outstanding. The following table summarizes information about warrants outstanding:

	Number <sup>1</sup>	Amount	Weighted average exercise price <sup>1</sup>
<b>Balance, June 30, 2012</b>	1,877,215	\$ 615,859	\$ 2.14
Warrants expired (d)(i)	(404)	-	2.47
Warrants expired (d)(ii)	(739,311)	-	2.00
<b>Balance, June 30, 2013</b>	1,137,500	615,859	2.00
Warrants expired (d)(iii)	(507,812)	-	2.20
Warrants expired (d)(iv)	(507,813)	-	2.20
Warrants expired (d)(v)	(60,937)	-	1.60
Warrants expired (d)(vi)	(60,938)	-	1.60
<b>Balance, June 30, 2014</b>	<b>-</b>	<b>\$ 615,859</b>	<b>\$ -</b>

<sup>1</sup>Effective March 28, 2013, the Company's outstanding share purchase warrants were consolidated on a 20-to-1 basis to reduce the issued and outstanding share purchase warrants from 22,750,000 to 1,137,500. In addition, the exercise price of the share purchase warrants was multiplied by 20 pursuant to the consolidation of the share purchase warrants. All figures for share purchase warrants outstanding have been adjusted retrospectively and are presented on a post-consolidation basis.



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**11. Share Capital (Cont'd)**

*d) Warrant Reserve (Cont'd)*

- i) On September 17, 2012, 404 warrants expired.
- ii) On November 25, 2012, 739,311 warrants expired.
- iii) On July 17, 2013, 507,812 warrants expired.
- iv) On September 8, 2013, 507,813 warrants expired.
- v) On January 17, 2014, 60,937 warrants expired.
- vi) On March 17, 2014, 60,938 warrants expired.

**12. Commitments and Contractual Arrangements**

- a) On October 23, 2013, the Company exercised its right under the settlement deed entered into with GBMMEC on January 30, 2013 and subsequently amended on July 26, 2013 (the "Settlement Deed"), as described in note 8, to request clarifications on GBMMEC's unpaid invoices (the "Request for Clarifications"). These invoices were issued in relation to a contract entered into on January 18, 2010 between GBM Holdings and GBMMEC for the provision by GBMMEC of engineering consultancy services for the Farim Project (the "GBMMEC Services Agreement"). To date, the Company has not received a response to the Request for Clarifications.

On January 7, 2014, the Company announced that GBMMEC commenced a claim against GBM Holdings before the courts of England to obtain payment of an amount totaling \$1,084,738 (£594,019) plus interest and costs, for unpaid professional fees invoiced during the period from March 2013 to September 2013 under the GBMMEC Services Agreement. The invoices have been accrued by the Company as at June 30, 2014 in accounts payable and accrued liabilities.

On March 21, 2014, GBM Holdings filed a defense and counterclaim seeking damages arising out of GBMMEC's breaches of the GBMMEC Services Agreement and the return of historical payments made in respect of apparently incorrect and/or unsubstantiated invoices. GBM Holdings intends to continue to defend the claim and pursue the counterclaim. Although a proceedings calendar is yet to be established by the courts, it is expected that the trial will not take place before the autumn of calendar year 2015.

- b) The Company has committed \$23,481 (June 30, 2013 – \$13,045) to future minimum payments as at June 30, 2014 under a renewed Canadian operating service agreement on the rental of an office space located at #1500 – 701 West Georgia Street, Vancouver, BC.
- c) Although the ultimate amount of the environmental rehabilitation provision is uncertain, the best estimate of these obligations is based on information currently available, including environmental management plans, demobilization and ecological restoration plans and applicable regulations. Significant environmental management activities include site restoration and environmental regulations.

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**12. Commitments and Contractual Arrangements (Cont'd)**

- c) The provision for environmental rehabilitation as at June 30, 2014 is \$59,228 (June 30, 2013 - \$54,480). The provision was determined using a discounted cash flow rate of 2.78% and an estimated life of mine of 25 years for the Farim phosphate mining property.

**13. Capital Management**

As at June 30, 2014, the capital structure of the Company consists of equity attributable to common shareholders and includes share capital of \$52,085,828 (June 30, 2013 - \$47,469,513), share-based payment reserve for options of \$2,625,714 (June 30, 2013 - \$2,041,137), share-based payment reserve for warrants of \$615,859 (June 30, 2013 - \$615,859), fair value of convertible feature on convertible debentures of \$480,003 (June 30, 2013 - \$292,865), and deficit of \$13,114,118 (June 30, 2013 - \$8,242,151).

The Company's objective when managing capital structure is to ensure at its best effort that sufficient financial resources exist to meet the Company's strategic exploration and development objectives, and to ensure at its best effort that the Company continues as a going concern. The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support its immediate financial obligations and the Company's capital programs. There is risk that unforeseen circumstances and expenditures will limit the time period for which cash will be available, and the Company may not be able to raise sufficient financing, or on a cost-effective basis. The failure of the Company to raise further financing would limit its ability advance its business plan and carry on current activities.

The Company is an exploration stage company and is currently unable to self-finance its operations. The Company has relied on equity and/or debt financing in the past to raise sufficient funds to carry out its exploration and evaluation and acquisition activities and pay its administrative costs. Although the Company was able to obtain adequate financing in the past, there is no assurance that the Company will continue to obtain adequate financing in the future or that the terms of such financing will be favourable.

**14. Related Party Transactions**

The Company had the following transactions with directors, officers and companies related by virtue of directors and officers in common.

	Year Ended June 30, 2014	Year Ended June 30, 2013
Management and consulting fees (including bonuses)	\$ 1,061,439	\$ 602,500
Share compensation for services, non-cash	234,000	-
Director fees	123,333	121,400
Stock options compensation, non-cash	562,920	91,541
Interest expense	677,233	137,933
Gain on settlement of debt (note 3)	-	503,426
<b>Total</b>	<b>\$ 2,658,925</b>	<b>\$ 1,456,800</b>

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**14. Related Party Transactions (Cont'd)**

For the period ended June 30, 2014, the Company paid or accrued management and consulting fees (including bonuses) of \$316,000 (June 30, 2013 - \$255,000) to a director of the Company; \$323,150 (June 30, 2013 - \$Nil) to an officer and director of the Company; \$265,983 (June 30, 2013 - \$Nil) to an officer of the Company of which \$79,795 (June 30, 2013 - \$Nil) was included in the capitalization of exploration expenditures; \$130,000 (June 30, 2013 - \$77,500) to Artisan Consulting Ltd, a company controlled by an officer of the Company; and \$26,306 (June 30, 2013 - \$Nil) to De Jong Capital LLC, a company controlled by a director of the Company.

For the period ended June 30, 2014, the Company issued 1,800,000 common shares at \$0.13 per share for an aggregate value of \$234,000 (June 30, 2013 - \$Nil) to a director of the Company in consideration of services provided pursuant to a consulting agreement dated January 30, 2013.

For the period ended June 30, 2014, the Company incurred \$1,061,439 (June 30 2013 - \$602,500) of management and consulting fees to related parties, and of which \$396,208 (June 30, 2013 - \$Nil) were included in accounts payable and accrued liabilities as at June 30, 2014.

For the period ended June 30, 2014, the Company incurred director fees of \$123,333 (June 30, 2013 - \$121,400), and of which \$85,333 (June 30, 2013 - \$115,559) were included in accounts payable and accrued liabilities as at June 30, 2014.

For the period ended June 30, 2014, the Company expensed interest of \$677,233 (June 30, 2013 - \$137,933) to shareholders on the Note Payable described in note 7 and Convertible Debentures described in notes 9a, 9b, 9d, and 9f, and of which \$452,986 (June 30, 2013 - \$76,028) were included in accounts payable and accrued liabilities as at June 30, 2014.

These transactions are in the normal course of operations and at the exchange rate agreed to by the related parties.

**15. Subsidiaries**

The following entities are all of the subsidiaries of the Company as at June 30, 2014:

- i) GB Minerals Holdings Ltd. ("GBM Holdings"), a company existing under the laws of British Columbia and wholly-owned by the Company;
- ii) GB Minerals AG ("GBM AG"), a company existing under the laws of Switzerland and wholly-owned by GBM Holdings;
- iii) GBMH Minerals (Barbados) Ltd. ("GBMH Barbados"), a company existing under the laws of Barbados and wholly-owned by GBM Holdings;
- iv) GBMH Minerai, Unipessoal, Lda. ("GBMH Unipessoal"), a company existing under the laws of Madeira (Portugal) and wholly owned by GBMH Barbados; and
- v) GB Minerai SARL ("GBM SARL"), a company existing under the laws of Guinea-Bissau and wholly owned by GBM AG.

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**16. Segmented Information**

The Company operates in three reportable segments: North America, Europe and Africa. Segments are defined as components for which separate financial information is available and is regularly evaluated by the chief operating decision maker.

	North America	Europe	Africa	Total
Assets	\$ 385,530	\$ 12,453	\$ 71,932,605	\$ 72,330,588
Net Loss	\$ 3,778,907	\$ 337,793	\$ 755,267	\$ 4,871,967

**17. Financial Instruments**

IFRS 7 establishes a fair value hierarchy that reflects significance of inputs in measuring fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;  
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. process) or indirectly (i.e. derived from process); and  
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks.

**Fair value and classification**

As at June 30, 2014, the Company's financial instruments are classified and issued as follows:

Financial Instrument	Classification	Level 1	Level 2	Level 3
Cash and cash equivalents	Loans and receivables	\$ 351,525	\$ -	\$ -
Funds held in trust	Loans and receivables	1,249	-	-
Other receivable	Loans and receivables	-	-	20,107
Bank indebtedness	Other financial liabilities	26	-	-
Accounts payable and accrued liabilities	Other financial liabilities	-	-	6,108,761
Notes payable	Other financial liabilities	-	-	2,750,000
Debt payable	Other financial liabilities	-	-	9,457,286
Convertible debentures	Other financial liabilities	-	-	4,514,350
		\$ 352,800	\$ -	\$22,850,504

As at June 30, 2014, the Company's financial instruments consist of cash and cash equivalents, funds held in trust, other receivable, prepaid expenses, bank indebtedness, accounts payable and accrued liabilities, notes payable, debt payable, and convertible debentures. These financial instruments are classified as loans and receivables or other financial liabilities and are carried at amortized cost. The fair values of cash and cash equivalents, funds held in trust, other receivable, prepaid expenses, bank indebtedness, accounts payable and accrued liabilities, notes payable, and convertible debentures, approximate their carrying values due to the short-term nature of these instruments. The fair value of debt payable approximates carrying value due to the market interest rate.

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**17. Financial Instruments (Cont'd)**

**Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. Although the Company takes steps at its best effort to ensure that it has sufficient working capital and available sources of financing to meet future cash requirements for capital programs, there is no assurance that any steps taken by the Company will be successful in this regard, and there is risk that unforeseen circumstances and expenditures will limit the time period for which cash will be available.

The Company will issue equity at its best effort to ensure the Company has sufficient access to cash to meet current and foreseeable financial requirements. The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support its immediate financial obligations and the Company's capital programs. However, there is risk that unforeseen circumstances and expenditures will limit the time period for which cash will be available, and the Company may not be able to raise financing of sufficient magnitude, or on a cost-effective basis. The failure of the Company to raise further financing would limit the ability of the Company to advance its business plan and carry on current activities. As at June 30, 2014, the Company is in default of the first quarterly principal instalment in the amount of \$1,141,313 (£625,000) (refer to note 8). Further information regarding liquidity risk is set out in note 1.

The Company is currently engaged in litigation against GBMMEC, in relation to which it is incurring legal fees. If the Company is unable to resolve this dispute favourably or obtain favourable decision from the courts, it may have material adverse impact on its financial condition, cash flow and results of operations.

**Credit risk**

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and other receivable. The Company minimizes the credit risk of cash by depositing only with reputable institutions.

There is no allowance for doubtful accounts recorded as at June 30, 2014 (June 30, 2013 - \$Nil).

**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) Interest rate risk*

The Company is exposed to the risk that the value of financial instruments will change due to movement in market interest rates. The Company holds \$9,457,286 of debt payable at an interest rate of 8.5% per annum, \$4,650,000 of convertible debentures at an interest rate of 10% per annum and \$2,750,000 of notes payable at an interest rate of 15% per annum.

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**17. Financial Instruments (Cont'd)**

**Market risk (Cont'd)**

*ii) Currency risk*

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company has a significant portion of the accounts payable and accrued liabilities balance payable in U.K. pound sterling ("GBP"), Swiss Franc ("CHF Franc"), and Central African Franc ("CFA Franc").

As at June 30, 2014, a 5% increase or decrease in exchange rate on an annualized basis in the value of a Canadian dollar in relation to the GBP, CHF Franc, and CFA Franc would have resulted in \$661,729 increase or decrease of foreign exchange or loss respectively.

*iii) Commodity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to base and phosphate, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken by the Company.

**18. Subsequent Events**

- a) On September 2, 2014, the Company announced that it closed a non-brokered private placement of 136,367,945 common shares of the Company at a price of \$0.075 per share and raised aggregate gross proceeds of \$10,227,596. The common shares were purchased by various existing shareholders of the Company. It was expected the net proceeds of this non-brokered private placement will be for expenses and development of the Company's Farim phosphate mineral property, to meet the Company's financial obligations and operations commitments, funding litigation as against GBM Minerals Engineering Consultants Limited and for additional working capital. The common shares are subject to a four-month hold period from the date of issuance.



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**18. Subsequent Events (Cont'd)**

- b) On September 8, 2014, the Company announced that it had repaid and retired all outstanding convertible debentures and promissory notes totalling \$8,205,316 in accordance with the terms of such debt obligations. The Company repaid convertible debentures in the principal amount of \$3,100,000 and its accrued interests of \$364,274 to Aterra Investments Ltd. ("Aterra"); \$1,000,000 in principal amount and its accrued interests of \$46,849 to Alpha Infrastructure LLC ("Alpha"); \$300,000 in principal amount and its accrued interests of \$63,205 to Amabro Investments Ltd.; \$215,000 in principal amount and its accrued interests of \$53,779 to Sputnik Ltd.; and \$35,000 in principal amount and accrued interests of \$8,544 to Conista Holdings Ltd. (refer to note 9). The Company repaid promissory notes in the principal amount of \$2,500,000 and its accrued interests of \$259,315 to Aterra, and \$250,000 in principal amount and its accrued interests of \$9,349 to Alpha (refer to note 7).
- c) On October 1, 2014, the Company announced that it had settled an aggregate \$752,059 in outstanding debt owed to creditors in connection with consulting and advisory services previously provided to the Company and to former and current directors of the Company for their outstanding directors' fees, by issuance of a total of 10,027,454 common shares of the Company at \$0.075 per share. The common shares are subject to a four-month holding period from the date of issuance.

**19. Comparative Figures**

On March 25, 2013, the shareholders of the Company approved a consolidation of the Company's outstanding common shares on a 20-to-1 basis to reduce the issued and outstanding common shares from 387,877,088 to 19,393,854. Effective March 28, 2013, the Company's shares commenced trading on a consolidated basis under the symbol "GBL". All figures for common shares outstanding and earning per share have been adjusted retrospectively.

In addition, certain comparative figures for June 30, 2013 have been re-classified to conform with the consolidated financial statements presentation for the current period.