

**AURIGA GOLD CORP.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS PERIOD ENDED**

**JUNE 30, 2012 AND 2011**

**(UNAUDITED)**

(Expressed in Canadian Dollars)

### **NOTICE TO READER**

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements as at and for the three months ended June 30, 2012 have not been reviewed by the Company's auditors.

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

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	June 30, 2012	March 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 34,837	\$ 593,012
Amounts receivable	110,841	162,357
Prepaid expenses	<u>17,411</u>	<u>47,136</u>
<b>TOTAL CURRENT ASSETS</b>	<b>163,089</b>	<b>802,505</b>
<b>NON-CURRENT ASSETS</b>		
Restricted cash equivalents (Note 6)	75,000	75,000
Long term prepaid	617,049	500,000
Equipment (Note 7)	687,498	551,752
Due from related company (Note 10)	-	3,942
Exploration properties and deferred exploration expenditures (Note 8)	<u>14,647,635</u>	<u>13,763,255</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 16,190,271</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 15)	\$ 2,966,662	\$ 1,889,621
Due to related company (Note 10)	<u>35,619</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,002,281</b>	<b>1,889,621</b>
<b>NON-CURRENT LIABILITIES</b>		
Provision for closure and reclamation (Note 11)	<u>3,247,516</u>	<u>3,099,270</u>
<b>TOTAL LIABILITIES</b>	<b><u>6,249,797</u></b>	<b><u>4,988,891</u></b>
<b>EQUITY</b>		
Share capital (Note 12(b))	11,561,388	11,561,388
Share based payment reserves (Note 13)	2,469,824	2,657,374
Deficit	<u>(4,090,738)</u>	<u>(3,511,199)</u>
<b>TOTAL EQUITY</b>	<b><u>9,940,474</u></b>	<b><u>10,707,563</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 16,190,271</u></b>	<b><u>\$ 15,696,454</u></b>

**NATURE OF OPERATIONS AND GOING CONCERN** (Note 1)  
**COMMITMENTS AND CONTINGENCIES** (Notes 6,8,11,16 and 17)  
**SUBSEQUENT EVENTS** (Note 18)

**APPROVED ON BEHALF OF THE BOARD:**

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

See accompanying Notes to the Condensed Interim Financial Statements

**AURIGA GOLD CORP.**

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**CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(UNAUDITED)

(Expressed in Canadian Dollars)

	<b>Three Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>EXPENSES</b>		
General and administrative (Note 14)	\$ 162,309	\$ 100,467
Management and directors' compensation (Note 15)	65,115	66,375
Professional and consulting fees (Note 15(a)(i))	28,578	48,755
Stock-based payments	-	26,627
Other losses (gains) (Note 8(i))	372,930	(31,181)
Amortization	<u>21,508</u>	<u>858</u>
<b>LOSS BEFORE FINANCE INCOME AND EXPENSES</b>	<b><u>(650,440)</u></b>	<b><u>(211,901)</u></b>
<b>FINANCE INCOME AND EXPENSES</b>		
Finance cost	<u>(116,649)</u>	<u>(19,101)</u>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b><u>\$ (767,089)</u></b>	<b><u>\$ (231,002)</u></b>
Net loss per common share		
- basic and diluted	\$ (0.02)	\$ (0.01)
Weighted average number of shares outstanding		
- basic and diluted	50,327,535	32,679,416

See accompanying Notes to the Condensed Interim Financial Statements

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

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	<b>Three Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) for the period	\$ (767,089)	\$ (231,002)
Items not involving cash:		
Amortization	21,508	858
Other losses (gains)	372,930	(31,181)
Accretion of provision for closure and reclamation	14,086	18,892
Stock-based payments	-	26,627
	<u>(358,565)</u>	<u>(215,806)</u>
Changes in non-cash working capital balances:		
Decrease in amounts receivable	51,516	15,338
Decrease in prepaid expenses	29,725	9,899
Increase (decrease) in accounts payable and accrued liabilities	<u>165,529</u>	<u>(84,722)</u>
	<u>246,770</u>	<u>(59,485)</u>
<b>Cash flows from operating activities</b>	<b><u>(111,795)</u></b>	<b><u>(275,291)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) in mineral properties and deferred exploration expenditures	(328,687)	(491,165)
Purchase of equipment	<u>(157,254)</u>	<u>(1,155)</u>
<b>Cash flows from investing activities</b>	<b><u>(485,941)</u></b>	<b><u>(492,320)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placements	-	1,698,597
Share issue costs	-	(232,668)
Increase (decrease) in amounts due to related company	<u>39,561</u>	<u>(47,044)</u>
<b>Cash flows from financing activities</b>	<b><u>39,561</u></b>	<b><u>1,418,885</u></b>
(Decrease) increase in cash and cash equivalents	(558,175)	651,274
Cash and cash equivalents, beginning of period	<u>593,012</u>	<u>658,948</u>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 34,837</u></b>	<b><u>\$ 1,310,222</u></b>
<b>Supplemental Information:</b>		
Interest paid	\$ 2,563	\$ 209
Change in accrued property expenditures	\$ 294,463	\$ (236,842)
Long-term pre-paid in property expenditures	\$ 500,000	\$ -

See accompanying Notes to the Condensed Interim Financial Statements

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

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	<u>Share Capital</u>		<u>Share Based Payment Reserves</u>			
	<u>Number</u>	<u>Amount</u>	<u>Stock options</u>	<u>Share purchase warrant reserve</u>	<u>Deficit</u>	<u>Total</u>
<b>Balance, April 1, 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>
<b>Balance, April 1, 2012</b>	<b>50,327,535</b>	<b>\$ 11,561,388</b>	<b>\$ 461,446</b>	<b>\$ 2,195,928</b>	<b>\$ (3,511,199)</b>	<b>\$ 10,707,563</b>
Stock options expired	-	-	(187,550)	-	187,550	-
Loss for the period	-	-	-	-	(767,089)	(767,089)
<b>Balance, June 30, 2012</b>	<b><u>50,327,535</u></b>	<b><u>\$ 11,561,388</u></b>	<b><u>\$ 273,896</u></b>	<b><u>\$ 2,195,928</u></b>	<b><u>\$ (4,090,738)</u></b>	<b><u>\$ 9,940,474</u></b>
<b>Balance, April 1, 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>
Share issue costs	-	(232,668)	-	-	-	(232,668)
Stock-based payments	-	-	26,627	-	-	26,627
Share purchase warrants exercised	4,242,030	1,983,918	-	(285,321)	-	1,698,597
Loss for the period	-	-	-	-	(231,002)	(231,002)
<b>Balance, June 30, 2011</b>	<b><u>36,395,478</u></b>	<b><u>\$ 7,723,307</u></b>	<b><u>\$ 422,562</u></b>	<b><u>\$ 932,416</u></b>	<b><u>\$ (2,095,961)</u></b>	<b><u>\$ 6,982,324</u></b>

See accompanying Notes to the Condensed Interim Financial Statements

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

Auriga Gold Corp. (the "Company") was a public company incorporated on July 19, 1994 pursuant to the laws of the Companies Act of Barbados. Since the Company's management and the principal office of the Company are located in Toronto, Ontario, a continuance (the "Continuance") of the Company from the laws of Barbados to the laws of the Province of Ontario was filed on April 21, 2010. As a result of the Continuance, the corporate legislation that governs the Company ceased to be the Barbados Act and the Company is now governed by the Business Corporations Act (Ontario). The registered office of the Company is located at Suite 1300, 8 King Street East, Toronto, Ontario, M5C 1B5.

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

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

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

In order to meet future expenditures and cover administrative costs, the Company will need to raise additional financing. The Company has had recurring losses and will require additional financing to fund its continuing exploration efforts. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms acceptable to the Company. These unaudited condensed interim financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business. In the event the Company is not able to obtain adequate funding, there is uncertainty as to whether the Company will be able to maintain its property interests. These unaudited condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Such adjustments could be material. Changes in future conditions could require material write downs of the carrying values of certain assets.

The financial statements were approved by the Board of Directors on August 29, 2012.

## **2. BASIS OF PREPARATION**

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

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

The accounting policies applied in these unaudited interim financial statements are based on IFRS issued and outstanding as at August 29, 2012, the date the Board of Directors approved these unaudited condensed interim financial statements for issue. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at the year ended March 31, 2012, except as noted below. Any subsequent changes to IFRS that are issued and effective as at March 31, 2013 could result in a restatement of these condensed interim financial statements.

### **3. ACCOUNTING POLICIES**

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

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after March 31, 2012 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.

#### *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, with earlier adoption permitted.

#### *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, with earlier adoption permitted.



### **3. SUMMARY OF SIGNIFICANT 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, with earlier adoption permitted.

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

IFRS 13 - Fair value measurement ("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, with earlier adoption permitted.

##### *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.

### **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.

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#### **4. MANAGING CAPITAL (Continued)**

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 June 30, 2012 totaled \$9,940,474 (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 three months ended June 30, 2012. The Company is not subject to any external capital requirements.

#### **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 to the financial statements as at March 31, 2012.

##### **Categories of Financial Instruments**

	<b>As at June 30, 2012</b>	<b>As at March 31, 2012</b>
<b>Financial Assets</b>		
<i>Fair Value Through Profit and Loss</i>		
Cash equivalents	\$ 30,000	\$ 30,000
<i>Loans and Receivables</i>		
Cash	4,837	563,012
Restricted cash equivalents	75,000	75,000
Amounts receivable	110,841	162,357
Due from related company	-	3,942
<b>Financial Liabilities</b>		
<i>Other Financial Liabilities</i>		
Accounts payable and accrued liabilities	\$ 2,966,662	\$ 1,889,621
Due to related company	35,619	-

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 three months ended June 30, 2012.

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

### **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 consists of a GIC which have 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.

### **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 June 30, 2012, the Company did not have sufficient cash and cash equivalents to settle current liabilities of \$3,002,281. Management believes that additional financing (see Note 18) will be available to discharge current liabilities.

### **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 June 30, 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 June 30, 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 ("GIC") 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 11).

**AURIGA GOLD CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
(UNAUDITED)  
(Expressed in Canadian Dollars)

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**7. EQUIPMENT**

**At Cost**

	<b>Vehicles</b>	<b>Equipment</b>	<b>Office Furniture</b>	<b>Mine Buildings</b>	<b>Total</b>
<b>Balance, April 1, 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
<b>Balance, June 30, 2012</b>	<b>\$ 49,082</b>	<b>\$ 378,104</b>	<b>\$ 1,155</b>	<b>\$ 329,996</b>	<b>\$ 758,337</b>

**Accumulated Amortization**

	<b>Vehicles</b>	<b>Equipment</b>	<b>Office Furniture</b>	<b>Mine Buildings</b>	<b>Total</b>
<b>Balance, April 1, 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 period	3,129	16,326	53	2,000	21,508
<b>Balance, June 30, 2012</b>	<b>\$ 10,491</b>	<b>\$ 56,159</b>	<b>\$ 168</b>	<b>\$ 4,021</b>	<b>\$ 70,839</b>

**Carrying Amount**

	<b>Vehicles</b>	<b>Equipment</b>	<b>Office Furniture</b>	<b>Mine Buildings</b>	<b>Total</b>
Balance, April 1, 2011	\$ -	\$ 15,421	\$ -	\$ -	\$ 15,421
Balance, March 31, 2012	\$ 41,720	\$ 335,172	\$ 1,040	\$ 173,820	\$ 551,752
<b>Balance, June 30, 2012</b>	<b>\$ 38,591</b>	<b>\$ 321,945</b>	<b>\$ 987</b>	<b>\$ 325,975</b>	<b>\$ 687,498</b>

During the three months ended June 30, 2012, the Company expensed \$21,508 in amortization to the statement of operations (three months ended June 30, 2011 - \$858).

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## 8. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

As at June 30, 2012

	March 31, 2012	Acquisition	Expenditures	Write downs Grants	June 30, 2012
<i>Exploration and and Evaluation Properties</i>					
Dunlop	\$ 214,241	\$ -	\$ -	\$ -	\$ 214,241
Fox River	1,280,428	-	43,442	-	1,323,870
Knife Lake	190,958	-	-	-	190,958
Nokomis	2,325,809	-	22,601	-	2,348,410
Puffy Lake	9,309,401	-	1,163,604	-	10,473,005
Staked Claims	97,151	-	-	-	97,151
Prosperity North (i)	345,267	-	27,663	(372,930)	-
	<b>\$ 13,763,255</b>	<b>\$ -</b>	<b>\$ 1,257,310</b>	<b>\$ (372,930)</b>	<b>\$ 14,647,635</b>

As at March 31, 2012

	April 1, 2011	Acquisition	Expenditures	Grants	March 31, 2012
<i>Exploration and 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 (i)	-	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>

On a quarterly basis, management of the Company review exploration expenditures to ensure exploration property interests include only expenditures and projects that are eligible for capitalization. During the three months ended June 30, 2012, the Company incurred \$1,257,310 (three months ended June 30, 2011 - \$254,323) of exploration expenditures.

### (i) Prosperity North Property

On January 31, 2012, the Company purchased a 100% undivided interest in a property consisting of 29 mining claims named the 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. Barrick will also retain a 2.5% NSR. These warrants were valued at \$339,000.

Subsequent to the three months ended June 30, 2012, the claims lapsed and the Company recorded a write-down during the three months ended June 30, 2012 of \$372,930 in the statement of operations.

Continued...

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

	<b>June 30, 2012</b>	<b>March 31, 2012</b>
Trade payables	\$ 2,243,604	\$ 1,274,372
Accrued and payroll liabilities	199,731	91,922
Flow-through shares liability	523,327	523,327
<b>Total</b>	<b>\$ 2,966,662</b>	<b>\$ 1,889,621</b>

## **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 director and an officer of the Company is also a director and officer of the related company.

## **11. 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 a 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 \$3,247,516 at June 30, 2012, based on a total future liability of approximately \$3,764,000, an inflation rate of 2.0% and a discount rate of 1.74%. Reclamation is expected to occur in 10 years.

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

<b>Balance, March 31, 2012</b>	<b>\$ 3,099,270</b>
Effect of changes in the discount rate	134,160
Accretion incurred in the current year	14,086
<b>Balance, June 30, 2012</b>	<b>\$ 3,247,516</b>

During the three months ended June 30, 2012, the Company expensed \$14,086 in accretion to the statement of operations (three months ended June 30, 2011 - \$18,893).

## 12. SHARE CAPITAL

### (a) Authorized:

Unlimited number of common shares with no par value.

### (b) Common Shares Issued:

	Number of Shares	Amount
Balance, March 31, 2012 and June 30, 2012	50,327,535	\$ 11,561,388

## 13. SHARE BASED PAYMENT RESERVE

### (a) Stock Options

The following table shows the continuity of stock options for the period ended June 30, 2012:

	Number of Stock Options	Weighted Average Exercise Price
Balance, March 31, 2012	2,082,500	\$ 0.31
Expired	(800,000)	0.31
Balance, June 30, 2012	1,282,500	\$ 0.31

The following are the stock options outstanding at June 30, 2012:

Number of Options Issued	Grant Date Fair Value	Number of Options Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
187,500	\$ 7,500	187,500	\$ 0.200	2.72	March 18, 2015
275,000	41,250	275,000	0.200	2.81	April 23, 2015
620,000	165,540	620,000	0.355	3.42	December 2, 2015
200,000	59,606	200,000	0.400	4.58	January 26, 2017
<b>1,282,500</b>	<b>\$ 273,896</b>	<b>1,282,500</b>	<b>\$ 0.310</b>	<b>3.37</b>	

During the three months ended June 30, 2012, 800,000 stock options were cancelled unexercised because the option holders ceased to be employees.

### 13. SHARE BASED PAYMENT RESERVE (Continued)

#### (b) Share Purchase Warrants

The following table shows the continuity of share purchase warrants for the period ended June 30, 2012:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, March 31, 2012 and June 30, 2012</b>	<b>20,872,033</b>	<b>\$ 0.48</b>

The following are the share purchase warrants outstanding at June 30, 2012:

Number of Warrants Issued	Grant Date Fair Value	Weighted Average Exercise Price	Weighted average Remaining Contractual Life (years)	Expiry Date
4,459,698	\$ 392,454	\$ 0.40	0.27	October 6, 2012
374,982	42,728	0.45	0.27	October 6, 2012
4,090,000	359,920	0.40	0.27	October 7, 2012
460,500	52,471	0.45	0.27	October 7, 2012
170,000	14,960	0.40	0.27	October 8, 2012
1,943,733	171,048	0.40	0.28	October 12, 2012
400,000	45,577	0.45	0.28	October 12, 2012
1,280,178	89,245	0.30	0.28	October 12, 2012
700,000	90,300	0.75	0.53	January 11, 2013
1,405,000	180,403	0.75	0.58	January 29, 2013
131,250	14,222	0.35	0.73	March 23, 2013
120,000	18,186	0.50	0.96	June 17, 2013
56,000	11,260	0.50	1.03	July 11, 2013
196,700	39,552	0.50	1.08	July 29, 2013
2,608,992	240,027	0.45	1.73	March 23, 2014
975,000	94,575	0.40	1.73	March 23, 2014
1,500,000	339,000	1.00	4.59	January 30, 2017
<b>20,872,033</b>	<b>\$ 2,195,928</b>	<b>\$ 0.48</b>	<b>0.88</b>	

### 14. GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended June 30,	
	2012	2011
Salaries and benefits	\$ 54,824	\$ 18,808
Office and general	50,346	41,076
Travel	31,980	17,351
Stock exchange and transfer agent fees	19,355	15,229
Business development	5,237	7,500
Bank charges	567	503
<b>General and administrative</b>	<b>\$ 162,309</b>	<b>\$ 100,467</b>

Continued...



## 15. 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.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

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

	<b>Three Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Sutcliffe Geological Consultants Inc. (i)	\$ 31,500	\$ 30,000
Irwin Lowy LLP (ii)	160	-

(i) The Chief Executive Officer ("CEO") of the Company controls Sutcliffe Geological Consultants Inc. Fees relate to CEO, project supervision and geological consulting services provided by Sutcliffe Geological Consultants Inc. As at June 30, 2012, the company was owed \$35,595 (March 31, 2012 - \$nil) and is included in accounts payable and accrued liabilities.

(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 June 30, 2012, the Company owed \$1,434 (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.

(iii) See Note 10.

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

	<b>Three Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Directors fees	\$ 17,000	\$ 25,000
Amounts paid to CEO and CFO for salaries, consulting and benefits	48,115	41,375

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.

## **16. 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.

## **17. COMMITMENT**

Pursuant to the terms of the flow-through share agreements described in Note 12(b)(xii), 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 June 30, 2012, the Company is committed to incurring approximately \$1,370,000 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.

## **18. SUBSEQUENT EVENTS**

- (a) On July 13, 2012, the Company announced a non-brokered private placement of up to 4,705,882 units of the Company (the "Units") at a price of \$0.17 per Unit, for gross proceeds of up to \$800,000 (the "Offering"). Each Unit will consist of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to acquire one common share of the Company at the exercise price of \$0.25 per share for a period of 24 months from the closing date of the Offering. The Company closed an initial tranche of the Offering for 2,352,942 Units. In connection with the closing, the Company incurred a cash commission of 7% plus agent issued warrants to purchase 235,294 common shares at a price of \$0.17 for a period of 18 months.
- (b) On July 30, 2012, the Company closed a second tranche of the Offering for 1,320,000 Units. In connection with the closing, the Company incurred a cash commission of 7% plus agent issued warrants to purchase 126,000 common shares at a price of \$0.17 for a period of 18 months.
- (c) On August 17, 2012, the Company granted 1,850,000 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.
- (d) On August 27, 2012, the Company completed a \$900,000 non-brokered private placement debentures financing with private individuals. The debenture yields 10% and is due on August 21, 2013. The holders of the debentures received 652,500 shares.