

AURIGA GOLD CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED

SEPTEMBER 30, 2013 AND 2012

(UNAUDITED)

(Expressed in Canadian Dollars)

NOTICE TO READER

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements as at and for the three and six months ended September 30, 2013, have not been reviewed by the Company's auditors.

AURIGA GOLD CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)
(Expressed in Canadian Dollars)

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	September 30, 2013	March 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,986	\$ 119,046
Amounts receivable	98,879	102,347
Prepaid expenses	<u>6,636</u>	<u>52,296</u>
TOTAL CURRENT ASSETS	116,501	273,689
NON-CURRENT ASSETS		
Restricted cash equivalents (Note 3)	75,000	75,000
Equipment (Note 4)	345,101	537,101
Exploration properties and deferred exploration expenditures (Note 5)	<u>12,520,489</u>	<u>12,751,901</u>
TOTAL ASSETS	<u>\$ 13,057,091</u>	<u>\$ 13,637,691</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Notes 6 and 13)	\$ 1,997,678	\$ 2,313,595
Due to related company (Note 7)	43,827	43,827
Debentures (Note 8)	<u>1,248,152</u>	<u>1,116,457</u>
TOTAL CURRENT LIABILITIES	3,289,657	3,473,879
NON-CURRENT LIABILITIES		
Provision for closure and reclamation (Note 9)	<u>2,773,674</u>	<u>3,038,953</u>
TOTAL LIABILITIES	<u>6,063,331</u>	<u>6,512,832</u>
EQUITY		
Share capital (Note 10(b))	12,383,462	12,244,862
Share based payment reserves (Note 11)	1,349,315	1,418,313
Deficit	<u>(6,739,017)</u>	<u>(6,538,316)</u>
TOTAL EQUITY	<u>6,993,760</u>	<u>7,124,859</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 13,057,091</u>	<u>\$ 13,637,691</u>

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 9,14 and 15)
SUBSEQUENT EVENT (Note 16)

APPROVED ON BEHALF OF THE BOARD:

Signed "James White" Director
Signed "Gorden Glenn" Director

See accompanying notes to the unaudited condensed interim financial statements

AURIGA GOLD CORP.

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CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

(Expressed in Canadian Dollars)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
EXPENSES				
Other losses (Notes 4 and 5)	\$ 144,248	\$ 11,295	\$ 144,248	\$ 384,225
Gain on debt settlement with shares (Note 10(b)(iv))	(336,164)	-	(336,164)	-
Stock-based payments	-	346,750	-	346,750
General and administrative (Note 12)	24,268	177,104	76,843	339,413
Management and directors' compensation (Note 13(b))	47,000	238,693	94,000	303,808
Professional and consulting fees (Note 13(a))	35,513	31,066	62,749	59,644
Amortization	<u>4,100</u>	<u>21,507</u>	<u>17,752</u>	<u>43,015</u>
INCOME (LOSS) BEFORE BELOW ITEMS	<u>81,035</u>	<u>(826,415)</u>	<u>(59,428)</u>	<u>(1,476,855)</u>
Finance income	-	254	-	254
Finance cost	<u>(120,654)</u>	<u>(47,253)</u>	<u>(210,271)</u>	<u>(163,902)</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (39,619)</u>	<u>\$ (873,414)</u>	<u>\$ (269,699)</u>	<u>\$ (1,640,503)</u>
Net income (loss) per common share				
- basic and diluted	\$ (0.00)	\$ (0.02)	\$ (0.00)	\$ (0.03)
Weighted average number of shares outstanding				
- basic and diluted	62,542,311	53,551,131	60,706,907	51,948,140

See accompanying notes to the unaudited condensed interim financial statements

AURIGA GOLD CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Expressed in Canadian Dollars)

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	Six Months Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (269,699)	\$ (1,640,503)
Items not involving cash:		
Amortization	17,752	43,015
Other losses	144,248	384,225
Accretion of provision for closure and reclamation	35,239	40,187
Accretion of debenture	74,040	-
Gain on debt settlement with shares	(336,164)	-
Interest expense	57,654	-
Stock-based payments	-	346,750
	<u>(276,930)</u>	<u>(826,326)</u>
Changes in non-cash working capital balances:		
Decrease in amounts receivable	3,468	111,293
Decrease in prepaid expenses	45,660	20,141
Increase in accounts payable and accrued liabilities	220,062	63,889
	<u>269,190</u>	<u>195,323</u>
Cash flows used in operating activities	<u>(7,740)</u>	<u>(631,003)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in exploration properties and deferred exploration expenditures	(100,320)	(1,118,090)
Purchase of equipment	-	(157,254)
Cash flows used in investing activities	<u>(100,320)</u>	<u>(1,275,344)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	-	624,400
Proceeds from debenture	-	900,000
Share issue costs	-	(58,192)
Increase in amounts due to related company	-	47,769
Cash flows provided by financing activities	<u>-</u>	<u>1,513,977</u>
Decrease in cash and cash equivalents	(108,060)	(392,370)
Cash and cash equivalents, beginning of period	119,046	593,012
Cash and cash equivalents, end of period	<u>\$ 10,986</u>	<u>\$ 200,642</u>
Supplemental Information:		
Cash, end of period	986	170,642
Cash equivalents, end of period	10,000	30,000
Cash and cash equivalents, end of period	<u>\$ 10,986</u>	<u>\$ 200,642</u>
Interest paid	\$ -	\$ 19,345
Shares issued for settlement of debt (Note 10(b)(iv))	\$ 138,600	\$ -
Change in accrued property expenditures	\$ 42,580	\$ (337,340)
Long-term prepaid in property expenditures	\$ -	\$ 500,000

See accompanying notes to the unaudited condensed interim financial statements

AURIGA GOLD CORP.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)
(Expressed in Canadian Dollars)

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	<u>Share Capital</u>		<u>Share Based Payment Reserves</u>			<u>Total</u>
	<u>Number</u>	<u>Amount</u>	<u>Stock options</u>	<u>Share purchase warrant reserve</u>	<u>Deficit</u>	
Balance, March 31, 2012	50,327,535	\$ 11,561,388	\$ 461,446	\$ 2,195,928	\$ (3,511,199)	\$ 10,707,563
Common shares issued	3,672,942	397,711	-	226,689	-	624,400
Share issue costs	-	(114,724)	-	56,532	-	(58,192)
Share-based payments	-	-	346,750	-	-	346,750
Shares issued on debenture	652,500	123,972	-	-	-	123,972
Stock options expired	-	-	(187,550)	-	187,550	-
Loss for the period	-	-	-	-	(1,640,503)	(1,640,503)
Balance, September 30, 2012	<u>54,652,977</u>	<u>\$ 11,968,347</u>	<u>\$ 620,646</u>	<u>\$ 2,479,149</u>	<u>\$ (4,964,152)</u>	<u>\$ 10,103,990</u>
Balance, March 31, 2013	58,851,333	\$ 12,244,862	\$ 450,756	\$ 967,557	\$ (6,538,316)	\$ 7,124,859
Shares issued for debt settlement	6,930,000	138,600	-	-	-	138,600
Warrants expired	-	-	-	(68,998)	68,998	-
Loss for the period	-	-	-	-	(269,699)	(269,699)
Balance, September 30, 2013	<u>65,781,333</u>	<u>\$ 12,383,462</u>	<u>\$ 450,756</u>	<u>\$ 898,559</u>	<u>\$ (6,739,017)</u>	<u>\$ 6,993,760</u>

See accompanying notes to the unaudited condensed interim financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Auriga Gold Corp. (the "Company") was a public company incorporated on July 19, 1994 pursuant to the laws of the Companies Act of Barbados. Since the Company's management and the principal office of the Company are located in Toronto, Ontario, a continuance (the "Continuance") of the Company from the laws of Barbados to the laws of the Province of Ontario was filed on April 21, 2010. As a result of the Continuance, the corporate legislation that governs the Company ceased to be the Barbados Act and the Company is now governed by the Business Corporations Act (Ontario). The registered office of the Company is located at 2275 Lake Shore Blvd. West, Suite 511, Toronto, Ontario, M8H 3Y3.

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its exploration activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed or that new permits that have been or will be applied for will be granted.

Major expenditures are required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The recoverability of valuations assigned to mineral properties is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition.

Although the Company has taken steps to verify title to exploration properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to other licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory requirements.

In order to meet future expenditures and cover administrative costs, the Company will need to raise additional financing. The Company has a working capital deficiency of \$3,173,156 and a deficit of \$6,739,017 as at September 30, 2013 and will require additional financing to fund its continuing exploration efforts. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms acceptable to the Company. These unaudited condensed interim financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business. In the event the Company is not able to obtain adequate funding, there is uncertainty as to whether the Company will be able to maintain its property interests. These unaudited condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Such adjustments could be material. Changes in future conditions could require material write downs of the carrying values of certain assets.

The unaudited condensed interim financial statements were approved by the Board of Directors on November 28, 2013.

2. BASIS OF PREPARATION

Statement of Compliance:

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, they do not include all of the information required for full annual financial statements required by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies applied in these unaudited condensed interim financial statements are based on IFRS issued and outstanding as at November 28, 2013, the date the Board of Directors approved these unaudited condensed interim financial statements for issue. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended March 31, 2013, except as noted below. Any subsequent changes to IFRS that are issued and effective as at March 31, 2014 could result in a restatement of these unaudited condensed interim financial statements.

2. BASIS OF PREPARATION (Continued)

Change in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after March 31, 2013. The following new standards have been adopted:

(i) IFRS 10 - Consolidated Financial Statements ("IFRS 10") replaces portions of IAS 27 Consolidated and Separate Financial Statements and Interpretation SIC-12 Consolidation - Special Purpose Entities. The new standard requires consolidated financial statements to include all controlled entities under a single control model. The Company will be considered to control an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. As required by this standard, control is reassessed as facts and circumstances change. Additional guidance is given on how to evaluate whether certain relationships give the Company the current ability to affect its returns, including how to consider options and convertible instruments, holding less than a majority of voting rights, how to consider protective rights, and principal-agency relationships (including removal rights), all which may differ from current practice. At April 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim financial statements.

(ii) IFRS 11 - Joint Arrangement ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. At April 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim financial statements.

(iii) IFRS 12 - Disclosure of Interests in Other Entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. At April 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim financial statements.

(iv) IFRS 13 - Fair Value Measurement is effective for the Company beginning on April 1, 2013, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy. The Company's adoption of IFRS 13, on April 1, 2013, did not have a material financial impact upon the unaudited condensed interim financial statements.

(v) IAS 1 - Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive loss with US GAAP standards. Items in other comprehensive loss will be required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present the statement of comprehensive loss as one statement or two separate statements of profit and loss and other comprehensive loss remains unchanged. At April 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim financial statements.

(vi) IAS 27 - Separate Financial Statements ("IAS 27") was reissued to reflect the change as the consolidation guidance has recently been included in IFRS 10. In addition, IAS 27 now only prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements. At April 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim financial statements.

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2. BASIS OF PREPARATION (Continued)

Future accounting changes

(i) IFRS 9 - Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In December 2011 the effective date of IFRS 9 was deferred to years beginning on or after January 1, 2015. Earlier application is permitted.

(ii) IAS 32 - Financial Instruments - Presentation ("IAS 32")

IAS 32 was amended to clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014 with retrospective application required. Earlier application is permitted.

3. RESTRICTED CASH EQUIVALENTS

The Company has guaranteed by pledge of a guaranteed investment certificate an irrevocable standby letter of credit for \$75,000 to the Government of Manitoba as a financial assurance guarantee in connection with the Puffy Lake closure plan (see Note 9).

4. EQUIPMENT

Cost

	Vehicles	Equipment	Mine Buildings	Total
Balance, March 31, 2013	\$ 49,082	\$ 264,069	\$ 329,996	\$ 643,147
Disposals	(49,082)	(216,671)	-	(265,753)
Balance, September 30, 2013	\$ -	\$ 47,398	\$ 329,996	\$ 377,394

Accumulated Amortization

	Vehicles	Equipment	Mine Buildings	Total
Balance, March 31, 2013	\$ 19,878	\$ 76,147	\$ 10,021	\$ 106,046
Amortization for the period	2,190	11,562	4,000	17,752
Disposals	(22,068)	(69,437)	-	(91,505)
Balance, September 30, 2013	\$ -	\$ 18,272	\$ 14,021	\$ 32,293

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4. EQUIPMENT

Carrying Amount

	Vehicles	Equipment	Mine Buildings	Total
Balance, March 31, 2013	\$ 29,204	\$ 187,922	\$ 319,975	\$ 537,101
Balance, September 30, 2013	\$ -	\$ 29,126	\$ 315,975	\$ 345,101

During the three and six months ended September 30, 2013, the Company expensed \$4,100 and \$17,752, respectively, in amortization to the statement of operations (three and six months ended September 30, 2012 - \$21,507 and \$43,015, respectively).

During the three and six months ended September 30, 2013, the Company disposed of equipments with total carrying amount of \$37,448 in settlement of accounts payable of \$30,000, resulting a loss of \$7,448 which was recorded in other losses in the condensed interim statements of operations and comprehensive income (loss) for the three and six months ended September 30, 2013. The Company also wrote off equipment with carrying amount of \$136,800, resulting a loss of \$136,800 which was recorded in other losses in the condensed interim statements of operations and comprehensive income (loss) for the three and six months ended September 30, 2013.

5. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

As at September 30, 2013

	March 31, 2013	Acquisition	Expenditures	Write downs	September 30, 2013
<i>Exploration and Evaluation Properties</i>					
Nokomis	\$ 2,359,765	\$ -	\$ -	\$ -	\$ 2,359,765
Puffy Lake	10,392,136	-	(231,412)	-	10,160,724
	\$ 12,751,901	\$ -	\$ (231,412)	\$ -	\$ 12,520,489

As at March 31, 2013

	March 31, 2012	Acquisition	Expenditures	Write downs	March 31, 2013
<i>Exploration and Evaluation Properties</i>					
Dunlop	\$ 214,241	\$ -	\$ -	\$ (214,241)	\$ -
Fox River	1,280,428	-	(8,156)	(1,272,272)	-
Knife Lake	190,958	-	-	(190,958)	-
Nokomis	2,325,809	-	33,956	-	2,359,765
Puffy Lake	9,309,401	-	1,582,735	(500,000)	10,392,136
Staked Claims	97,151	-	-	(97,151)	-
Prosperity North (i)	345,267	-	38,958	(384,225)	-
	\$ 13,763,255	\$ -	\$ 1,647,493	\$ (2,658,847)	\$ 12,751,901

Continued...

5. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Continued)

(i) Prosperity North Property

In July 2012, the claims lapsed and the Company recorded a write-down during the three and six months ended September 30, 2012 of \$11,295 and \$384,225 respectively in the condensed statement of operations and comprehensive income (loss). There was no such write-down during the three and six months ended September 30, 2013.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2013	March 31, 2013
Trade payables	\$ 1,878,873	\$ 2,081,993
Accrued and payroll liabilities	118,805	231,602
Total	\$ 1,997,678	\$ 2,313,595

7. DUE TO RELATED COMPANY

The amount due to / from a related company is unsecured and non-interest bearing with no fixed terms of repayment. A former director and officer of the Company was also a former director and officer of the related company.

8. DEBENTURES

On August 27, 2012, the Company completed a \$900,000 non-brokered private placement debenture financing with private individuals. The debenture yields 10% and is due on August 21, 2013 (The debenture has not been repaid). The holders of the debenture received 652,500 common share and the value of these shares were \$123,972. The value of the 652,500 shares were calculated by applying the market price of the shares at the time of issue. During the three and six months ended September 30, 2013, the Company has recorded an accretion expense of \$17,809 and \$48,974, respectively, in the statement of operations (three and six months ended September 30, 2012 - \$12,671).

On February 1, 2013, the Company completed a private placement ("the Offering") of 250 Units raising proceeds of \$250,000. The Units are comprised of an unsecured debenture with a one year term in the principal amount of \$1,000, bearing a coupon of 10%, payable monthly and 3,333 common shares of Auriga. The holders of the debenture received 833,250 common shares and the value of these shares were \$49,995. The value of the 833,250 shares were calculated by applying the market price of the shares at the time of issue. During the three and six months ended September 30, 2013, the Company has recorded an accretion expense of \$12,601 and \$25,066 in the statement of operations (three and six months ended September 30, 2012 - \$nil).

9. PROVISION FOR CLOSURE AND RECLAMATION

The Company has provided a letter of credit in the amount of \$75,000 to the Government of Manitoba under the terms of the closure plan on the Puffy Lake property (See Note 3). The Company further provided all assets, goods and personal property involved in the operation of the Puffy Lake property, as a security of up to \$5,000,000 for the performance of the closure plan and the rehabilitation program.

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9. PROVISION FOR CLOSURE AND RECLAMATION (Continued)

The Company's provision for closure and reclamation costs is based on management's estimates of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred. The Company has estimated its total provision for closure and reclamation to be \$2,773,674 at September 30, 2013, based on a total future liability of approximately \$3,073,160, an inflation rate of 1.1% and a discount rate of 2.56%. Reclamation is expected to occur in 10 years.

The following is an analysis of the provision for closure and reclamation:

Balance, March 31, 2013	\$ 3,038,953
Effect of changes in the discount rate	(300,518)
Accretion incurred in the current period	35,239
Balance, September 30, 2013	\$ 2,773,674

During the three and six months ended September 30, 2013, the Company expensed \$17,939 and \$35,239, respectively, in accretion to the statement of operations (three and six months ended September 30, 2012 - \$13,430 and \$27,516, respectively).

10. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

(b) Common Shares Issued:

	Number of Shares	Amount
Balance, March 31, 2012	50,327,535	\$ 11,561,388
Private placements (i),(ii)	3,672,942	624,400
Share purchase warrants issued (i),(ii)	-	(226,689)
Share issue cost	-	(56,459)
Shares issued on debenture (Note 8)	1,485,750	173,967
Common shares issued for debt settlement (iii)	3,365,106	168,255
Balance, March 31, 2013	58,851,333	\$ 12,244,862
Common shares issued for debt settlement (iv)	6,930,000	138,600
Balance, September 30, 2013	65,781,333	\$ 12,383,462

Continued...

10. SHARE CAPITAL (Continued)

(b) Common Shares Issued (Continued):

- (i) On July 11, 2012, the Company completed the first tranche of a \$624,400 non-brokered private placement offering for 2,352,942 units at \$0.17 per unit for aggregate gross proceeds of approximately \$400,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.25 per share for a period of 24 months. The grant date fair value of the 2,352,942 warrants was \$122,913. The grant date fair value assigned to these warrants was estimated using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 145%, risk-free interest rate of 0.99% and an expected life of 2 years.

In connection with the first tranche of the financing, the Company paid finders' fees of \$28,000 and the Company also issued 235,294 broker warrants to purchase common shares of the Company. Each warrant is exercisable at \$0.17 per share for a period of 18 months from the date of issuance. The grant date fair value of the 235,294 warrants was \$11,093. The grant date fair value assigned to these warrants was estimated using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 134%, risk-free interest rate of 1% and an expected life of 1.5 years.

- (ii) On July 30, 2012, the Company completed the second tranche of a \$624,400 non-brokered private placement offering for 1,320,000 units at \$0.17 per unit for aggregate gross proceeds of approximately \$224,400. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.25 per share for a period of 24 months. The grant date fair value of the 1,320,000 warrants was \$71,595. The grant date fair value assigned to these warrants was estimated using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 151%, risk-free interest rate of 1.09% and an expected life of 2 years.

In connection with the second tranche of the financing, the Company paid finders' fees of \$14,994 and the Company also issued 126,000 broker warrants to purchase common shares of the Company. Each warrant is exercisable at \$0.17 per share for a period of 18 months from the date of issuance. The grant date fair value of the 126,000 warrants was \$19,356. The grant date fair value assigned to these warrants was estimated using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 140%, risk-free interest rate of 1.1% and an expected life of 1.5 years.

- (iii) On March 6, 2013, the Company issued 3,365,106 shares, priced at \$0.05 per share to settle \$252,383 in debt with arm's length and non-arm's length parties, resulting a gain on debt settlement of \$84,128. The indebtedness relates to the provision of services, supplies and consulting.
- (iv) On August 12, 2013, the Company settled \$474,764 in debt with arm's length and nonarm's length parties, resulting in a gain on debt settlement of \$336,164. The indebtedness relates to the provision of services, supplies and consulting. A total of 6,930,000 shares priced at \$0.02 per share were issued to creditors in full or partial settlement, as the case maybe, of outstanding indebtedness, including 2,500,000 shares issued to the former CEO to settle \$180,215 indebtedness and 1,600,000 shares issued to a former employee of the Company to settle \$116,675 indebtedness. The value of the 6,930,000 was calculated by applying the market price of the shares at the time of issue. The shares will be subject to a four-month hold period and will be subject to customary Toronto Stock Exchange ("TSX") and regulatory approvals.

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11. SHARE BASED PAYMENT RESERVE

(a) Stock Options

The following table shows the continuity of stock options for the periods ended September 30, 2013 and 2012:

	Number of Stock Options	Weighted Average Exercise Price
Balance, March 31, 2012	2,082,500	\$ 0.31
Expired	(800,000)	0.31
Granted (i)	1,825,000	0.25
Balance, September 30, 2012	3,107,500	\$ 0.27
Balance, March 31, 2013 and September 30, 2013	2,335,000	\$ 0.27

- (i) On August 29, 2012, the Company granted 1,825,000 stock options to officers, directors and employees of the Company exercisable for one common share each at a price of \$0.25 per share for a five-year period. These stock options vested immediately. The grant date fair value of \$328,500 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 152%, risk-free rate of return of 1.49% and an expected life of 5 years. During the three and six months ended September 30, 2013, stock-based payments of \$nil (three and six months ended September 30, 2012 - \$346,750) was recorded in the unaudited condensed interim statements of operations and comprehensive income (loss).

The following are the stock options outstanding at September 30, 2013:

Number of Options Issued	Grant Date Fair Value (\$)	Number of Options Exercisable	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Expiry Date
100,000	4,000	100,000	0.200	1.46	March 18, 2015
175,000	26,250	175,000	0.200	1.56	April 23, 2015
300,000	80,100	300,000	0.355	2.17	December 2, 2015
200,000	59,606	200,000	0.400	3.33	January 26, 2017
1,560,000	280,800	1,560,000	0.250	3.89	August 29, 2017
2,335,000	450,756	2,335,000	0.270	3.34	

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11. SHARE BASED PAYMENT RESERVE (Continued)

(b) Share Purchase Warrants

The following table shows the continuity of share purchase warrants for the periods ended September 30, 2013 and 2012:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2012	20,872,033	\$ 0.48
Granted (Notes 10(b)(i),(ii))	4,034,236	0.24
Balance, September 30, 2012	24,906,269	\$ 0.44
Balance, March 31, 2013	9,490,928	\$ 0.45
Expired	(372,700)	0.50
Balance, September 30, 2013	9,118,228	\$ 0.44

The following are the share purchase warrants outstanding at September 30, 2013:

Number of Warrants Issued	Grant Date Fair Value (\$)	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Expiry Date
235,294	11,093	0.17	0.28	January 11, 2014
126,000	19,356	0.17	0.33	January 30, 2014
2,608,992	240,027	0.45	0.48	March 23, 2014
975,000	94,575	0.40	0.48	March 23, 2014
2,352,942	122,913	0.25	0.78	July 11, 2014
1,320,000	71,595	0.25	0.83	July 30, 2014
1,500,000	339,000	1.00	3.34	January 30, 2017
9,118,228	898,559	0.44	1.07	

12. GENERAL AND ADMINISTRATIVE

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
Office and general	\$ 11,598	\$ 68,533	\$ 32,120	\$ 118,879
Salaries and benefits	-	37,145	11,078	91,969
Travel	-	28,866	11,836	52,087
Business development	-	20,343	-	34,339
Stock exchange and transfer agent fees	12,670	4,002	20,657	23,357
Shareholder information	-	17,447	-	17,447
Bank charges	-	768	1,152	1,335
General and administrative	\$ 24,268	\$ 177,104	\$ 76,843	\$ 339,413

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13. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

(a) The Company entered into the following transactions with related parties:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
Sutcliffe Geological Consultants Inc. (i)	\$ -	\$ 158,000	\$ -	\$ 189,500
Irwin Lowy LLP (ii)	\$ 14,431	\$ 2,600	\$ 14,431	\$ 2,760

- (i) A former Chief Executive Officer ("CEO") of the Company controls Sutcliffe Geological Consultants Inc. (the "SGC Contract"). Fees relate to general corporate management, project supervision and geological consulting services provided by Sutcliffe Geological Consultants Inc. At September 30, 2013, Sutcliffe Geological Consultants Inc. was owed \$nil (March 31, 2013 - \$178,540) related to termination provisions in the SGC Contract and this is included in accounts payable and accrued liabilities. During the three and six months ended September 30, 2013, the Company issued a total of 2,500,000 shares in settlement of \$180,215 owed in relation to the SGC Contract and to the former CEO (see Note 10).
- (ii) A director of the Company is a partner at Irwin Lowy LLP, a law firm, and the fees relate to professional services provided by the firm. As at September 30, 2013, the Company owed \$19,290 (March 31, 2013 - \$4,372) to this firm and this amount is included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing with no fixed terms of repayment.
- (iii) The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.
- (iv) To the knowledge of the directors and executive officers of the Company, as of September 30, 2013, the common shares of the Company were widely held.
- (v) See Notes 7 and 10.
- (b) Remuneration of directors and key management personnel of the Company was as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
Directors fees	\$ 17,000	\$ 23,000	\$ 34,000	\$ 40,000
Amounts paid or accrued to CEO and CFO for salaries, consulting and benefits	60,000	235,693	120,000	283,808
Stock-based compensation	-	264,100	-	264,100

Director fees - The Board of Directors do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services.

Salaries and benefits - officers are entitled to stock options, consulting fees or salaries and benefits where employment or service contracts are in place with the Company for their services.

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14. ENVIRONMENTAL CONTINGENCIES

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

15. COMMITMENT

Pursuant to the terms of the flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada). As at September 30, 2013, the Company is committed to incurring approximately \$540,000 in qualifying exploration expenditures in Canada by December 31, 2013. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

16. SUBSEQUENT EVENT

On November 12, 2013, the Company completed a private placement offering 57,009,400 special warrants (the "Special Warrants") at a price of \$0.01 (the "Issue Price") per Special Warrant for gross proceeds of \$570,094 (the "Offering"). Each post-consolidated Special Warrant will entitle the holder thereof to receive one Common Share (an "Underlying Share") in the capital of the Company, for no additional consideration, upon the exercise or deemed exercise of the Special Warrant. Each post-consolidated Special Warrant shall be automatically exercised for an Underlying Share upon satisfaction of the following conditions (collectively, the "Exercise Conditions"):

- (a) the completion of a consolidation of the outstanding Common Shares of the Company on a minimum 5 (old) for 1 (new) basis (the "Consolidation");
- (b) receipt of approval of the TSX-Venture for the Offering and the Consolidation; and
- (c) receipt of all regulatory approvals required for the Offering and the Consolidation.

The Company shall use reasonable efforts to satisfy the Exercise Conditions. In the event that the Exercise Conditions are not satisfied on the date that is six months from the closing date, the Special Warrants shall be redeemed at the Issue Price with interest at a rate of 10% per annum. In the event the Exercise Conditions are satisfied on or before the date that is six months from the closing date, the Special Warrants shall be deemed to be exercised for no further consideration at 5:00 p.m. (Toronto time) on the date that the Exercise Conditions are satisfied.