

**AURIGA GOLD CORP.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Auriga Gold Corp.:

We have audited the accompanying financial statements of Auriga Gold Corp. which comprise the statements of financial position as at March 31, 2013 and 2012, and the statements of operations and comprehensive loss, statements of cash flows and statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Auriga Gold Corp. as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has a working capital deficiency and continuing losses during the year ended March 31, 2013. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants  
Licensed Public Accountants

TORONTO, Canada  
August 23, 2013

**AURIGA GOLD CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

Page 2

	March 31, 2013	March 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 119,046	\$ 593,012
Amounts receivable	102,347	162,357
Prepaid expenses	<u>52,296</u>	<u>47,136</u>
<b>TOTAL CURRENT ASSETS</b>	<b>273,689</b>	<b>802,505</b>
<b>NON-CURRENT ASSETS</b>		
Restricted cash equivalents (Note 6)	75,000	75,000
Long term prepaid	-	500,000
Equipment (Note 7)	537,101	551,752
Due from related company (Note 10)	-	3,942
Exploration properties and deferred exploration expenditures (Note 8)	<u>12,751,901</u>	<u>13,763,255</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>13,637,691</u></b>	<b>\$ <u>15,696,454</u></b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Notes 9 and 16)	2,313,595	1,889,621
Due to related company (Note 10)	43,827	-
Debentures (Note 11)	<u>1,116,457</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,473,879</b>	<b>1,889,621</b>
<b>NON-CURRENT LIABILITIES</b>		
Provision for closure and reclamation (Note 12)	<u>3,038,953</u>	<u>3,099,270</u>
<b>TOTAL LIABILITIES</b>	<b><u>6,512,832</u></b>	<b><u>4,988,891</u></b>
<b>EQUITY</b>		
Share capital (Note 13(b))	12,244,862	11,561,388
Share based payment reserves (Note 14)	1,418,313	2,657,374
Deficit	<u>(6,538,316)</u>	<u>(3,511,199)</u>
<b>TOTAL EQUITY</b>	<b><u>7,124,859</u></b>	<b><u>10,707,563</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ <u>13,637,691</u></b>	<b>\$ <u>15,696,454</u></b>

**NATURE OF OPERATIONS AND GOING CONCERN** (Note 1)  
**COMMITMENTS AND CONTINGENCIES** (Notes 6,8,12,18 and 19)  
**SUBSEQUENT EVENTS** (Note 20)

**APPROVED ON BEHALF OF THE BOARD:**

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

See accompanying notes to the financial statements

**AURIGA GOLD CORP.**  
**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED MARCH 31,**  
(Expressed in Canadian Dollars)

Page 3

	2013	2012
<b>EXPENSES</b>		
Other losses (gains) (Notes 7, 8 and 13(b)(viii))	\$ 2,573,267	\$ (79,486)
Stock-based payments (Note 14 (a))	328,500	131,586
General and administrative (Note 15)	628,761	649,596
Management and directors' compensation (Note 16(b))	541,871	307,367
Professional and consulting fees (Note 16(a)(ii))	292,630	233,598
Write-down of long term prepaid	592,049	-
Amortization	76,738	47,465
<b>LOSS BEFORE BELOW ITEMS</b>	<b>(5,033,816)</b>	<b>(1,290,126)</b>
Reversal of flow-through premium liability	523,327	-
Finance income	845	695
Finance cost	(309,991)	(422,884)
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>\$ (4,819,635)</b>	<b>\$ (1,712,315)</b>
Net loss per common share		
- basic and diluted	\$ (0.09)	\$ (0.04)
Weighted average number of shares outstanding		
- basic and diluted	53,570,776	40,002,316

See accompanying notes to the financial statements

**AURIGA GOLD CORP.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31,**  
(Expressed in Canadian Dollars)

Page 4

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) for the year	\$ (4,819,635)	\$ (1,712,315)
Items not involving cash:		
Amortization	76,738	47,465
Other losses (gains)	2,573,267	(79,486)
Accretion of provision for closure and reclamation	55,988	89,680
Accretion of debenture	82,945	-
Financing cost of warrant incentive program	-	332,604
Write-down of long term prepaid	592,049	-
Reversal of flow-through premium liability	(523,327)	-
Stock-based payments	328,500	131,586
	<u>(1,633,475)</u>	<u>(1,190,466)</u>
Changes in non-cash working capital balances:		
Decrease (increase) in amounts receivable	85,010	(108,187)
(Increase) decrease in prepaid expenses	(5,160)	27,864
Increase in accounts payable and accrued liabilities	1,159,398	465,190
	<u>1,239,248</u>	<u>384,867</u>
<b>Cash flows from operating activities</b>	<b><u>(394,227)</u></b>	<b><u>(805,599)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) in exploration properties and deferred exploration expenditures	(1,686,463)	(3,344,068)
(Increase) in long term prepaid	-	(500,000)
(Purchase) of equipment	(157,254)	(583,796)
<b>Cash flows from investing activities</b>	<b><u>(1,843,717)</u></b>	<b><u>(4,427,864)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share purchase warrants exercised	-	1,728,747
Proceeds from private placements	624,400	4,197,705
Proceeds from debenture	1,150,000	-
Share issue costs	(58,191)	(707,207)
Increase (decrease) in amounts due to related company	47,769	(51,718)
<b>Cash flows from financing activities</b>	<b><u>1,763,978</u></b>	<b><u>5,167,527</u></b>
(Decrease) in cash and cash equivalents	(473,966)	(65,936)
Cash and cash equivalents, beginning of year	593,012	658,948
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 119,046</u></b>	<b><u>\$ 593,012</u></b>
<b>Supplemental Information:</b>		
Cash, end of year	109,046	563,012
Cash equivalents, end of year	10,000	30,000
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 119,046</u></b>	<b><u>\$ 593,012</u></b>
Interest paid	\$ -	\$ 600
Shares issued for settlement of debt (Note 13(b)(viii))	\$ 168,255	\$ -
Change in accrued property expenditures	\$ (385,935)	\$ 448,714
Share purchase warrants issued for share issue cost (Notes 13(b)(ii)(iii)(v))	\$ -	\$ 83,220
Shares issued for property acquisition costs	\$ -	\$ 1,200,000
Shares purchase warrants issued for property acquisition costs	\$ -	\$ 339,000
Long-term prepaid in property expenditures	\$ 500,000	\$ -

See accompanying notes to the financial statements

**AURIGA GOLD CORP.**  
**STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian Dollars)

Page 5

	<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>	
<b>Balance, March 31, 2011</b>	<b>32,153,448</b>	<b>\$ 5,972,057</b>	<b>\$ 395,935</b>	<b>\$ 1,217,737</b>	<b>\$ (1,864,959)</b>	<b>\$ 5,720,770</b>
Flow-through common shares and warrants issued	9,427,985	3,394,475	-	510,730	-	3,905,205
Common shares and warrants issued	975,000	197,925	-	94,575	-	292,500
Share issue cost	-	(790,427)	-	83,220	-	(707,207)
Stock-based payments	-	-	131,586	-	-	131,586
Premium liability for flow-through shares	-	(523,327)	-	-	-	(523,327)
Shares issued for mineral properties	3,428,572	1,200,000	-	-	-	1,200,000
Share purchase warrants exercised	4,342,530	2,110,685	-	(381,938)	-	1,728,747
Warrants issued for exploration properties	-	-	-	339,000	-	339,000
Stock options expired	-	-	(66,075)	-	66,075	-
Warrant incentive program valuation	-	-	-	332,604	-	332,604
Loss for the year	-	-	-	-	(1,712,315)	(1,712,315)
<b>Balance, March 31, 2012</b>	<b><u>50,327,535</u></b>	<b><u>\$ 11,561,388</u></b>	<b><u>\$ 461,446</u></b>	<b><u>\$ 2,195,928</u></b>	<b><u>\$ (3,511,199)</u></b>	<b><u>\$ 10,707,563</u></b>
Common shares issued	3,672,942	397,711	-	226,689	-	624,400
Share issue costs	-	(56,459)	-	(1,732)	-	(58,191)
Stock-based payments	-	-	328,500	-	-	328,500
Shares issued for debt settlement	3,365,106	168,255	-	-	-	168,255
Shares issued on debentures	1,485,750	173,967	-	-	-	173,967
Warrants expired	-	-	-	(1,453,328)	1,453,328	-
Stock options expired	-	-	(339,190)	-	339,190	-
Loss for the year	-	-	-	-	(4,819,635)	(4,819,635)
<b>Balance, March 31, 2013</b>	<b><u>58,851,333</u></b>	<b><u>\$ 12,244,862</u></b>	<b><u>\$ 450,756</u></b>	<b><u>\$ 967,557</u></b>	<b><u>\$ (6,538,316)</u></b>	<b><u>\$ 7,124,859</u></b>

See accompanying notes to the financial statements

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Auriga Gold Corp. (the "Company") is 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 exploration 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 \$3,200,190 and deficit of \$6,538,316 as at March 31, 2013 and will require additional financing to fund its continuing exploration efforts and meet its flow through commitment. 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 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 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 financial statements were approved by the Board of Directors on August 23, 2013.

## **2. BASIS OF PREPARATION**

### **Statement of Compliance and Conversion to International Financial Reporting Standards ("IFRS"):**

These financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended March 31, 2013.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

## **2. BASIS OF PREPARATION (Continued)**

### **Basis of Presentation:**

These financial statements have been prepared on a historical cost basis except for cash equivalents, which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

### **Significant Accounting Judgments and Estimates:**

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

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

#### *Assets' Carrying Values and Impairment Charges*

In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

#### *Capitalization of Exploration Properties and Deferred Exploration Expenditures*

Management has determined that exploration properties and deferred exploration expenditure incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 8 for details of capitalized exploration properties and deferred exploration expenditure.

#### *Mineral Reserve Estimates*

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operations.



## **2. BASIS OF PREPARATION (Continued)**

### **Significant Accounting Judgments and Estimates (Continued):**

#### *Impairment of Exploration Properties and Deferred Exploration Expenditures*

While assessing whether any indications of impairment exist for mineral exploration properties and deferred exploration expenditures, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration properties and deferred exploration expenditures. Internal sources of information include the manner in which exploration properties and deferred exploration expenditures are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after tax cash flows expected to be derived from the Company's exploration properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write down of the carrying amounts of the Company's exploration properties and deferred exploration expenditures.

#### *Estimation of Decommissioning and Restoration Costs and the Timing of Expenditures*

The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

#### *Income Taxes and Recoverability of Potential Deferred Tax Assets*

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

#### *Share Based Payments*

Management determines costs for share based payments using market based valuation techniques. The fair value of the market based and performance based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

#### *Contingencies*

Refer to Notes 18 and 19.

Continued...

### 3. ACCOUNTING POLICIES

#### Financial Instruments:

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives.

The Company's financial instruments consist of the following:

<b>Financial assets:</b>	<b>Classification:</b>
Cash equivalents	Fair value through profit or loss
Cash	Loans and receivables
Amounts receivable	Loans and receivables
Restricted cash equivalents	Loans and receivables
Due from related company	Loans and receivables
<b>Financial liabilities:</b>	<b>Classification:</b>
Accounts payable and other liabilities	Other financial liabilities
Due to related company	Other financial liabilities
Debentures	Other financial liabilities

#### *Fair Value Through Profit or Loss ("FVTPL"):*

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the statement of operations.

#### *Loans and Receivables:*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

### **3. ACCOUNTING POLICIES (Continued)**

#### **Financial Instruments (Continued):**

##### *Other Financial Liabilities:*

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

##### *Impairment of Financial Assets:*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

##### *Derecognition:*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

##### *Financial Instruments Recorded at Fair Value:*

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

### **3. ACCOUNTING POLICIES (Continued)**

#### **Cash and Cash Equivalents:**

The Company defines cash and cash equivalents as cash and investments with maturity dates of less than ninety days. The Company invests cash in term deposits maintained in high credit quality institutions. As at March 31, 2013, the cash and cash equivalents balance was comprised of \$109,046 and \$10,000 respectively (March 31, 2012 - cash \$563,012 and \$30,000, respectively).

#### **Equipment:**

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rates:

<b>Detail</b>	<b>Percentage</b>	<b>Method</b>
Computer equipment	30%	Declining balance
Vehicles	30%	Declining balance
Office furniture	20%	Declining balance
Equipment	20%	Declining balance
Mine buildings	5%	Declining balance

An asset's residual value, useful life and amortization method are reviewed, and adjusted if appropriate, on an annual basis.

#### **Exploration Properties and Deferred Exploration Expenditures:**

##### *Exploration and Evaluation Properties:*

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities, net of government assistance received, are capitalized to exploration properties and deferred exploration expenditures. Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within mineral properties and deferred exploration expenditures.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

### **3. ACCOUNTING POLICIES (Continued)**

#### **Exploration Properties and Deferred Exploration Expenditures (Continued):**

##### *Development Properties:*

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as construction-in-progress and classified as a component of mineral properties and deferred exploration expenditures. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues.

Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

##### *Production Properties:*

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

##### *Depletion:*

Accumulated mine development costs are depleted on a unit-of-production basis over the estimated economically recoverable reserves of the mine concerned.

#### **Impairment of Non-Financial Assets:**

The carrying values of exploration properties and deferred exploration expenditures, and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets. This generally results in the Company evaluating its non-financial assets on a geographical basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of operations so as to reduce the carrying amount to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of operations.

### **3. ACCOUNTING POLICIES (Continued)**

#### **Provisions:**

##### *General:*

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

##### *Rehabilitation Provision:*

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, dismantling operating facilities, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. When applicable for closed sites, changes to estimated costs are recognised immediately in the statement of operations.

#### **Flow-Through Shares:**

Flow-through shares are a unique Canadian tax incentive. They are the subject of specific guidance under US GAAP, but there is no equivalent IFRS guidance. Therefore the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then derecognized in the period of renunciation. The recognition of a deferred income tax liability upon renunciation of the flow through expenditure is recorded as income tax expense in the period of renunciation. Any difference between the amount of the liability component derecognized and deferred income tax liability recognized is recorded in the statement of operations.

#### **Foreign Currency Translation:**

The Canadian dollar is the functional currency of the Company's operations. The financial statements, the results of operations and financial position are expressed in Canadian dollars. In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Gains/losses on translation are recorded in the statement of operations.

### **3. ACCOUNTING POLICIES (Continued)**

#### **Stock-Based Payments:**

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Stock option expense incorporates an expected forfeiture rate for those options that do not vest immediately. Amounts recorded for expired unexercised stock options and agent warrants are transferred to deficit on expiry.

#### **Loss Per Share:**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The Company's diluted loss per share for all years presented does not include the effect of stock options and warrants as they are anti-dilutive.

#### **Income Taxes:**

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the year-end date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are presented as non-current.

### **3. ACCOUNTING POLICIES (Continued)**

#### **Future Accounting Changes:**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after March 31, 2013 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

#### *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.

IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2015, with early adoption permitted.

#### *IFRS 10 Consolidated Financial Statements ("IFRS 10")*

For annual periods beginning on January 1, 2013, IFRS 10 will replace 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.

IFRS 10 is required to be applied for annual periods beginning on or after January 1, 2013.

#### *IFRS 11 Joint Arrangements ("IFRS 11"):*

IFRS 11 applies to accounting for interests in joint arrangements where there is joint control. The standard requires the joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation will be removed and replaced by equity accounting. Due to the adoption of this new section, ventures will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item.

IFRS 11 is required to be applied for annual periods beginning on or after January 1, 2013.



### **3. ACCOUNTING POLICIES (Continued)**

#### **Future Accounting Changes (Continued):**

##### *IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12"):*

IFRS 12, includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. Due to this new section, the Company will be required to disclose the following: judgments and assumptions made when deciding how to classify involvement with another entity, interests that non-controlling interests have in consolidated entities, and nature of the risks associated with interests in other entities.

IFRS 12 is required to be applied for annual periods beginning on or after January 1, 2013.

##### *IFRS 13 Fair Value Measurement ("IFRS 13"):*

IFRS 13 was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS's. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorised under Level 3 of the fair value hierarchy to significant unobservable inputs; and
- information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is required to be applied for annual periods beginning on or after January 1, 2013.

##### *IAS 27 Separate Financial Statements ("IAS 27")*

As a result of the issue of the new consolidation suite of standards, IAS 27 has been reissued to reflect the change as the consolidation guidance has recently been included in IFRS 10. In addition, IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements.

IAS 27 (amended) is required to be applied for annual periods beginning on or after January 1, 2013.

### **3. ACCOUNTING POLICIES (Continued)**

#### **Future Accounting Changes (Continued):**

##### *IAS 28 Investments in Associates and Joint Ventures ("IAS 28")*

As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will further provide the accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard will be applied by the Company when there is joint control, or significant influence over an investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not include control or joint control of those policy decisions. When determined that the Company has an interest in a joint venture, the Company will recognize an investment and will account for it using the equity method in accordance with IAS 28.

IAS 28 is required to be applied for annual periods beginning on or after January 1, 2013.

##### *IAS 1 - Presentation of Financial Statements ("IAS 1")*

IAS 1 was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

##### *IAS 32 – Financial Instruments: Presentation ("IAS 32")*

IAS 32 was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

### **4. MANAGING CAPITAL**

The Company manages its capital with the following objectives:

- to ensure sufficient flexibility to achieve the ongoing business objectives including funding of future resource based exploration and investment initiatives; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and the industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties for the mining of gold, nickel and copper. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be total shareholders' equity (managed capital) which at March 31, 2013 totaled \$7,124,859 (March 31, 2012 - \$10,707,563).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, as well as other investing and financing activities. The forecast is regularly updated based on activities related to the acquisition, exploration and development of its mineral properties. The Board of Directors regularly reviews the Company's capital management approach. The Company's capital management objectives, policies and processes have remained unchanged during the year ended March 31, 2013. The Company is not subject to any external capital requirements.

Continued...

## 5. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and are disclosed in Note 3.

### Categories of Financial Instruments

	As at March 31, 2013	As at March 31, 2012
<b>Financial Assets</b>		
<i>Fair Value Through Profit and Loss</i>		
Cash equivalents	\$ 10,000	\$ 30,000
<i>Loans and Receivables</i>		
Cash	109,046	563,012
Restricted cash equivalents	75,000	75,000
Amounts receivable	102,347	162,357
Due from related company	-	3,942
<b>Financial Liabilities</b>		
<i>Other Financial Liabilities</i>		
Accounts payable and accrued liabilities	\$ 2,313,595	\$ 1,889,621
Due to related company	43,827	-
Debenture	1,116,457	-

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the year ended March 31, 2013.

### Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, amounts receivable and restricted cash equivalents. Restricted cash equivalents consist of a GIC which has been invested with a reputable Canadian financial institution. The Company does not hold any non-bank asset backed commercial paper. Management believes that the credit risk concentration with respect to its financial instruments is remote.

## **5. FINANCIAL INSTRUMENTS (Continued)**

### **Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2013, the Company did not have sufficient cash and cash equivalents to settle current liabilities of \$3,473,879. Management believes that additional financing will be available to discharge current liabilities.

Most of the Company's financial liabilities, other than debentures, have contractual maturities of less than 30 days and are subject to normal trade terms.

### **Interest Rate Risk**

The Company has cash and cash equivalents balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Currently, the Company does not hedge against interest rate risk.

### **Foreign Currency Risk**

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions at this time are small and therefore, does not hedge its foreign exchange risk.

### **Commodity Price Risk**

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to precious and base metals to determine the appropriate course of action to be taken by the Company. Management believes commodity price risk to be remote as the Company is not a producing entity.

### **Fair Value**

As at March 31, 2013 and 2012, the Company's financial instruments carried at fair value, which consists of cash equivalents, are classified as Level 2 within the fair value hierarchy, and as of March 31, 2013 and 2012, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent because of the limited term of these instruments.

## **6. 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 12).

## 7. EQUIPMENT

### At Cost

	Vehicles	Equipment	Office Furniture	Mine Buildings	Total
<b>Balance, March 31, 2011</b>	\$ -	\$ 17,287	\$ -	\$ -	\$ 17,287
Additions	49,082	357,718	1,155	175,841	583,796
<b>Balance, March 31, 2012</b>	<b>49,082</b>	<b>375,005</b>	<b>1,155</b>	<b>175,841</b>	<b>601,083</b>
Additions	-	3,099	-	154,155	157,254
Write-down	-	(114,035)	(1,155)	-	(115,190)
<b>Balance, March 31, 2013</b>	<b>\$ 49,082</b>	<b>\$ 264,069</b>	<b>\$ -</b>	<b>\$ 329,996</b>	<b>\$ 643,147</b>

### Accumulated Amortization

	Vehicles	Equipment	Office Furniture	Mine Buildings	Total
<b>Balance, March 31, 2011</b>	\$ -	\$ 1,866	\$ -	\$ -	\$ 1,866
Expense for the year	7,362	37,967	115	2,021	47,465
<b>Balance, March 31, 2012</b>	<b>7,362</b>	<b>39,833</b>	<b>115</b>	<b>2,021</b>	<b>49,331</b>
Expense for the year	12,516	56,117	104	8,001	76,738
Write-down	-	(19,803)	(220)	-	(20,023)
<b>Balance, March 31, 2013</b>	<b>\$ 19,878</b>	<b>\$ 76,147</b>	<b>\$ (1)</b>	<b>\$ 10,022</b>	<b>\$ 106,046</b>

### Carrying Amount

	Vehicles	Equipment	Office Furniture	Mine Buildings	Total
Balance, March 31, 2012	\$ 41,720	\$ 335,172	\$ 1,040	\$ 173,820	\$ 551,752
<b>Balance, March 31, 2013</b>	<b>\$ 29,204</b>	<b>\$ 187,922</b>	<b>\$ 1</b>	<b>\$ 319,974</b>	<b>\$ 537,101</b>

During the year ended March 31, 2013, the Company expensed \$76,738 in amortization to the statement of operations (year ended March 31, 2012 - \$47,465). During the year ended March 31, 2013, the Company wrote down equipment of \$95,168 (year ended March 31, 2012 - \$nil). During the year ended March 31, 2013, the Company disposed of a piece of equipment with a value of \$nil as settlement for termination fees payable to a former officer, resulting in a gain of \$33,350.

Continued...

**AURIGA GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2013 AND 2012**  
(Expressed in Canadian Dollars)

Page 21

**8. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

**As at March 31, 2013**

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

**As at March 31, 2012**

	<b>March 31, 2011</b>	<b>Acquisition</b>	<b>Expenditures</b>	<b>Write downs</b>	<b>March 31, 2012</b>
<i>Exploration and Evaluation Properties</i>					
Dunlop	\$ 214,241	\$ -	\$ -	\$ -	\$ 214,241
Fox River	636,414	-	644,014	-	1,280,428
Knife Lake	180,805	-	10,153	-	190,958
Nokomis	694,700	1,202,239	428,870	-	2,325,809
Puffy Lake	6,553,217	-	2,756,184	-	9,309,401
Staked Claims	-	-	97,151	-	97,151
Prosperity North (iv)	-	345,267	-	-	345,267
	<b>\$ 8,279,377</b>	<b>\$ 1,547,506</b>	<b>\$ 3,936,372</b>	<b>\$ -</b>	<b>\$ 13,763,255</b>

Continued...

## **8. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Continued)**

### **(i) Dunlop and Fox River Properties**

Pursuant to a binding letter agreement dated February 20, 2008, the Company had the right to acquire two mineral properties in the Fox River Belt, Manitoba, Canada. On October 20, 2010, the Company completed the acquisition of a 75% interest in the Dunlop property and a 100% interest in the Fox River property. The terms of this purchase included: (i) a non-refundable cash payment on signing the letter agreement of \$10,000 (paid), (ii) a cash payment of \$40,000 (paid), (iii) the issuance of 1,262,500 common shares (issued), (iv) the staking of mineral claims over all of the former Dunlop property (completed), and, (v) a minimum \$250,000 of exploration expenditure by April 15, 2010 (completed). If a bankable feasibility defines a deposit containing inferred, measured and indicated Mineral Resources, inclusive of Mineral Resources modified to produce proven and probable Mineral Reserves, in accordance with NI 43-101, totaling at least the equivalent value of a 20 million tonne deposit at 1% nickel equivalent, the vendor may give notice within 90 days of receiving such study to form a 50 / 50 joint venture by funding the implementation costs of the study until such time as such costs equal 150% of Auriga's total expenditures at the time of delivery of such notice, and by arranging project financing costs. The vendor may elect to become operator and thereafter, the parties shall incur the balance of the expenditures pro-rata to their interests.

The Fox River property is subject to Net Smelter Royalties ("NSR") of between 1% and 2% based on the price of nickel.

On the Dunlop property, a former property owner holds the remaining 25% interest as well as a 1.5% NSR, of which 0.5% can be purchased for \$500,000.

During the year ended March 31, 2013, no field work was completed due to funding constraints and our focus on our core Maverick Gold Project. Given the uncertainty of funding for the Fox River project the Company recorded a write-down of \$1,423,243 in the statement of operations (2012 - \$nil), and the Company received \$63,270 in government grants for the Fox River property (2012 - \$nil).

### **(ii) Knife Lake Property**

Pursuant to two agreements dated July 31, 2009 collectively representing a 100% interest in the property, the Company acquired a 100% interest in the Knife Lake property from two vendors. The property consisted of five mining claims in the province of Saskatchewan. The claims were subject to a 2% NSR to a former property owner. Consideration for the property was as follows:

\$35,625 cash payment on signing (paid)

\$35,625 cash payment on July 31, 2010 (paid)

\$35,625 cash payment on July 31, 2011 (paid)

125,000 common shares on signing (issued)

125,000 common shares on July 31, 2010 (issued)

125,000 common shares on July 31, 2011 (issued)

During the year-ended March 31, 2013, the Company did not undertake any field activity. While the company believes there is significant gold and base metal exploration potential, the current funding climate and our focus on our core Maverick Gold Project precludes any expenditure on the project for the foreseeable future. As such the company wrote down the carrying value of its investment to date of \$190,958 (2012 - \$nil) and will seek joint venture partners to fund any future work programs.

Continued...

## **8. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Continued)**

### **(iii) Maverick Properties (Nokomis and Puffy Lake)**

On March 22, 2010, the Company entered into an agreement to acquire the past-producing Puffy Lake Gold Mine and adjacent properties from Pioneer Metals ULC ("Pioneer"). The properties are located 50 km northeast of the town of Flin Flon, Manitoba. Pioneer is a wholly-owned subsidiary of Barrick Gold Corporation ("Barrick").

The Company acquired the 100% interest held by Pioneer in the Puffy Lake Gold Mine subject to a 3% NSR that reduces to 2.5% and 2% if gold is below US\$1,000/oz and US\$750/oz, respectively. The Company also acquired Pioneer's 54% interest in the adjacent Nokomis property. In consideration of the acquisitions, the Company made total cash payments of \$2.5 million and issued 4,000,000 common shares to Pioneer, valued at \$1.0 million on October 8, 2010.

On November 22, 2011, the Company completed the acquisition of Claude Resources Inc. ("Claude") 46% minority interest in the Nokomis property. The Nokomis property is contiguous to the Puffy Lake property, part of the Maverick Gold project. The Nokomis property comprises certain staked claims and is located less than 8 km northeast of the Puffy Lake Mill, near Flin Flon, Manitoba.

Under the terms of acquisition, the Company had issued to Claude 3,428,572 common shares of the Company.

During year ended March 31, 2012, the Company entered into an Electric Service Agreement with Manitoba Hydro ("Manitoba Hydro") to provide grid electric power from Sherridon, Manitoba to Maverick Gold Project located near Flin Flon, Manitoba at a total cost of \$1.1 million and made a deposit of \$500,000 to Manitoba Hydro. During the year ended March 31, 2013, the Company wrote off the \$500,000 (year ended March 31, 2012 - \$nil) deposit made to Manitoba Hydro due to the expectation that the agreement with Manitoba Hydro would not be completed.

### **(iv) Prosperity North Property**

On January 31, 2012, the Company purchased a 100% undivided interest in a property consisting of certain mining claims named the Prosperity North property in the Clinton Mining Division of British Columbia from Pioneer.

The purchase price consideration was the issuance of 5-year warrants to purchase 1,500,000 common shares of the Company at a strike price of \$1.00 per share. Barrick Gold Corporation will also retain a 2.5% NSR. These warrants were valued at \$339,000.

During the year ended March 31, 2013, the claims lapsed and the Company recorded a write-down of \$384,225 in the statement of operations (year ended March 31, 2012 - \$nil).

## **9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>March 31, 2013</b>	<b>March 31, 2012</b>
Trade payables	\$ 2,081,993	\$ 1,274,372
Accrued and payroll liabilities	231,602	91,922
Flow-through shares liability	-	523,327
<b>Total</b>	<b>\$ 2,313,595</b>	<b>\$ 1,889,621</b>

Continued...



## 10. DUE TO / FROM RELATED COMPANY

The amount due to / from a related company is unsecured, 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.

## 11. DEBENTURES

On August 27, 2012, the Company completed a \$900,000 non-brokered private placement debenture financing with private individuals. The debenture is unsecured, 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 was \$123,972. The value of the 652,500 shares was calculated by applying the market price of the shares at the time of issue. During the year ended March 31, 2013, the Company recorded an accretion expense of \$75,001 in the statement of operations (year ended March 31, 2012 - \$nil).

On February 1, 2013, the Company completed a private placement 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 was \$49,995. The value of the 833,250 shares was calculated by applying the market price of the shares at the time of issue. During the year ended March 31, 2013, the Company recorded an accretion expense of \$7,944 in the statement of operations (year ended March 31, 2012 - \$nil).

## 12. 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 6). The Company further provided all assets, goods and personal property involved in the operation of the Puffy Lake property, as security of up to \$5,000,000 for the performance of the closure plan and the rehabilitation program.

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 \$3,038,953 at March 31, 2013, based on a total future liability of approximately \$3,073,160, an inflation rate of 1.4% and a discount rate of 1.84%. Reclamation is expected to occur in 10 years.

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

<b>Balance, March 31, 2011</b>	<b>\$ 2,857,493</b>
Effect of changes in the discount rate	152,097
Accretion incurred in the current year	89,680
<b>Balance, March 31, 2012</b>	<b>\$ 3,099,270</b>
Effect of changes in the discount rate	(116,305)
Accretion incurred in the current year	55,988
<b>Balance, March 31, 2013</b>	<b>\$ 3,038,953</b>

During the year ended March 31, 2013, the Company expensed \$55,988 in accretion to the statement of operations (year ended March 31, 2012 - \$89,680).

### 13. SHARE CAPITAL

**(a) Authorized:**

Unlimited number of common shares with no par value.

**(b) Common Shares Issued:**

	Number of Shares	Amount
<b>Balance, March 31, 2011</b>	<b>32,153,448</b>	<b>5,972,057</b>
Share purchase warrants exercised (i)	4,342,530	2,110,685
Private placements (ii),(iii),(v)	10,402,985	4,197,705
Share purchase warrants issued (ii),(iii),(v)	-	(605,305)
Share issue cost	-	(790,427)
Common shares issued for mineral property (iv)	3,428,572	1,200,000
Premium liability for flow-through shares	-	(523,327)
<b>Balance, March 31, 2012</b>	<b>50,327,535</b>	<b>\$ 11,561,388</b>
Private placements (vi),(vii)	3,672,942	624,400
Share purchase warrants issued (vi),(vii)	-	(226,689)
Share issue cost	-	(56,459)
Shares issued on debenture (Note 11)	1,485,750	173,967
Common shares issued for debt settlement (viii)	3,365,106	168,255
<b>Balance, March 31, 2013</b>	<b>58,851,333</b>	<b>\$ 12,244,862</b>

(i) During the year ended March 31, 2012, the following share purchase warrants were exercised:

Exercised Date	Number Exercised	Exercised Price	Expiry Date
May 11, 2011	1,666	\$ 0.40	October 6, 2012
May 13, 2011	100,000	0.40	October 6, 2012
June 1, 2011	25,000	0.40	October 6, 2012
June 2, 2011	1,000	0.40	October 6, 2012
June 3, 2011	35,714	0.45	October 6, 2012
June 4, 2011	34,000	0.40	October 7, 2012
June 11, 2011	1,975,000	0.40	October 7, 2012
June 11, 2011	330,000	0.40	October 8, 2012
June 11, 2011	1,739,650	0.40	October 12, 2012
January 31, 2012	15,500	0.30	October 12, 2012
February 13, 2012	85,000	0.30	October 12, 2012
	<b>4,342,530</b>		

Continued...

### **13. SHARE CAPITAL (Continued)**

#### **(b) Common Shares Issued (Continued):**

- (i) In connection with the exercise of the warrants, the Company issued an aggregate of 120,000 compensation warrants with each compensation warrant entitling the holder to acquire one additional common share at an exercise price of \$0.50 per share for a period of 24 months. The grant date fair value of the 120,000 compensation warrants was \$18,186. 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 91%, risk-free interest rate of 1.49% and an expected life of 2 years.
- (ii) On July 11, 2011, the Company completed the first tranche of a \$2,105,000 non-brokered private placement offering for 1,400,000 flow-through units at \$0.50 per flow-through unit for aggregate gross proceeds of approximately \$700,000. Each flow-through unit consisted of one flow-through common share and one half of one common share purchase warrant. Each whole warrant entitled the holder to acquire one additional common share at an exercise price of \$0.75 per share for a period of 18 months. The grant date fair value of the 700,000 warrants was \$90,300. 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 95%, risk-free interest rate of 1.39% and an expected life of 1.5 years.

In connection with the first tranche of the financing, the Company paid finders' fees of \$50,874 and the Company also issued 56,000 broker warrants to purchase common shares of the Company. Each broker warrant is exercisable at \$0.50 per share for a period of 24 months from the date of issuance. The grant date fair value of the 56,000 broker warrants was \$11,260. 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 95%, risk-free interest rate of 1.46% and an expected life of 2 years.

- (iii) On July 29, 2011, the Company completed the second and final tranche of a non-brokered private placement offering for 2,810,000 flow-through units at \$0.50 per flow-through unit for aggregate gross proceeds of approximately \$1,405,000. Each flow-through unit consisted of one flow-through common share and one half of one common share purchase warrant. Each whole warrant entitled the holder to acquire one additional common share at an exercise price of \$0.75 per share for a period of 18 months. The grant date fair value of the 1,405,000 warrants was \$180,403. 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 95%, risk-free interest rate of 1.39% and an expected life of 1.5 years.

In connection with the second and final tranche of the financing, the Company paid finders' fees of \$98,350 and the Company also issued 196,700 broker warrants to purchase common shares of the Company. Each broker warrant is exercisable at \$0.50 per share for a period of 24 months from the date of issuance. The grant date fair value of the 196,700 broker warrants was \$39,552. 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 95%, risk-free interest rate of 1.46% and an expected life of 2 years.

- (iv) On November 14, 2011, the Company issued 3,428,572 common shares to Claude for the remaining 46% minority interest in the Nokomis property (see Note 8(iii)) valued at \$1,200,000. The value of the 3,428,572 shares was calculated by applying the market share price of \$0.35 per common share at the time of issue.

### **13. SHARE CAPITAL (Continued)**

#### **(b) Common Shares Issued (Continued):**

- (v) On March 23, 2012, the Company completed a brokered private placement offering for \$2,092,705. In connection with the financing, the Company paid finders' fees of \$153,188 and the Company also issued 131,250 broker warrants to purchase common shares of the Company. Each broker warrant is exercisable at \$0.35 per share for a period of 12 months from the date of issuance. The grant date fair value of the 131,250 broker warrants was \$14,222. 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 100%, risk-free interest rate of 1.23% and an expected life of 1 year.

The financing was completed through the issuance of:

(A) 5,217,985 flow-through units at \$0.345 per flow-through unit for aggregate gross proceeds of approximately \$1,800,205. Each flow-through unit consisted of one flow-through common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of \$0.45 per share for a period of 24 months. The grant date fair value of the 2,608,992 warrants was \$240,027. 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 121%, risk-free interest rate of 1.46% and an expected life of 2 years.

(B) 975,000 units at \$0.30 per unit for aggregate gross proceeds of approximately \$292,500. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of \$0.40 per share for a period of 24 months. The grant date fair value of the 975,000 warrants was \$94,575. 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 121%, risk-free interest rate of 1.46% and an expected life of 2 years.

- (vi) 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.

### 13. SHARE CAPITAL (Continued)

#### (b) Common Shares Issued (Continued):

(vii) 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. A director and officer of the Company subscribed for 60,000 units for gross proceeds of \$10,200.

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 broker 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 broker 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.

(viii) 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 in a gain on debt settlement of \$84,128. The indebtedness relates to the provision of services, supplies and consulting. The value of the 3,365,106 shares were calculated by applying the market price of the shares at the time of issue.

### 14. SHARE BASED PAYMENT RESERVE

#### (a) Stock Options

The Company has granted options for the purchase of common shares to its directors, officers, employees and certain consultants. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth. These options are valid for a maximum of 5 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The maximum number of options to be issued under the plan shall not exceed 10% of the total number of common shares issued and outstanding.

The following table shows the continuity of stock options for the years ended March 31, 2013 and 2012:

	Number of Stock Options	Weighted Average Exercise Price
<b>Balance, March 31, 2011</b>	<b>2,057,500</b>	<b>\$ 0.30</b>
Granted (i)	200,000	0.40
Expired	(175,000)	0.29
<b>Balance, March 31, 2012</b>	<b>2,082,500</b>	<b>\$ 0.31</b>
Expired	(1,572,500)	0.30
Granted (ii)	1,825,000	0.25
<b>Balance, March 31, 2013</b>	<b>2,335,000</b>	<b>\$ 0.27</b>

Continued...

**14. SHARE BASED PAYMENT RESERVE (Continued)**

**(a) Stock Options (Continued):**

- (i) On January 26, 2012, the Company granted 200,000 stock options to an employee of the Company exercisable for one common share each at a price of \$0.40 per share for a five-year period. These stock options vested immediately. The grant date fair value of \$59,606 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 100%, risk-free rate of return of 1.33% and an expected life of 5 years.
- (ii) 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.

The following are the stock options outstanding at March 31, 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	1.96	March 18, 2015
175,000	26,250	175,000	0.200	2.06	April 23, 2015
300,000	80,100	300,000	0.355	2.67	December 2, 2015
200,000	59,606	200,000	0.400	3.83	January 26, 2017
1,560,000	280,800	1,560,000	0.250	4.39	August 29, 2017
<b>2,335,000</b>	<b>\$ 450,756</b>	<b>2,335,000</b>	<b>\$ 0.270</b>	<b>3.84</b>	

The weighted average grant date fair value of options granted during the year ended March 31, 2013 is \$0.19 per option (2012 - \$0.30).

**(b) Share Purchase Warrants**

The following table shows the continuity of share purchase warrants for the years ended March 31, 2013 and 2012:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, March 31, 2011</b>	<b>17,521,621</b>	<b>\$ 0.40</b>
Exercise of share purchase warrants (Note 13(b)(i))	(4,342,530)	0.40
Granted ((i) and Notes 13(b)(i),(ii),(iii),(v))	7,692,942	0.63
<b>Balance, March 31, 2012</b>	<b>20,872,033</b>	<b>\$ 0.48</b>
Granted (Notes 13(b)(vi),(vii))	4,034,236	0.24
Expired	(15,415,341)	0.44
<b>Balance, March 31, 2013</b>	<b>9,490,928</b>	<b>\$ 0.45</b>

Continued...

**14. SHARE BASED PAYMENT RESERVE (Continued)**

**(b) Share Purchase Warrants (continued)**

- (i) On May 6, 2011, the Company announced a warrant incentive program for 16,140,943 of the outstanding warrants. The 1,380,678 broker warrants outstanding at the time were ineligible. The warrants were revalued by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 121%, risk-free rate of return of 1.67% and an expected life of 0.12 year. These warrants were valued at \$332,604 and were expensed as financing cost in the statement of operations.
- (ii) On January 31, 2012, the Company purchased a 100% undivided interest in Prosperity North property in the Clinton Mining Division of British Columbia from Pioneer. The purchase price consideration for a 100% undivided interest in the Prosperity North Property was the issuance of 5-year warrants to purchase 1,500,000 common shares of the Company at a strike price of \$1.00 per share. (See Note 8(iv)).

The grant date fair value of the 1,500,000 warrants was \$339,000. 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 100%, risk-free interest rate of 1.25% and an expected life of 5 years.

The following are the share purchase warrants outstanding at March 31, 2013:

<b>Number of Warrants Issued</b>	<b>Grant Date Fair Value</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Expiry Date</b>
120,000	\$ 18,186	\$ 0.50	0.21	June 17, 2013
56,000	11,260	0.50	0.28	July 11, 2013
196,700	39,552	0.50	0.33	July 29, 2013
235,294	11,093	0.17	0.78	January 11, 2014
126,000	19,356	0.17	0.84	January 30, 2014
2,608,992	240,027	0.45	0.98	March 23, 2014
975,000	94,575	0.40	0.98	March 23, 2014
2,352,942	122,913	0.25	1.28	July 11, 2014
1,320,000	71,595	0.25	1.33	July 30, 2014
1,500,000	339,000	1.00	3.84	January 30, 2017
<b>9,490,928</b>	<b>\$ 967,557</b>	<b>\$ 0.45</b>	<b>1.52</b>	

Continued...

## 15. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended March 31,	2013	2012
Office and general	\$ 220,446	\$ 243,519
Salaries and benefits	234,298	101,602
Travel	57,952	125,274
Business development	44,240	25,000
Stock exchange and transfer agent fees	48,816	93,092
Shareholder information	17,452	20,516
Bank charges	5,557	4,159
General exploration	-	36,434
<b>General and administrative</b>	<b>\$ 628,761</b>	<b>\$ 649,596</b>

## 16. 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:

For the years ended March 31,	2013	2012
Sutcliffe Geological Consultants Inc. (i)	\$ 189,500	\$ 170,000
Irwin Lowy LLP (ii)	2,760	7,648

- (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 March 31, 2013, Sutcliffe Geological Consultants Inc. was owed \$178,540 (March 31, 2012 - \$nil) related to termination provisions in the SGC Contract and the former CEO was owed \$1,675 (March 31, 2012 - \$nil) and both of these amounts were included in accounts payable and accrued liabilities. Subsequent to March 31, 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 20).
- (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 March 31, 2013, the Company owed \$4,372 (March 31, 2012 - \$1,253) to this firm and is included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing with no fixed terms of repayment and due on demand.
- (iii) See Note 10 and 13(b)(vii).
- (iv) See Note 13(b)(viii). During the year ended March 31, 2013, the Company issued 1,993,333 shares price at \$0.05 per share to settle \$149,500 in debt with officers and directors of the Company for management and director fees, resulting in a gain of \$49,833.

Continued...



## 16. RELATED PARTY TRANSACTIONS (Continued)

(b) Remuneration of directors and key management personnel of the Company was as follows:

For the years ended March 31,	2013	2012
Directors fees	\$ 113,500	\$ 74,750
Amounts paid or accrued to CEO and CFO for salaries, consulting and benefits	293,846	232,617
Stock-based compensation	250,200	-

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.

## 17. INCOME TAXES

(a) Provision for income taxes:

Major items causing the Company's income tax rate to differ from the Canadian combined and provincial statutory rates of approximately 26.5% (2012 - 28%) are as follows:

	2013	2012
(Loss) before income taxes	\$ (4,819,635)	\$ (1,712,315)
Expected income tax (recovery)	(1,250,700)	(481,600)
Stock based payments	87,100	37,000
Share issue costs	(30,400)	(162,700)
Flow-through expenditures renounced	477,100	592,000
Change in tax rate	5,600	11,800
Change deferred tax benefits not recognized	468,626	(113,200)
Other	242,674	116,700
Deferred income tax recovery	\$ -	\$ -

In 2013, the federal tax rate decreased from 16% to 15% and the provincial tax rate decreased from 11.6% to 11.5%.

(b) Deferred tax assets

Deferred income tax assets have not been recognized in respect of the following temporary differences:

	2013	2012
Non-capital loss carry-forwards	\$ 121,000	\$ 1,416,000
Equipment	221,000	49,000
Exploration properties	1,214,000	-
Share issue costs	655,000	733,000
Deductible temporary differences	\$ 2,211,000	\$ 2,198,000

## **17. INCOME TAXES (Continued)**

### **(b) Deferred tax assets (continued)**

Deferred tax assets have not been recognized in respect of these temporary differences because it is not probable that future taxable profits will be available against which the Company can utilize the benefits.

- (c) As at March 31, 2013, the Company had approximately \$11,027,000 (2012 - \$12,032,000) of Canadian exploration and development expenditures, which, under certain circumstances may be utilized to reduce taxable income of future years. The Company also has approximately \$121,000 of non-capital losses in Canada, which can be used to reduce taxable income in future years. If not utilized, the non-capital losses will expire in 2032.

The Company has share issue costs of approximately \$653,000 (2012 - \$732,000) which have not yet been deducted for income tax purposes.

## **18. 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.

## **19. 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 March 31, 2013, the Company is committed to incurring approximately \$610,000 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.

## **20. SUBSEQUENT EVENTS**

- (i) Subsequent to March 31, 2013, a total of 372,700 warrants expired unexercised.
- (ii) On August 9, 2013, the Company reached an agreement to settle up to \$474,088 in debt with arm's length and non-arm's length parties. The indebtedness relates to the provision of services, supplies and consulting. A total of 6,930,000 shares, priced at \$0.069 per share, were issued to creditors in full or partial settlement, as the case may be, 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 \$116,000 indebtedness. The shares will be subject to a four-month hold period starting from August 8, 2013 and will be subject to customary TSX and regulatory approvals.