ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our consolidated financial statements for the two years ended May 31, 2015, and the related notes thereto, which have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under the section heading "Item 1A. Risk Factors" above and elsewhere in this annual report on Form 10-K. See section heading "Forward-Looking Statements" above.

Current Business Activities

General

North Bullfrog Project Development

The 2014 drilling campaign focused on the Yellowjacket vein system with a single drilling rig operating from June to September, and adding a second drill rig in September. The two core rigs operated to delineate the extent of the Josh Vein and explore the southern extensions. For the second half of 2014, the two drill rigs drilled 30 core holes for 22,977 feet (7,005 m). In 2015, five core holes were drilled to test new structural targets around Sierra Blanca and in the Eastern Steam-heated Area. A total of 4,755 feet (1,449 m) was drilled in April and May. The Company's lease with Kolo Corp. was amended to include the Yellowrose and Yellowrose No. 1 patented claims. During the third quarter of the 2015 fiscal year, all assays were returned for the calendar year 2014 drill program. These data formed the basis for a revised resource estimate and Preliminary Economic Assessment with an effective date of June 16, 2015. McClelland Laboratories performed additional metallurgical testing in 2015 to characterize gold and silver recovery using a simulated mill process with gravity concentration, intense cyanide leaching of the gravity concentrate and cyanide leaching of the gravity tail. The NBP property has been expanded again through the addition of new Federal claims to cover more of the eastern alteration area, and extend the southern boundary of the property. In addition, a second lease agreement was signed with Lunar Landing LLC for the Sunflower, Sunflower No. 1 and Sunflower No.2 historical patented claims adjacent to the Yellow Rose property.
Baseline characterization work continued in the fiscal year ended May 31, 2015, with quarterly water quality sampling in 2014, and then reducing sample event frequency to every 6 months for 2015. The site meterological station continued to operate with quarterly reports submitted to NDEP. Wildlife and botanical surveys required by the site operating permits were performed as required.

Financing

During the first quarter of the 2015 fiscal year, the Company had an offering pursuant to a registration statement on Form S-1 ("Registration Statement") and a short form prospectus in Canada (the "Canadian Prospectus") of 5,150,000 common shares (the "Shares") of the Company at a price of $1.20 per Share for aggregate gross proceeds of $6,180,000 (the "Offering"). The Shares were issued on August 27, 2014 to certain funds managed by Van Eck Associates Corp., to the Tocqueville Gold Fund and to certain members of Corvus management and directors (collectively, the "Investors"), each such Investor being an accredited investor as such term is defined under National Instrument 45-106 - *Prospectus and Registration Exemptions*. No underwriter was involved in the preparation of the Registration Statement or Canadian Prospectus or performed any review of the contents of the Registration Statement or Canadian Prospectus, and no underwriter's fee was payable in connection with the Offering. No securities were issued to any persons other than the Investors pursuant to the Registration Statement and Canadian Prospectus.

During the third quarter of the 2015 fiscal year, the Company finalized a $4,500,000 non-brokered private placement. Pursuant to the financing, the Company issued 4,500,000 common shares at a price of $1.00 per share. Insider participants in the private placement include Tocqueville Asset Management L.P. and AngloGold Ashanti (USA) Exploration Inc., two of the Company's largest and long term shareholders.
Board of Directors and Management Changes

Catherine Gignac, ICD.D, has been elected Chair of the Board following the Company's Annual General Meeting held on October 9, 2014. Ms. Gignac's extensive experience with corporate and project value analysis, mergers and acquisitions and capital markets should be of tremendous value to Corvus as its progresses down the path of building shareholder value through exploration drilling, project advancement and economic optimization.

In June 2015, the Company announced the consolidation of the CEO and President positions. Jeff Pontius, the Company's founder and current CEO, now assumes the position of both the CEO and the President. This consolidation resulted in the departure of the previous President, Russell Myers.

2016 Outlook

During 2015-2016, the Company will focus on exploration at NBP to drill test and identify new structural targets around Sierra Blanca and in the Eastern Steam-heated Alteration zone. In August 2015, drilling resumed at NBP with an RC drill rig to test structural targets. The Company also plans to continue the collection of baseline environmental data in its water quality sampling, waste geochemistry and meterological programs.

Results of Operations

Year ended May 31, 2015 Compared to Year ended May 31, 2014

For the year ended May 31, 2015, the Company had a net loss of $10,577,487 compared to a net loss of $11,664,974 in the prior year. Included in net loss was $1,485,695 (2014 - $1,846,269) in stock-based compensation charges which is a result of stock options granted during the year and previously granted stock options which vested during the year. The decrease in loss of $1,087,487 in the current year was due to a combination of factors discussed below.

The primary factor for the decrease in the net loss was the exploration expenditures of $5,640,920 incurred in the current year compared to $8,151,179 in the prior year. The exploration activities of the Company decreased mainly due to less funding being available in the current year compared with the prior year and a decrease in stock-based compensation charges of $36,820 in the current year compared to $63,670 in the prior year.

Consulting fees increased to $827,163 (2014 - $686,662) mainly due to increased stock-based compensation charges of $570,913 during the current year compared to $464,638 in the prior year with an increase in consulting fees of $34,226 mainly related to fees charged for the Company's registration of its securities in the United States.

Insurance expenses increased to $92,207 (2014 - $52,914) mainly due to increased insurance coverage incurred during the current year as a result of the Company's registration of its securities in the United States.

Investor relations expenses decreased to $930,260 (2014- $1,224,378) due to decreased stock-based compensation charges of $208,336 during the current year compared to $371,459 in the prior year. This was further decreased by $130,995 due to a combination of decreases in investor relations-related travel, advertising and marketing, and the number of personnel engaged as the Company worked on completing the financings which closed at the end of August 2014 and at the end of February 2015.

Professional fees increased to $505,239 (2014 - $486,774). While stock-based compensation charges of $48,841 during the current year were less than the $69,761 in the prior year, this decrease was offset by an increase of $39,385 in legal and accounting fees in the current year compared to the prior year as a result of the Company registering its securities in the United States.

Regulatory expenses increased to $154,996 (2014 - $118,637) due to additional filing and listing fees incurred in the current year due to the Company's registration of its securities in the US.

Travel expenses increased to $195,016 (2014 - $138,153) mainly due to more attendance at trade shows and conferences to offset the decrease in investor relations-related travel, advertising and marketing in the current year compared to the prior year.

Wages and benefits decreased to $1,904,767 (2014 - $1,957,900). While stock-based compensation charges of $620,785 during the current year was less than the $876,741 in the prior year. This decrease was offset by an increase of $202,823 in wages and benefits in the current period mainly as a result of adjustment in wages of several senior executive officers.

Other expense categories that reflected only moderate change year over year were administration expenses of $13,225 (2014 - $11,133), bad debts of $nil (2014 - $22,118), depreciation expenses of $28,191(2014 - $25,657), office expenses of $148,063 (2014 - $146,797) and rent expenses of $96,564 (2014 – $95,175).

Other items amounted to a loss of $40,876 compared to an income of $1,452,503 in the prior year. There was a gain on sale of the Company's interest in the Terra property of $nil in the current year compared to $1,840,480, a write-off of the Company's interest in the West Pogo property in Alaska of $nil in the current year compared to $395,485 in the prior year, an unrealized loss on marketable securities of $nil in the current year compared to $26,388 in the prior year, and a loss on sale of marketable securities of $125,166 in the current year compared to $nil in the prior year. There was an increase in foreign exchange to a gain of $62,175 (2014 – loss of $8,016), which is the result of factors outside of the Company's control and a decrease in interest income of $22,115 (2014 - $41,912) as a result of less investment in cashable GIC's during the current year.

Three months ended May 31, 2015 Compared to Three months ended May 31, 2014

For the three months ended May 31, 2015, the Company had a net loss of $2,376,192 compared to a net loss of $3,658,718 in the comparative period of the prior year. Included in net loss was $340,222 (2014 - $484,756) in stock-based compensation charges which is a result of stock options granted during the period and previously granted stock options which vested during the period. The decrease in loss of $1,282,526 in the three month period of the current year was due to a combination of factors discussed below.

Consulting fees increased to $217,597 (2014 - $168,826) mainly due to increased stock-based compensation charges of $156,847 during the current period compared to $123,826 in the prior period combined with an increase in consulting fees of $15,750 mainly as a result of adjustment in directors' fees.

Exploration expenditures of $1,200,648 incurred in the current period compared to $1,904,923 in the comparative period of the prior year. The exploration activities of the Company decreased mainly due to less funding being available in the current period compared with the comparative period of the prior year and a decrease in stock-based compensation charges of $6,055 in the current period compared to $16,433 in the prior period.

Insurance expenses increased to $32,388 (2014 - $13,776) mainly due to increased insurance coverage incurred during the current period as a result of the Company's registration of its securities in the United States.

Investor relations expenses decreased to $196,998 (2014 - $310,942) mainly due to decreased stock-based compensation charges of $43,725 during the current period compared to $90,069 in the prior period. This was further decreased by $67,600 due to a combination of decreases in investor relations-related travel, and advertising and marketing.

Professional fees decreased to $93,623 (2014 - $157,430) mainly due to decreased stock-based compensation charges of $9,383 during the current period compared to $18,775 in the prior period. This was further decreased by $54,415 in legal and accounting fees due to additional fees charged in the prior period related to the conversion from International Financial Reporting Standards to U.S. GAAP.

Regulatory expenses decreased to $6,512 (2014 - $36,167) due to less filing and listing fees incurred in the current period compared to filing fees incurred in the prior period related to the Company's registration of its securities in the United States.

Travel expenses increased to $87,779 (2014 - $54,491) mainly due to more attendance at trade shows and conferences to offset the decrease in investor relations-related travel, advertising and marketing in the current period compared to the prior period.

Wages and benefits decreased to $410,734 (2014 - $487,690) mainly due to a decrease in stock-based compensation charges of $124,212 in the current period compared to $235,653 in the prior period. This decrease was offset by an increase of $34,485 in wages and benefits in the current period mainly as a result of adjustment in wages of several senior executive officers.

Other expense categories that reflected only moderate change period over period were administration expenses of $3,684 (2014 - $3,093), bad debts of $nil (2014 - $22,118), depreciation expenses of $7,494 (2014 - $10,681), office expenses of $38,502 (2014 - $40,837), and rent expenses of $24,693 (2014 – $25,259).

Other items amounted to a loss of $55,540 compared to a loss of $422,485 in the prior period. There was a write-off of the Company's interest in the West Pogo property in Alaska of $nil in the current period compared to a write-off of $395,485 in the comparative period of the prior year, an unrealized gain on marketable securities of $60,305 in the current period compared to an unrealized loss of $26,388 in the comparative period of the prior year, and a loss on sale of marketable securities of $125,166 in the current period compared to $nil in the comparative period of the prior year. There was an increase in foreign exchange to a gain of $3,336 (2014 – loss of $4,067), which is the result of factors outside of the Company's control and an increase in interest income of $5,985 (2014 - $3,455) as a result of less investment in cashable GIC's during the current period.

Liquidity and Capital Resources

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been financed by the sale of its equity securities by way of public offerings, private placements and the exercise of incentive stock options and share purchase warrants. The Company believes that it will be able to secure additional private placements and public financings in the future, although it cannot predict the size or pricing of any such financings. In addition, the Company can raise funds through the sale of interests in its mineral properties, although current market conditions have substantially reduced the number of potential buyers/acquirers of any such interest(s). This situation is unlikely to change until such time as the Company can develop a bankable feasibility study on one of its projects. When acquiring an interest in mineral properties through purchase or option, the Company will sometimes issue common shares to the vendor or optionee of the property as partial or full consideration for the property interest in order to conserve its cash.

The Company reported cash and cash equivalents of $5,159,962 as at May 31, 2015 compared to $3,227,970 as at May 31, 2014. The change in cash position was the net result of $13,822 used on property and equipment, $9,244,923 used for operating activities, $32,508 used for capitalized acquisition costs, $35,723 received from sale of marketable securities, $626,324 received from the replacement of reclamation bonds, and $10,481,473 received from both the public offering of common shares in August of 2014 and the private placement of common shares in February of 2015 (net of share issue costs) and exercise of stock options during the year ended May 31, 2015.

As at May 31, 2015, the Company had working capital of $4,716,940 compared to working capital of $2,986,574 as at May 31, 2014. The Company expects that it will operate at a loss for the foreseeable future and believes the current cash and cash equivalents will be sufficient for it to maintain its currently held properties, and fund its currently anticipated general and administrative costs until December 31, 2015. Following December 31, 2015, the Company will need to scale back anticipated activities and costs or raise additional financing to fund operations through the year ending May 31, 2016. The Company's current anticipated operating expenses are $4,909,330 until December 31, 2015 and $6,377,577 until May 31, 2016. The Company's anticipated monthly burn rate averages approximately $701,000 for June to December 2015, where approximately $300,000 is for administrative purposes and approximately $401,000 is for planned exploration expenditures related to the completion of the ongoing Phase II exploration program at the NBP. From June 2015 to May 2016, the Company's anticipated monthly burn rate averages approximately $531,000, of which $274,000 is for administrative purposes and approximately $257,000 is for planned exploration expenditures related to the ongoing Phase II exploration program at the NBP. The Company anticipates that it will pursue additional public or private equity financings toward the end of 2015 to raise additional funds for additional exploration at the NBP for the 2016 calendar year. In any event, the Company will be required to raise additional funds, again through public or private equity financings, prior to the end of December 2015 in order to continue in business. Should such financing not be available in that time-frame, the Company will be required to reduce its activities and will not be able to carry out all of its presently planned exploration and development activities at the NBP on its currently anticipated scheduling.

The Company currently has no further funding commitments or arrangements for additional financing at this time (other than the potential exercise of incentive stock options) and there is no assurance that the Company will be able to obtain additional financing on acceptable terms, if at all. There is significant uncertainty that the Company will be able to secure any additional financing in the current equity markets. The quantity of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise.

The Company has no exposure to any asset-backed commercial paper. Other than cash held by its subsidiaries for their immediate operating needs in Alaska and Nevada, all of the Company's cash reserves are on deposit with a major Canadian chartered bank. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions. However, in order to achieve greater security for the preservation of its capital, the Company has, of necessity, been required to accept lower rates of interest, which has also lowered its potential interest income.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Environmental Regulations

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by application of technically proven and economically feasible measures

Critical Accounting Policies

<u>Basis of presentation</u>

These consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP").

<u>Basis of consolidation</u>

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (collectively, the "Group"), Corvus USA (a Nevada corporation), Corvus Nevada (a Nevada corporation), Raven Gold (an Alaska corporation) and SoN (a Nevada limited liability company). All intercompany transactions and balances were eliminated upon consolidation.

<u>Significant judgments, estimates and assumptions</u>

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

Significant estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the carrying value and the recoverability of the capitalized acquisition costs included in the Balance Sheet, the assumptions used to determine the fair value of Stock-based compensation in the Statement of Operations and Comprehensive Loss, and the estimated amounts of reclamation and environmental obligations.

Significant judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The Company made the following critical accounting judgments:

- The determination of deferred tax assets and liabilities recorded in the Balance Sheet.
- The analysis of resource calculations, drill results, laboratory work, etc., which can impact the Company's assessment of impairments, and provisions, if any, for environmental rehabilitation and restorations.
- The determination of functional currency. In accordance with FAS 52 "Foreign Currency Translation", management determined that the functional currency of Corvus USA, Corvus Nevada, Raven Gold and SoN is US dollars and for all other entities within the Group, the functional currency is Canadian dollars, as these are the currencies of the primary economic environment in which the companies operate.

<u>Cash and cash equivalents</u>

Cash equivalents include highly liquid investments in term deposits that are readily convertible to known amounts of cash with original maturities of three months or less, and term deposits with original term of maturities greater than three months but are cashable after 30 days with no penalties, and are subject to an insignificant risk of change in value.

<u>Marketable securities</u>

Marketable securities held in companies with an active market are classified as held-for-trading securities. Held-for-trading securities are recorded at fair value in the financial statements with unrealized gains and losses recorded in profit or loss in the Statement of Operations and Comprehensive Income (Loss).

<u>Foreign currency translation</u>

The presentation currency of the Company is the Canadian dollar.

The functional currency of each of the parent company and its subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The functional currency of Corvus USA, Corvus Nevada, Raven Gold and SoN is US dollars, and for the Company the functional currency is Canadian dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the Statement of Operations and Comprehensive Income (Loss) in the year in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the Statement of Operations and Comprehensive Income (Loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Parent and Subsidiary Companies

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at monthly average exchange rates during the year.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's exchange difference on translating foreign operations on the Statement of Operations and Comprehensive Income (Loss) and are reported as a separate component of shareholders' equity titled "Cumulative Translation Differences". These differences are recognized in profit or loss in the year in which the operation is disposed of.

Property and equipment

Recognition and measurement

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

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

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

Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and losses

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

Depreciation

Depreciation is recognized in profit or loss on a declining-balance basis at the following annual rates:

Computer equipment	-	30% declining balance
Vehicles	-	30% declining balance
Tent	-	20% declining balance

Additions during the year are depreciated at one-half the annual rates.

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

Mineral exploration and evaluation expenditures

The Company's mineral projects are currently in the exploration and evaluation phase. All direct costs related to the acquisition of mineral property interests are capitalized. Mineral property exploration costs are expensed as incurred. At such time that the Company determines that a mineral property can be economically developed, subsequent mineral property expenses will be capitalized during the development of such property.

The Company assesses interests in exploration properties for impairment or when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Impairment analysis includes assessment of the following circumstances: a significant decrease in the market price of a long-lived asset or asset group; a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or asset group, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or asset group; a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group; a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50%.

Asset retirement obligations

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or contractually required to remediate and recorded at the time environmental disturbance occurs. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports and accreted to full value over time through periodic charges to profit or loss. As at May 31, 2015, the Company recorded a provision of $132,579 (USD 107,000) (2014 - $Nil) for environmental rehabilitation.

Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion or the entire deferred tax asset will not be recognized.

Share capital

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.

Commissions paid to agents, and other related share issuance costs, such as legal, auditing, and printing, on the issue of the Company's shares are charged directly to share capital.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

Earnings (loss) per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. For the year ended May 31, 2015, $7,396,334 outstanding stock options (2014 – $6,175,234) were not included in the calculation of diluted earnings (loss) per share as their inclusion was anti-dilutive.

Stock-based compensation

The Company follows the provisions of Financial Accounting Standards Board Accounting Standards Codification Section 718 "Compensation - Stock Compensation", which establishes accounting for equity based compensation awards to be accounted for using the fair value method. The Company uses the Black-Scholes option pricing model to determine the grant date fair value of the awards. Compensation expense is measured at the grant date and recognized over the requisite service period, which is generally the vesting period.

Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction. When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up adjusted by the fair value of any monetary consideration received or given. When the asset received or the consideration given up is shares in an actively traded market, the value of those shares will be considered fair value.

Joint venture accounting

Where the Company's exploration and development activities are conducted with others, the accounts reflect only the Company's proportionate interest in such activities. The Company currently does not have any joint venture accounting.

Recently Issued Accounting Pronouncements

Development Stage Entities (Topic 915)

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-10, Development Stage Entities (Topic 915) which provides guidance for improving financial reporting and consolidation. This ASU affects any entity that is development stage entity under US GAAP and any entity that has an interest in an entity that is a development stage entity. This ASU will supersede Master Glossary term Development Stage Entity. This ASU also supersedes Topic 915, Development Stage Entities. The Company has early adopted this standard, effective June 1, 2012. The adoption of this accounting standard update eliminated the inception-to-date information in the consolidated financial statements.

Presentation of Financial Statements – Going Concern (Subtopic 205-40)

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and to provide related disclosures. The Company has early adopted this standard, effective March 1, 2015. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

The Company has evaluated all other recently issued accounting pronouncements and believes such pronouncements do not have a material effect on the Company's consolidated financial statements.