



Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2014

(Unaudited)

(Expressed in Canadian dollars)

These unaudited condensed consolidated interim financial statements of Woulfe Mining Corp. for the three months ended September 30, 2014 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

WOULFE MINING CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited)

(Expressed in Canadian dollars)

	September 30, 2014	June 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,232,958	\$ 2,617,802
Receivables (note 4)	60,294	46,011
Prepaid expenses and deposits	105,482	98,664
	1,398,734	2,762,477
Non-current assets:		
Deferred financing costs (note 13)	1,074,582	1,074,582
Property, plant and equipment (note 5)	566,922	584,231
Exploration and evaluation assets (note 6)	55,731,325	54,815,505
Total assets	\$ 58,771,563	\$ 59,236,795
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (notes 8 and 14)	\$ 2,048,693	\$ 2,458,977
Provisions (note 7)	678,778	677,466
Loan payable (note 9)	10,808,386	10,673,307
Convertible loan (note 10)	369,637	348,549
	13,905,494	14,158,299
Long-term liabilities:		
Employee benefit obligations	388,107	384,284
Provisions (note 7)	76,457	75,704
Convertible debentures (note 10)	2,842,717	2,755,642
Deferred income tax liability	2,346,703	2,244,785
Total liabilities	19,559,478	19,618,714
Shareholders' equity:		
Share capital (note 11)	64,744,832	64,504,854
Commitment to issue shares (note 10)	120,986	-
Conversion options (note 10)	225,935	225,935
Share-based payment reserve (note 11)	16,517,353	16,352,834
Deficit	(42,397,021)	(41,465,542)
Total shareholders' equity	39,212,085	39,618,081
Total liabilities and shareholders' equity	\$ 58,771,563	\$ 59,236,795

Nature of operations and going concern (note 1)

Proposed transaction (note 13)

Subsequent events (note 14)

Approved by the Board:

"Michel Gaucher"

"Benjamin Yi"

See accompanying notes to the condensed consolidated interim financial statements.

WOULFE MINING CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED SEPTEMBER 30,**

(Unaudited)

(Expressed in Canadian dollars)

	2014	2013
Expenses:		
Directors' fees	\$ 25,500	\$ 18,000
Management fees	52,500	18,000
Office and miscellaneous	26,023	20,660
Professional fees	150,155	73,617
Shareholder communications	3,924	1,624
Share-based payment expense	164,519	-
Transfer agent and regulatory fees	4,299	9,082
Travel and related costs	5,372	5,219
	(432,292)	(146,202)
Other income (expenses):		
Interest expense	(364,227)	(128,501)
Interest income	3,454	2,647
Other income	56,817	-
Foreign exchange (loss) gain	(68,313)	58,387
Gain on settlement of debt	-	21,765
	(372,269)	(45,702)
Loss before income taxes	(804,561)	(191,904)
Income tax expense		
Current	(25,000)	(13,000)
Deferred	(101,918)	(378,945)
	(126,918)	(391,945)
Comprehensive loss for the period	\$ (931,479)	\$ (583,849)
Loss per common share	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	360,792,203	338,098,175

See accompanying notes to the condensed consolidated interim financial statements.

WOULFE MINING CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

FOR THE THREE MONTHS ENDED SEPTEMBER 30,

(Unaudited)

(Expressed in Canadian dollars)

	2014	2013
Cash provided by (used in):		
Operating activities:		
Loss for the period	\$ (931,479)	\$ (583,849)
Items not involving cash:		
Income tax expense	126,918	391,945
Gain on settlement of debt	-	(21,765)
Foreign exchange	54,900	(58,387)
Share-based payment expense	164,519	-
Interest expense	364,227	128,501
Interest income	(3,454)	(2,647)
	(224,369)	(146,202)
Changes in non-cash working capital items:		
Receivables	(15,732)	34,433
Prepaid expenses and deposits	(6,144)	(9,357)
Accounts payable and accrued liabilities	(56,092)	(589,473)
Interest received	5,477	2,647
	(296,860)	(707,952)
Financing activities:		
Proceeds from issuance of share capital (note 11)	-	1,313,305
Share issuance costs paid	-	(9,998)
Deferred financing costs paid	-	(83,160)
	-	1,220,147
Investing activities:		
Exploration and evaluation expenditures	(1,075,618)	(1,179,643)
Purchase of property, plant and equipment	(8,897)	(2,368)
	(1,084,515)	(1,182,011)
Decrease in cash and cash equivalents	(1,381,375)	(669,816)
Effect of foreign exchange on cash and cash equivalents	(3,469)	168,315
Cash and cash equivalents, beginning of period	2,617,802	1,994,586
Cash and cash equivalents, end of period	\$ 1,232,958	\$ 1,493,085

Supplemental disclosure with respect to cash flows (note 12)

See accompanying notes to the condensed consolidated interim financial statements.

WOULFE MINING CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(Unaudited)

(Expressed in Canadian dollars)

	<u>Share Capital</u>		Commitment to issue shares	Conversion options	Share-based payment reserve	Deficit	Total
	Number	Amount					
Balance at June 30, 2013	335,773,583	\$ 62,625,990	\$ -	\$ -	\$ 14,943,983	\$ (38,252,958)	\$ 39,317,015
Comprehensive loss:							
Loss for the period	-	-	-	-	-	(583,849)	(583,849)
Shares issued for cash	13,133,053	1,313,305	-	-	-	-	1,313,305
Share issuance costs	-	(6,099)	-	-	(3,899)	-	(9,998)
Warrant valuation	-	(505,621)	-	-	505,621	-	-
Balance at September 30, 2013	348,906,636	\$ 63,427,575	\$ -	\$ -	\$ 15,445,705	\$ (38,836,807)	\$ 40,036,473
Balance at June 30, 2014	359,792,019	\$ 64,504,854	\$ -	\$ 225,935	\$ 16,352,834	\$ (41,465,542)	\$ 39,618,081
Comprehensive loss:							
Loss for the period	-	-	-	-	-	(931,479)	(931,479)
Commitment to issues shares	-	-	120,986	-	-	-	120,986
Shares issued for settlement of debt and for services, net	2,252,047	239,978	-	-	-	-	239,978
Share-based payment expense	-	-	-	-	164,519	-	164,519
Balance at September 30, 2014	362,044,066	\$ 64,744,832	\$ 120,986	\$ 225,935	\$ 16,517,353	\$ (42,397,021)	\$ 39,212,085

See accompanying notes to the condensed consolidated interim financial statements.

WOULFE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014**

(Unaudited)

(Expressed in Canadian dollars)

1. Nature of operations and going concern:

Woulfe Mining Corp. ("Woulfe" or the "Company") is incorporated under the laws of British Columbia, Canada. The consolidated financial statements of the Company are comprised of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The principal business of the Group is the acquisition, exploration, and development of mineral properties. The Company has four wholly-owned subsidiaries: Sangdong Mining Corporation ("Sangdong"), Yeonwha Mining Corporation ("Yeonwha") and Woulfe Processing LLC ("WPC") are incorporated in South Korea and Orient Gold (BVI) Ltd. ("Muguk") is incorporated in the British Virgin Isles. The Group's principal properties are located in South Korea and are in various stages of exploration to determine whether they contain economically viable mineral deposits.

The Company's head office is located at 408 - 837 West Hastings Street, Vancouver, British Columbia, Canada, V6C 3N6. The Company's registered and records office is 2080 - 777 Hornby Street, Vancouver, British Columbia, Canada, V6Z 1S4.

The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These unaudited condensed consolidated interim financial statements are prepared on a going concern basis 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. As at September 30, 2014, the Company had an accumulated deficit of \$42,397,021 and a working capital deficiency of \$12,506,760 and, to date, the Company has not generated any revenues, other than nominal interest on its deposits, to meet its operating and administrative expenses or its other obligations.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration and development work on its South Korean mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include the progress and results of exploration, the state of the global economy, and investor perceptions and expectations. If the Company is unable to obtain additional financing, the Company may be required to curtail exploration activities and sell or abandon its mineral property interests. This may result in an impairment of the carrying value of exploration and evaluation assets.

The Company has entered into an arrangement (note 13) which, if completed, would provide a substantial portion of the required funding for the Company's Sangdong project. The Company will need additional funding during fiscal 2015 to support its planned exploration and corporate activities and to pay its obligations as they come due. In addition, loans and borrowings totaling \$369,637 come due during fiscal 2015 unless the maturity dates are renegotiated (note 9). These conditions cast significant doubt on the Company's ability to continue as a going concern.

WOULFE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014**

(Unaudited)

(Expressed in Canadian dollars)

2. Basis of presentation and statement of compliance:**(a) Statement of compliance:**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34-Interim Financial Reporting. The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's audited annual financial statements for the year ended June 30, 2014.

These consolidated financial statements were authorized for issue by the Company's Audit Committee on November 28, 2014.

(b) Basis of consolidation and presentation:

These condensed consolidated interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's functional currency.

These condensed consolidated interim financial statements include the accounts of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated.

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

3. New accounting standards, amendments and interpretations:**(a) New accounting standards adopted:**

IFRIC 21 Levies has been adopted by the Company as of July 1, 2014. There were no material impacts on the financial statements as a result of the adoption of this standard.

(b) New accounting standard not yet effective:

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). In November 2009 the IASB issued the first version of IFRS 9, Financial Instruments (IFRS 9 (2009)) and subsequently issued various amendments in October 2010, (IFRS 9 Financial Instruments (2010)) and November 2013 (IFRS 9 Financial Instruments (2013)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company does not intend to adopt the new standard prior to its effective date and has not yet determined the impact of this new standard on the consolidated financial statements.

WOULFE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014**

(Unaudited)

(Expressed in Canadian dollars)

4. Receivables:

The Company's receivables are as follows:

	September 30, 2014	June 30, 2014
Value added tax receivable	\$ 23,548	\$ 7,094
Other receivables	36,746	38,917
	\$ 60,294	\$ 46,011

5. Property, plant and equipment:

	Buildings	Vehicles	Equipment	Construction in progress	Total
Cost					
Balance at June 30, 2014	\$ 119,647	\$ 165,517	\$ 507,375	\$ 349,388	\$ 1,141,927
Additions	-	-	8,897	-	8,897
Balance at September 30, 2014	\$ 119,647	\$ 165,517	\$ 516,272	\$ 349,388	\$ 1,150,824
Amortization					
Balance at June 30, 2014	\$ 21,634	\$ 115,106	\$ 420,956	\$ -	\$ 557,696
Additions	566	7,691	17,949	-	26,206
Balance at September 30, 2014	\$ 22,200	\$ 122,797	\$ 438,905	\$ -	\$ 583,902
Carrying amounts					
Balance at June 30, 2014	\$ 98,013	\$ 50,411	\$ 86,419	\$ 349,388	\$ 584,231
Balance at September 30, 2014	\$ 97,447	\$ 42,720	\$ 77,367	\$ 349,388	\$ 566,922

WOULFE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

(Expressed in Canadian dollars)

6. Exploration and evaluation assets:

The following table summarizes exploration and evaluation assets and expenditures by property for the three months ended September 30, 2014:

	Tungsten Sangdong	Tungsten Chongyang	Gold Muguk	Lead/zinc Yeonwha 1 and Taebek	Uranium Ogchon	Total
Balance, June 30, 2014	\$ 54,134,465	\$ 1	\$ 681,037	\$ 1	\$ 1	\$ 54,815,505
Consulting, data processing, and Survey	121,617	-	-	-	-	121,617
Drilling	73,476	-	-	-	-	73,476
Engineering	98,001	-	-	-	-	98,001
Field costs	58,171	-	-	-	-	58,171
Professional fees	55,494	-	-	-	-	55,494
Project administration	114,238	-	538	-	-	114,776
Salaries and employee benefits	329,809	-	-	-	-	329,809
Travel and related costs	64,476	-	-	-	-	64,476
Total costs incurred	915,282	-	538	-	-	915,820
Balance, September 30, 2014	\$ 55,049,747	\$ 1	\$ 681,575	\$ 1	\$ 1	\$ 55,731,325

The following table summarizes exploration and evaluation assets and expenditures by property for the year ended June 30, 2014:

	Tungsten Sangdong	Tungsten Chongyang	Gold Muguk	Lead/zinc Yeonwha 1 and Taebek	Uranium Ogchon	Total
Balance, June 30, 2013	\$ 51,108,572	\$ 448,242	\$ 675,088	\$ 433,691	\$ 993,111	\$ 53,658,704
Consulting, data processing, and Survey	179,047	-	2,800	-	-	181,847
Drilling	132,902	-	-	-	-	132,902
Engineering	96,926	-	-	-	-	96,926
Field costs	264,321	-	-	-	-	264,321
Legal	89,614	-	38	-	-	89,652
Permitting	13,626	-	-	-	-	13,626
Professional fees	403,511	-	1,783	22,566	-	427,860
Project administration	278,260	1,559	1,304	4,238	12	285,373
Salaries and employee benefits	1,464,146	-	-	-	-	1,464,146
Travel and related costs	103,540	-	24	-	-	103,564
Total costs incurred	3,025,893	1,559	5,949	26,804	12	3,060,217
Impairment	-	(449,800)	-	(460,494)	(993,122)	(1,903,416)
Balance, June 30, 2014	\$ 54,134,465	\$ 1	\$ 681,037	\$ 1	\$ 1	\$ 54,815,505

WOULFE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014**

(Unaudited)

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued):**(a) Sangdong Mining Titles, South Korea:**

On December 18, 2009, the Company completed the acquisition of 51% of the Sangdong Mining property, located in South Korea. Total acquisition costs were US\$13,094,000, of which US\$6,070,000 was paid via the issuance of 20,327,561 common shares of the Company. As a result of the acquisition, the Company granted a 2% Net Smelter Royalty (NSR) on the property to the optionor. During the year ended June 30, 2010, the Company earned an additional 19% interest by delivering a scoping study / economic assessment report. During the year ended June 30, 2012, the Company acquired the remaining 30% interest and the 2% NSR from the optionor for a payment of US\$3,500,000. As a result, the Company now owns 100% of the Sangdong Mining property.

During the year ended June 30, 2013, the Company acquired certain land for the development of the Sangdong processing plant at the Sangdong mining property.

(b) Sim Properties, South Korea:

During fiscal 2007, the Company paid US\$10,000 for the option to acquire a 100% interest in any or all of the Sim Properties located throughout South Korea. In order to acquire any mineral claim group within the Sim Properties, the Company is required to pay US\$100,000, of which US\$50,000 can be paid in common shares at the option of the Company.

Yeonwha 1 and Taebaek Mining Title:

On February 26, 2010, the Company acquired the Yeonwha 1 and Taebaek Mining Titles for cash consideration of US\$100,000 and the issuance of 500,424 common shares valued at US\$100,000.

During the fourth quarter of fiscal 2014, the Company made the decision to impair the Yeonwha 1 and Taebaek mining titles as a result of delays with the local communities and of the fact that no activity has occurred for several years nor is any expected in the foreseeable future. As a result, the Company wrote down the property to \$1. The Company still has title to the mining titles at this time and may revisit the property in the future.

Chongyang and Muguk Mining Titles:

During fiscal 2007, the Company acquired the Muguk and Chongyang Mining Titles by paying US\$100,000 and issuing 80,442 common shares valued at US\$100,000.

During the fourth quarter of fiscal 2014, the Company made the decision to impair the Chongyang mining titles as a result of delays with the local communities and of the fact that no activity has occurred for several years nor is any expected in the foreseeable future. As a result, the Company wrote down the property to \$1. The Company still has title to the mining titles at this time and may revisit the property in the future.

WOULFE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued):

(c) Ogchon Mining Titles, South Korea:

The Company has been granted nine uranium/vanadium mining licenses located in the Geumsan area, southeast of the major regional centre of Daejeon.

During the fourth quarter of fiscal 2014, the Company made the decision to impair the Ogchon mining titles as a result of delays with the local communities and of the fact that no activity has occurred for several years nor is any expected in the foreseeable future. As a result, the Company wrote down the property to \$1. The Company still has title to the mining titles at this time and may revisit the property in the future.

7. Provisions:

		Tax uncertainties		Other		Total
Balance at June 30, 2014	\$	677,466	\$	75,704	\$	753,170
Foreign exchange		1,312		753		2,065
Balance at September 30, 2014	\$	678,778	\$	76,457	\$	755,235

Provisions are classified on the consolidated statements of financial position as follows:

		Short-term		Long-term		Total
Balance at June 30, 2014	\$	677,466	\$	75,704	\$	753,170
Balance at September 30, 2014		678,778		76,457		755,235

8. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities are as follows:

		September 30, 2014		June 30, 2014
Trade payables	\$	1,820,195	\$	2,140,501
Accrued liabilities		228,498		318,476
	\$	2,048,693	\$	2,458,977

WOULFE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014**

(Unaudited)

(Expressed in Canadian dollars)

9. Loan payable:

During the year ended June 30, 2012, in conjunction with the proposed transaction with IMC International Metalworking Companies B.V. ("IMC") (note 13), IMC advanced \$5,000,000 to Sangdong, pursuant to a term loan agreement (dated February 26, 2012), for purposes of project advancement pending the closing of the proposed transaction.

The loan bears interest at 5.00% per annum on the aggregate outstanding principal amount (including previously accrued interest) of the term loan and is payable at maturity.

The maturity date of the term loan was the earlier of (i) the closing of the IMC transaction and (ii) the one year anniversary of the date of the term loan agreement, being February 26, 2013.

On March 4, 2013, the Company executed an amended and restated loan agreement in respect of the original \$5,000,000 loan. Pursuant to the amended agreement, the original loan's maturity date was extended to the earlier of the closing of the proposed transaction or February 26, 2014. In addition, the aggregate amount outstanding under the amended loan agreement, including unpaid interest on the original \$5,000,000, was increased to \$10,000,000 and the Company received additional proceeds of \$4,739,461. Total interest accrued to September 30, 2014 was \$808,386 (June 30, 2014 - \$673,307). Subsequent to September 30, 2014, the Company negotiated an extension of the maturity date of the loan to the earlier of (i) the closing of the IMC transaction and (ii) September 15, 2015 with the appropriate documentation expected to be finalized during December 2014.

10. Convertible loan and convertible debentures:*\$350,000 convertible loan*

On January 22, 2014, the Company issued an unsecured convertible loan with a principal amount of \$350,000, bearing interest at the rate of 12% per annum and due on January 22, 2015. The loan is convertible at any time, in whole or in part, at the election of the holder, into up to 3,043,478 units of the Company on the basis of one unit for each \$0.115 of principal. Each unit will consist of one common share and one share purchase warrant exercisable at \$0.12 for a period of three years from the date of conversion. The loan bears interest at 12% per annum, compounded annually. Interest is due at maturity.

Upon initial recognition, the Company allocated the proceeds net of transaction costs (which totaled \$5,000) between the debt and equity components as follows:

Conversion feature (equity component)	\$	35,085
Convertible loan (liability component)		309,915
Total	\$	345,000

WOULFE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

(Expressed in Canadian dollars)

10. Convertible loan and convertible debentures: (continued)*\$350,000 convertible loan (continued)*

The fair value of the liability component was calculated by discounting the future principal and interest payments using a market rate of 18%, with the residual value allocated to the equity component. The discount rate was based on comparable instruments without a conversion feature. Transaction costs were allocated on a pro-rata basis based on the values assigned to the components.

Subsequent to the initial recognition, the convertible loan is carried at amortized cost and is amortized to its principal amount using an effective interest rate of 24.20%.

	September 30, 2014	June 30, 2014
Balance, beginning of period	\$ 348,549	\$ -
Issuance of convertible loan	-	309,915
Interest	21,088	38,634
Balance, end of period	\$ 369,637	\$ 348,549

\$4,000,000 convertible debentures

On March 7, 2014, the Company issued unsecured convertible debentures with a principal amount of \$4,000,000, due on December 31, 2016. The debentures are convertible at any time, in whole or in part, at the election of the holder, into up to 30,769,231 common shares of the Company on the basis of one common share for each \$0.13 of principal. The debentures bear interest at 12% per annum payable in cash or, at the option of the Company, in common shares of the Company with the number of shares issuable based on the common share price of the Company on the date prior to the date that interest is paid. Interest is due on the last day of each calendar quarter, with the first payment due and paid by the issuance of 304,542 common shares on March 31, 2014 and with the second payment due and paid by the issuance of 997,260 common shares on June 30, 2014.

In conjunction with the issuance of the convertible debentures, the Company incurred a fee equal to \$400,000, being 10% of the principal amount of the debentures paid in units of the Company. As a result, the Company issued 3,076,923 units. Each unit is comprised of one common share and one share purchase warrant exercisable at \$0.13 per common share of the Company for a period of five years from the date of grant. Based on their relative fair values, \$312,545 was allocated to the common shares and \$87,455 was allocated to the warrants. The fair value of the warrants was based on the Black-Scholes option pricing model, with the following assumptions: expected life of 5 years; volatility of 35.4%; dividend rate – nil; risk free interest rate – 1.71%.

Also, in conjunction with the issuance of the convertible debentures, the Company issued 30,769,231 warrants to the holder of the debentures pursuant to the debenture agreement. Each warrant is exercisable at \$0.13 per common share of the Company for a period of five years from the date of grant.

WOULFE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014**

(Unaudited)

(Expressed in Canadian dollars)

10. Convertible loan and convertible debentures: (continued)

Upon initial recognition, the Company allocated the proceeds of \$4,000,000, net of cash transaction costs of \$26,687 and the value of the units of \$400,000, between the components as follows:

Conversion feature (equity component)	\$ 352,866
Warrant feature (equity component)	566,370
Convertible debentures (liability component)	2,654,077
Total	\$ 3,573,313

The fair value of the liability component was calculated by discounting the future principal and interest payments using a market rate of 25%, with the residual value allocated to the equity components. The discount rate was based on comparable instruments without a conversion feature. The value of the transaction costs was allocated between the liability and equity components on a pro-rata basis based on the value assigned to the components.

Subsequent to the initial recognition, the convertible debentures are carried at amortized cost and is amortized to its principal amount using an effective interest rate of 30.20%.

	September 30, 2014	June 30, 2014
Balance, beginning of period	\$ 2,755,642	\$ -
Issuance of convertible debentures (net of issuance costs)	-	2,654,077
Interest	208,061	250,168
Interest paid	(120,986)	(148,603)
Balance, end of period	\$ 2,842,717	\$ 2,755,642

11. Share capital and share-based payment reserve:*Authorized:*

Unlimited number of common shares without par value.

Issued and outstanding:

On September 29, 2014, the Company returned to treasury 226,840 common shares with a value of \$23,386 as a result of the termination of a consulting agreement.

On September 9, 2014, the Company issued 114,286 common shares with a value of \$12,000 as partial compensation for services rendered, and issued 609,180 common shares with a value of \$67,010 pursuant to the settlement of debt.

On August 21, 2014, the Company issued 1,531,122 common shares with a value of \$160,768 pursuant to the settlement of debt.

On August 6, 2014, the Company issued 108,645 common shares with a value of \$10,865 pursuant to the settlement of debt.

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FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014**

(Unaudited)

(Expressed in Canadian dollars)

11. Share capital and share-based payment reserve: (continued)

On July 7, 2014, the Company issued 115,654 common shares with a value of \$12,722 as partial compensation for services rendered.

On June 30, 2014, the Company issued 997,260 common shares relating to accumulated interest payable of \$119,671 relating to the Company's convertible debentures (note 10).

On June 12, 2014, the Company issued 128,390 common shares with a value of \$12,839 as partial compensation for services rendered.

On May 30, 2014, the Company issued 6,262,518 common shares with a value of \$626,252 pursuant to the settlement of debt as well as 115,750 common shares with a value of \$11,575 as partial compensation for services rendered.

On March 31, 2014, the Company issued 304,542 common shares relating to accumulated interest payable of \$28,931 relating to the Company's convertible debentures (note 10).

On March 7, 2014, the Company issued 30,769,231 warrants relating to the convertible debenture agreement (note 10).

On March 7, 2014, the Company issued 3,076,923 finder's units relating to the convertible debenture agreement (note 10).

During the year ended June 30, 2014, the Company completed a non-brokered private placement (two tranches) of 13,133,053 units for gross proceeds of \$1,313,305. Each unit is comprised of one common share and one share purchase warrant entitling the holder to acquire one common share at \$0.12 until September 13, 2016 (for the first tranche) and September 16, 2016 (for the second tranche). Cash issuance costs totalling \$44,532 were incurred.

The total proceeds of the offering was allocated to the common shares and warrants based on their relative fair values resulting in \$807,684 allocated to the common shares and \$505,621 to the warrants. The fair value of the common shares was based on the share price on the date they were issued and the fair value of the warrants was determined using the Black-Scholes option-pricing model with the following assumptions: expected life of 3 years; volatility – 82.55%; dividend rate – nil; risk free interest rate – 1.54%.

Stock options

The Company has a stock option plan under which the Board of Directors is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant.

The options can be granted for a maximum term of five years and vest as determined by the Directors.

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(Unaudited)

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11. Share capital and share-based payment reserve: (continued)

As of September 30, 2014, the Company had the following outstanding stock options:

Number of Options	Exercise Price	Expiry Date
300,000	\$ 0.14	January 17, 2015
250,000	0.11	June 3, 2015
550,000	0.11	September 30, 2015
990,000	0.18	December 14, 2016
5,500,000	0.10	March 25, 2019*
2,000,000	0.10	July 21, 2019
Issued and exercisable	9,590,000	

*Subsequent to September 30, 2014, 500,000 options were cancelled.

During the three months ended September 30, 2014, the Company granted 2,000,000 stock options to the CEO of the Company. The fair value of the options granted during the year is \$164,519, based on the Black-Scholes option pricing model, with the following assumptions: risk free rate 1.69%; volatility of 118.53%; dividend rate 0%; forfeiture rate 0%; and expected life of 5 years. These options vested on the date of grant.

During the year ended June 30, 2014, the Company granted 5,500,000 stock options to directors and officers of the Company. The fair value of the options granted during the year is \$451,650, based on the Black-Scholes option pricing model, with the following assumptions: risk free rate 1.69%; volatility of 118.14%; dividend rate 0%; forfeiture rate 0%; and expected life of 5 years. These options vested on the date of grant.

Warrants

As of September 30, 2014, the Company had the following outstanding warrants:

Number of Warrants	Exercise Price	Expiry Date
13,075,000	\$ 0.30	August 31, 2015
10,000,000	0.12	September 13, 2016
3,133,053	0.12	September 16, 2016
33,846,154	0.13	March 7, 2019
60,054,207		

In addition, the Company also had 1,057,500 outstanding compensation warrants which were exercisable at \$0.20 until August 31, 2014 into units consisting of one common share and ½ share purchase warrant with each whole purchase warrant issued exercisable into one common share at \$0.30 until August 31, 2014. During the three months ended September 30, 2014, these warrants expired unexercised.

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12. Supplemental disclosure with respect to cash flows:

Significant non-cash investing and financing activities included:

- Exploration and evaluation asset expenditures of \$54,786 (2013 - \$258,004) that were incurred during the current period that remain within accounts payable as at September 30, 2014;
- A provision expense of \$nil (2013 - \$745) and a provision of \$nil (2013 - \$37,012) in employee benefit expense, both of which are included in exploration and evaluation assets;
- Net shares issued for services totaling \$239,978 (2013 - \$nil) capitalized to exploration and evaluation assets; and
- Commitment to issue shares to settle interest obligations of \$120,986 (2013 - \$nil) on the Company's convertible debentures (note 10).

13. Proposed transaction with IMC:

During the year ended June 30, 2012, the Company and its 100%-owned tungsten/molybdenum South Korean subsidiary, Sangdong Mining Corporation ("Sangdong"), entered into agreements for a strategic arrangement with International Metalworking Companies B.V. ("IMC") and certain of IMC's affiliates.

The closing of the transaction is subject to customary closing conditions, including the satisfactory conclusion of due diligence by IMC, the receipt of applicable regulatory approvals and other matters set forth in full in the relevant agreements. The basis of the strategic arrangement is as follows:

- IMC advanced an aggregate of \$5,000,000 to Sangdong (subsequently increased to \$10,000,000) (note 9), pursuant to a loan agreement, as amended in March 2013, for purposes of project advancement pending the closing of the transaction;
- IMC agreed to acquire a 25% interest in Sangdong, the Company's 100%-owned subsidiary, for cash consideration totalling \$35,000,000;
- The Company and IMC have agreed to establish a Korean company ("APT Co."), which will be beneficially owned 45% by the Company and 55% by IMC. The parties will invest up to CDN\$15,750,000 and \$19,250,000, respectively, into APT Co. to build a facility in Korea for the processing of tungsten concentrate to be purchased from Sangdong. IMC has agreed to make available to the Company a loan for the Company's portion of the investment;
- APT Co. has agreed to acquire no less than 90%, and up to 100%, of Sangdong's tungsten concentrate production pursuant to an off-take agreement, which will be guaranteed by IMC; and
- IMC has agreed to acquire no less than 90%, and up to 100%, of APT Co.'s available production pursuant to a separate off-take agreement.

WOULFE MINING CORP.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited)

(Expressed in Canadian dollars)

13. Proposed transaction with IMC (continued):

The Company has executed all of the transaction agreements with IMC described above.

On September 20, 2012, the Company announced that it received confirmation from IMC that it is satisfied with the results of its due diligence of the Sangdong project, as required by the transaction agreements executed on February 26, 2012, and will be working toward closing its investment in the Sangdong project, subject to the remaining conditions precedent to the transaction.

There can be no assurance that all of the other conditions to the transaction will be satisfied and the transaction completed.

14. Subsequent events:

Subsequent to September 30, 2014, the Company:

- a) issued 1,000,968 common shares, with a deemed value of \$69,953, in conjunction with the settlement of debts and the provision of services; and
- b) issued 1,209,863 common shares with a value of \$120,986, included in commitment to issues shares, as payment of interest on the convertible debentures.