


Condensed Interim Consolidated Financial Statements

# True Gold Mining Inc.

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)
(Unaudited - Prepared by Management)

# TRUE GOLD MINING INC.

**Condensed interim consolidated statements of comprehensive loss**
**(Expressed in Canadian Dollars)**
**(Unaudited - Prepared by Management)**

| | Note | 3 months ended March 31, 2014 | March 31, 2013 |
|---|---|---|---|
| | | $ | $ |
| **Expenses** | | | |
| Exploration and evaluation expenditures | 7 | 1,773,100 | 3,119,976 |
| Office and general | | 1,011,120 | 398,611 |
| Salaries and benefits | | 696,880 | 660,335 |
| Stock-based compensation | 13 | 644,127 | 625,167 |
| Travel and accommodation | | 369,118 | 344,727 |
| Investor relations, promotion and advertising | | 125,064 | 118,622 |
| Professional fees | | 118,508 | 248,802 |
| Amortization | 9 | 11,365 | 25,355 |
| Interest and charges | | 1,779 | 3,051 |
| Loss from operations | | (4,751,061) | (5,544,646) |
| **Other items** | | | |
| Gain (loss) on foreign exchange | | 348,014 | (56,051) |
| Change in fair value of financial instruments | 10 | (672) | (34,061) |
| Interest and other income | | 101,163 | 62,311 |
| | | 448,505 | (27,801) |
| **Loss for the period** | | (4,302,556) | (5,572,447) |
| **Other comprehensive loss** | | | |
| Net fair value loss on financial assets | 10 | (32,771) | (302,710) |
| Other comprehensive loss for the period | | (32,771) | (302,710) |
| **Comprehensive loss for the period** | | (4,335,327) | (5,875,157) |
| **Loss per share** | | | |
| Basic and diluted | | $ (0.01) | $ (0.03) |
| **Weighted average number of shares outstanding** | | | |
| Basic and diluted | | 327,435,590 | 179,036,068 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements

# TRUE GOLD MINING INC.

**Condensed interim consolidated statements of financial position**
**(Expressed in Canadian Dollars)**
**(Unaudited - Prepared by Management)**

| | Note | As at March 31, 2014 | As at December 31, 2013 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| *Current assets* | | | |
| Cash | 5 | 45,505,487 | 2,953,041 |
| Short term investments | | 20,136,020 | 21,061,370 |
| Receivables | 6 | 85,552 | 73,217 |
| Prepaid expenses | | 215,079 | 264,118 |
| Total current assets | | 65,942,138 | 24,351,746 |
| *Non-current assets* | | | |
| Exploration and evaluation assets | 7 | 17,645,970 | 17,645,970 |
| Pre-development assets | 8 | 3,539,037 | - |
| Equipment | 9 | 165,482 | 176,847 |
| Long term deposit | 15 | 413,461 | 413,461 |
| Other financial assets | 10 | 136,561 | 170,004 |
| Total non-current assets | | 21,900,511 | 18,406,282 |
| **Total assets** | | 87,842,649 | 42,758,028 |
| **Liabilities and Shareholders' Equity** | | | |
| *Current liabilities* | | | |
| Trade payables and accrued liabilities | 11 | 2,932,883 | 3,162,074 |
| Total current liabilities | | 2,932,883 | 3,162,074 |
| *Shareholders' equity* | | | |
| Share capital | 12 | 152,552,576 | 105,266,846 |
| Commitment to issue shares | 7, 12 | - | 700,533 |
| Reserves | | 9,027,382 | 5,963,440 |
| Accumulated other comprehensive income (loss) | 10 | (421,294) | (388,523) |
| Accumulated deficit | | (76,248,898) | (71,946,342) |
| Total shareholders' equity | | 84,909,766 | 39,595,954 |
| **Total liabilities and shareholders' equity** | | 87,842,649 | 42,758,028 |
| Commitments | 14 | | |
| Related party transactions | 15 | | |
| Segmented information | 16 | | |
| Subsequent events | 17 | | |

These consolidated financial statements are approved by the Audit Committee and authorized for issue on May 29, 2014:

"*Nolan Watson*", Director "*Robin Merrifield*", Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements

# TRUE GOLD MINING INC.

**Condensed interim consolidated statements of cash flows**
**(Expressed in Canadian Dollars)**
**(Unaudited - Prepared by Management)**

| | 3 months ended | |
|---|---|---|
| | March 31, 2014 | March 31, 2013 |
| | $ | $ |
| **Cash flows from operating activities** | | |
| Loss for the period | (4,302,556) | (5,572,447) |
| Adjusted for: | | |
| Amortization | 11,365 | 25,355 |
| Stock-based compensation | 644,127 | 625,167 |
| Change in fair value of financial instruments | 672 | 34,061 |
| Movements in working capital: | | |
| Receivables | (12,335) | 73,010 |
| Prepaid expenses | 49,039 | (179,606) |
| Trade payables and accrued liabilities | (1,705,231) | (1,557,186) |
| Cash deposit to Oxygen Capital | - | (113,461) |
| Net cash used in operating activities | (5,314,919) | (6,665,107) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of common shares, gross | 52,080,782 | 313,466 |
| Common share issuance costs | (3,052,584) | - |
| Net cash generated by financing activities | 49,028,198 | 313,466 |
| **Cash flows from investing activities** | | |
| Proceeds on disposition of marketable securities, net of disposition costs | - | 4,075,000 |
| Exploration and evaluation asset costs | - | (100,000) |
| Pre-development asset costs | (2,086,183) | - |
| Purchase of short term investments | 925,350 | - |
| Net cash generated by (used in) investing activities | (1,160,833) | 3,975,000 |
| Change in cash | 42,552,446 | (2,376,641) |
| Cash at beginning of period | 2,953,041 | 14,983,138 |
| Cash at end of the period | 45,505,487 | 12,606,497 |

**Supplemental Information**

| | | |
|---|---|---|
| Shares issued for exploration and evaluation assets | 700,533 | 44,000 |
| Pre-development asset costs included in AP | (1,452,854) | - |
| Change in fair value of non-current investments | 32,771 | 302,710 |
| Fair value of options exercised | 127,162 | 205,892 |
| Fair value of warrants exercised | - | 179,010 |
| Interest received | 99,384 | - |
| Share issuance costs included in AP | (23,186) | - |

The accompanying notes are an integral part of these condensed interim consolidated financial statements

# TRUE GOLD MINING INC.

**Condensed interim consolidated statements of changes in shareholders' equity**
**(Expressed in Canadian Dollars)**
**(Unaudited - Prepared by Management)**

| | Note | Number of shares | Share capital | Commitment to issue shares | Reserves | Accumulated other comprehensive income (loss) | Accumulated deficit | Total |
|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ | $ |
| Balance as at January 1, 2013 | | 178,335,591 | 76,349,725 | - | 5,772,023 | (30,271) | (39,164,803) | 42,926,674 |
| Shares issued on exercise of warrants | | 532,932 | 133,066 | - | - | - | - | 133,066 |
| Fair value of warrants exercised | | - | 179,010 | - | (179,010) | - | - | - |
| Shares issued on exercise of options | | 880,000 | 180,400 | - | - | - | - | 180,400 |
| Fair value of options exercised | | - | 205,892 | - | (205,892) | - | - | - |
| Shares issued for property | | 100,000 | 44,000 | - | - | - | - | 44,000 |
| Stock-based compensation | | - | - | - | 625,167 | - | - | 625,167 |
| Unrealized loss on long-term investments | | - | - | - | - | (302,710) | - | (302,710) |
| Net loss for the period | | - | - | - | - | - | (5,572,447) | (5,572,447) |
| Balance as at March 31, 2013 | | 179,848,523 | 77,092,093 | - | 6,012,288 | (332,981) | (44,737,250) | 38,034,150 |
| Balance as at December 31, 2013 | | 265,142,334 | 105,266,846 | 700,533 | 5,963,440 | (388,523) | (71,946,342) | 39,595,954 |
| Shares and units issued as a result of financing | 12 | 129,879,395 | 49,363,680 | - | 2,546,977 | - | - | 51,910,657 |
| Share issue costs - cash | 12 | - | (3,075,770) | - | - | - | - | (3,075,770) |
| Shares issued for property | 12 | 1,773,500 | 700,533 | (700,533) | - | - | - | - |
| Shares issued on exercise of options | 12 | 775,000 | 170,125 | - | - | - | - | 170,125 |
| Fair value of options exercised | | - | 127,162 | - | (127,162) | - | - | - |
| Stock-based compensation | 13 | - | - | - | 644,127 | - | - | 644,127 |
| Unrealized loss on long-term investments | 10 | - | - | - | - | (32,771) | - | (32,771) |
| Net loss for the period | | - | - | - | - | - | (4,302,556) | (4,302,556) |
| Balance as at March 31, 2014 | | 397,570,229 | 152,552,576 | - | 9,027,382 | (421,294) | (76,248,898) | 84,909,766 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements

## 1. GENERAL INFORMATION

True Gold Mining Inc. ("True Gold" or the "Company") was incorporated in British Columbia in October 1987 and was transitioned under the Business Corporations Act (BC) in May 2004. In February 2013, articles of amendment were filed to change the name of the Company to True Gold Mining Inc. The Company's head office and principal address is Suite 1900, 1055 West Hastings Street, Vancouver, British Columbia, Canada V6E 2E9. The registered and records office is located at 10th floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

## 2. NATURE OF OPERATIONS

True Gold is an exploration stage business engaged in the acquisition and exploration of high quality mineral properties in Burkina Faso, West Africa.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company currently earns no operating revenues. Management believes that the Company has sufficient working capital to maintain its operations for the next year. In the longer term, the Company will have to raise additional funds to commence the construction of the Karma Project and maintain its operations. While the Company has been successful in raising funds in the past, there can be no assurance that it will be able to do so in the future. With the exception of the Company's Karma Project, the Company has not yet determined whether any of its other properties contain mineral reserves that are economically recoverable. The continued acquisition and exploration activities of the Company and the recoverability of the amounts capitalized for the mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and, if warranted the development of the properties and upon future profitable production.

## 3. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014 (the "Interim Financial Statements"), have been prepared in accordance with IAS 34, 'Interim financial reporting'. The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

## 4. ACCOUNTING POLICIES

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company's 2013 annual consolidated financial statements.

*Changes in accounting policies*
The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

*Impairment of Assets*
IAS 36, Impairment of assets ("IAS 36") seeks to ensure that an entity's assets are not carried at more than their recoverable amount. The IASB has made small changes to the disclosures required by IAS 36 when recoverable amount is determined based on fair value less costs of disposal. The IASB has amended IAS 36 as follows:

- to remove the requirement to disclose the recoverable amount when a cash generating unit ("CGU") contains goodwill or indefinite lived intangible assets but there has been no impairment;
- to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed; and
- to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

## 4. ACCOUNTING POLICIES (continued)

The Company has applied the required disclosures as appropriate.

*Accounting for levies imposed by governments*
IFRIC 21, Accounting for levies imposed by governments ("IFRIC 21") is an interpretation on the accounting for levies. IFRIC 21 will affect entities that are subject to levies that are not income taxes within the scope of IAS 12 Income Taxes. This interpretation has had no impact on the consolidated financial statements of the Company.

*Financial Instruments: Presentation*
The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities. The application of this IAS did not have any material impact on the amounts reports for the current or prior periods but may affect the presentation of future transactions or arrangements.

Several other amendments apply for the first time in 2014. However, they do not impact the consolidated financial statements of the Company.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended December 31, 2013.

## 5. CASH

The carrying amount of the Company's cash is denominated in the following currency:

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| Canadian dollars | $ 44,870,056 | $ 2,699,961 |
| West African CFA franc ("CFA") | 635,431 | 253,080 |
| | $ 45,505,487 | $ 2,953,041 |

## 6. RECEIVABLES

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| GST receivable | $ 85,384 | $ 67,897 |
| Other receivables | 168 | 5,320 |
| | $ 85,552 | $ 73,217 |

## 7. EXPLORATION AND EVALUATION ASSETS

(i) Details of the Company's acquisition expenditures are as follows:

| | | December 31, 2012 $ | Additions $ | Write-down $ | December 31, 2013 $ | Additions $ | March 31, 2014 $ |
|---|---|---|---|---|---|---|---|
| **Burkina Faso** | | | | | | | |
| Karma | | **20,934,838** | 1,233,518 | - | **22,168,356** | - | **22,168,356** |
| Liguidi Malguem | | **1,295,777** | 144,000 | - | **1,439,777** | - | **1,439,777** |
| Bissa East | | **79,537** | - | - | **79,537** | - | **79,537** |
| Royalty payment received | (Note 7 (iii)) | - | (6,041,700) | - | **(6,041,700)** | - | **(6,041,700)** |
| Total Burkina Faso | | **22,310,152** | **(4,664,182)** | - | **17,645,970** | - | **17,645,970** |
| **British Columbia** | (Note 7 (viii)) | **2,453,289** | (7,500) | (2,445,789) | - | - | - |
| **Total** | | **24,763,441** | **(4,671,682)** | **(2,445,789)** | **17,645,970** | - | **17,645,970** |

(ii) Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the condensed interim consolidated statements of comprehensive loss are as follows:

| | December 31, 2012 $ | Drilling costs $ | Other costs $ | March 31, 2013 $ | December 31, 2013 $ | Drilling costs $ | Other costs $ | March 31, 2014 $ |
|---|---|---|---|---|---|---|---|---|
| **Burkina Faso** | | | | | | | | |
| Karma | **37,335,849** | 1,150,393 | 1,776,816 | **40,263,058** | **56,822,379** | 156,647 | 1,586,977 | **58,566,003** |
| Liguidi Malguem | **1,831,560** | - | 168,466 | **2,000,026** | **2,590,968** | - | 3,370 | **2,594,338** |
| Bissa East | **2,735,518** | - | - | **2,735,518** | **2,739,639** | - | 9,396 | **2,749,035** |
| Bissa West | **182,084** | - | - | **182,084** | **215,399** | - | 16,710 | **232,109** |
| Total Burkina Faso | **42,085,011** | **1,150,393** | **1,945,282** | **45,180,686** | **62,368,385** | **156,647** | **1,616,453** | **64,141,485** |
| **Other** | **398,641** | - | 24,301 | **422,942** | **429,533** | - | - | **429,533** |
| **Total** | **42,483,652** | **1,150,393** | **1,969,583** | **45,603,628** | **62,797,918** | **156,647** | **1,616,453** | **64,571,018** |

## 7. EXPLORATION AND EVALUATION ASSETS (continued)

(iii) Karma Project, Burkina Faso:

The Karma Project is located in the north-central part of Burkina Faso east of Ouahigouya. It comprises six contiguous permits, Goulagou, Kao, Rambo, Rounga, Youba, and Tougou. True Gold owns a 100% interest in each of these permits. The Government of Burkina Faso retains a statutory 10% (free-carried) interest in any Burkina Faso mining company formed for the purpose of gold production.

a) Goulagou, Rounga, Youba and Tougou Permits

These permits are subject to an NSR royalty of between 0% and 2% depending on the quantity of gold produced. In February 2012, True Gold completed the final payments required under the Option to Purchase agreement by paying US$6,600,000 and by issuing 21,676,301 True Gold common shares at a price of $0.5694 per share in satisfaction of the remaining US$12,342,486. Total acquisition costs made under the Option to Purchase agreement amounted to $20,529,460.

In December 2013, the Company exercised its option to acquire the remaining 10% interest in the Goulagou and Rounga permits. The Company now holds a 100% interest in these permits. Pursuant to the original terms, the option was exercisable for consideration of US$1,000,000 and a 5% net profits interest but not until the commencement of commercial production. The Company negotiated the early exercise of its option to purchase the 10% interest for consideration consisting of US$500,000, the issue of 1,773,500 common shares of True Gold, and a 5% net profits interest on the Goulagou and Rounga permits. The 1,773,500 common shares were issued for $700,533 reflecting the fair value of the Company's shares on January 30, 2014, the date the shares were issued.

b) Rambo Permit

During fiscal 2008, the Company acquired a 100% interest in the Rambo property located in Burkina Faso, West Africa. The property is subject to a 3% net smelter return royalty ("NSR") 2% of which may be purchased by the Company for US$1,500,000.

c) LMM Royalty

In August 2013, the Company entered into an agreement with Liberty Metals & Mining Holdings, LLC ("LMM"), pursuant to which LMM purchased a 2% net smelter return royalty on the Company's interest in the Karma Gold Project (the "LMM Royalty") for $6,041,700, which was recorded as a recovery to acquisition costs. The LMM Royalty is subject to certain repurchase options retained by True Gold.

(iv) Liguidi Permit, Burkina Faso:

In fiscal 2007, the Company acquired an 80% interest in the Liguidi mineral permit (the "Liguidi Permit") in central Burkina Faso under the terms of an option agreement from a Burkinabe company (Orex Resources Sarl ("Orex")). A joint venture company was formed to hold each company's respective interests in the permit.

In October 2008, Orex began legal proceedings to withdraw from the joint venture and to block the Company's efforts to have the Liguidi Permit transferred to the new joint venture company. The Company suspended all work on the property at that time. The legal challenge proceeded through several Burkina courts, with the Company winning a number of judgments. Burkina Faso court heard the dispute in January 2009 and a decision was rendered in favour of the Company. Orex filed an appeal of the decision and in June 2009, the appeal court reversed the January 2009 decision.

In December of 2011, an agreement was reached with Orex to resolve the legal dispute, and to resume exploration on the property. As per the terms of the agreement, the Company paid 22,000,000 CFA and issued 100,000 shares (issued at a fair value of $64,000) for a 100% interest in the exploration permit. As part of the agreement, Orex was to retain a 14% non-participating interest in any exploitation permit that is granted on the permit area.

## 7. EXPLORATION AND EVALUATION ASSETS (continued)

In September 2012, the Company reached an agreement with Orex to acquire their 14% non-participating interest in any exploitation permit that is granted. As consideration, the Company paid Orex $400,000 and issued them 100,000 common shares valued at $58,000. Also, in September 2012, the Company announced that it had received the final transfer documentation from the Burkina Faso Ministry of Mines evidencing the transfer of the Liguidi Malguem exploration permit to True Gold. In February of 2013, the Company received a 3-year extension of the Liguidi Permit and paid $100,000 and issued 100,000 common shares to Orex (issued at a fair value of $44,000). Upon the date of first commercial production True Gold will pay to Orex $500,000, and issue to Orex an additional 100,000 common shares.

(v) Bissa East Permits, Burkina Faso:

The Company holds two permits (Tangapella and Biliga) in north-central Burkina Faso.

(vi) Bissa West Permits, Burkina Faso:

The Company holds two permits (Pella and Bissiga) in central Burkina Faso.

(vii) Other Permits, Burkina Faso:

The Company acquired government exploration permits granting the Company a 100% interest in the Solna, Yantara, Teyango, Yaramoko and Bouboulou properties located in Burkina Faso.

During fiscal 2010, the Company entered into an option agreement granting Roxgold Inc. ("Roxgold") the right to earn a 60% interest in each of the Solna, Yantara, Teyango, Yaramoko and Bouboulou permits (the "Roxgold Option Agreement"). To earn its interest, Roxgold was required to issue 1,080,000 shares (received 980,000), make cash payments of $300,000 (received $240,000) and incur $4,500,000 in exploration expenditures on this group of claims over a period of three years.

Roxgold was deemed to have satisfied all of the conditions of the Roxgold Option Agreement, and in October 2011, the Company sold its remaining interest in the Solna, Yantara, Teyango, Yaramoko and Bouboulou permits to Roxgold. As consideration, True Gold received $17,000,000 in cash and 16,000,000 Roxgold common shares valued at $18,720,000. The Company paid transaction costs of $652,400. Pursuant to the sale, the Company recorded a recovery of $3,909,252 in option payments and cost recoveries related to these properties in the 14 month period ending December 31, 2012.

(viii) Ball Creek Property, British Columbia:

Pursuant to the Blue Gold Mining Inc. acquisition (the "Blue Gold Acquisition"), the Company acquired the Ball Creek option agreement that Blue Gold entered into with Paget Minerals Corporation ("Paget"); whereby, the Company has the exclusive right and option to acquire up to a 65% interest in certain claims within Paget's Ball Creek project. Effective December 4, 2013, the Company terminated the Ball Creek Option Agreement. In consideration for the Company terminating the Ball Creek Option Agreement, Paget issued 500,000 common shares of Paget to the Company valued at $0.015 per Paget share. The carrying value of the Ball Creek property was subsequently written down to $Nil.

## 8. PRE DEVELOPMENT ASSETS

Costs related to pre-development work, such as early earthworks and on-site infrastructure, are capitalized in pre-development assets. The Company's pre-development assets all pertain to the Karma Project. The following is a continuity of the Company's pre-development assets for the three month period ended March 31, 2014:

## 8. PRE DEVELOPMENT ASSETS (continued)

| Cost: | Pre-development in process $ | **Total $** |
|---|---|---|
| Balance as at December 31, 2012 | - | **-** |
| Balance as at December 31, 2013 | - | **-** |
| Additions | 3,539,037 | **3,539,037** |
| Balance as at March 31, 2014 | 3,539,037 | **3,539,037** |
| Amortization: | | |
| Balance as at December 31, 2012 | - | **-** |
| Amortization | - | **-** |
| Balance as at December 31, 2013 | - | **-** |
| Amortization | - | **-** |
| Balance as at March 31, 2014 | - | **-** |
| Net Book Value: | | |
| As at December 31, 2013 | - | **-** |
| As at March 31, 2014 | 3,539,037 | **3,539,037** |

## 9. EQUIPMENT

| Cost: | Computer equipment $ | Computer software $ | Furniture, fixtures and equipment $ | Leasehold improvements $ | **Total $** |
|---|---|---|---|---|---|
| Balance as at December 31, 2012 | 78,752 | 136,004 | 121,192 | 227,351 | **563,299** |
| Additions | - | - | - | (227,351) | **(227,351)** |
| Balance as at December 31, 2013 | 78,752 | 136,004 | 121,192 | - | **335,948** |
| Balance as at March 31, 2014 | 78,752 | 136,004 | 121,192 | - | **335,948** |
| Amortization: | | | | | |
| Balance as at December 31, 2012 | 57,985 | 15,112 | 30,886 | 30,313 | **134,296** |
| Amortization | 9,206 | 22,667 | 23,245 | 11,367 | **66,485** |
| Write-downs | - | - | - | (41,680) | **(41,680)** |
| Balance as at December 31, 2013 | 67,191 | 37,779 | 54,131 | - | **159,101** |
| Amortization | 1,277 | 5,665 | 4,423 | - | **11,365** |
| Balance as at March 31, 2014 | 68,468 | 43,444 | 58,554 | - | **170,466** |
| Net Book Value: | | | | | |
| As at December 31, 2013 | 11,561 | 98,225 | 67,061 | - | **176,847** |
| As at March 31, 2014 | 10,284 | 92,560 | 62,638 | - | **165,482** |

## 10. OTHER FINANCIAL ASSETS

From time to time, the Company may make strategic investments in other private or publicly traded entities. These investments are treated as long-term investments, unless the investment matures within twelve months, or management expects to dispose of them within twelve months, in which case management classifies them as marketable securities, and may take the form of common shares and share purchase warrants.

For accounting purposes, True Gold has determined that any share purchase warrants held are derivative financial instruments and any change in fair value is included in income (loss) for the period. The fair value of share purchase

## 10. OTHER FINANCIAL ASSETS (continued)

warrants is measured using the Black-Scholes option-pricing model that uses inputs that are primarily based on market indicators. Any common shares (equities) held are designated as available-for-sale and any change in fair value is included in other comprehensive income (loss), until such time as the common shares are sold or otherwise disposed of at which time any gains or losses will be included in income (loss) for the period.

Inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement are summarized in the three level hierarchies below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable data.

The following table illustrates the classification of True Gold's financial instruments with the fair value hierarchy as at March 31, 2014:

| | | Financial assets at fair value as at March 31, 2014 | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Cash and short term investments | | $65,641,507 | $ - | $ - | $65,641,507 |
| Equities - long term | (a) | 131,084 | - | - | 131,084 |
| Share purchase warrants | (a) | - | 5,477 | - | 5,477 |
| | | $65,772,591 | $ 5,477 | $ - | $65,778,068 |

| | | Financial assets at fair value as at December 31, 2013 | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Cash and short term investments | | $24,014,411 | $ - | $ - | $24,014,411 |
| Equities - long term | (a) | 163,855 | - | - | 163,855 |
| Share purchase warrants | (a) | - | 6,149 | - | 6,149 |
| | | $24,178,266 | $ 6,149 | $ - | $24,184,415 |

a) Pursuant to the Blue Gold Acquisition, the Company acquired 6,054,212 units of Paget. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant shall be exercisable into one common share of Paget at an exercise price of $0.30 expiring August 8, 2014. Blue Gold shall maintain a pre-emptive right to maintain its equity ownership position in Paget for a period of three years from the date of closing of the private placement.

In consideration for the Company terminating the Ball Creek Option Agreement, Paget issued 500,000 common shares of Paget to the Company valued at $0.015 per Paget share (Note 7 (viii)).

The change in fair value of financial instruments of $672 (March 31, 2013: $34,061) included in the loss for the period is comprised entirely of the net value loss on financial assets relating to the revaluation of warrants True Gold holds in Paget.

The balance of other comprehensive loss of $32,771 (March 31, 2013: $302,710) included in the comprehensive loss for the period is comprised entirely of the net value loss on financial assets relating to the revaluation of common shares True Gold holds in Paget.

## 11. TRADE PAYABLES AND ACCRUED LIABILITIES

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| Trade payables | $ 992,390 | $ 571,915 |
| Accrued liabilities | 1,940,493 | 2,590,159 |
| | $ 2,932,883 | $ 3,162,074 |

Trade payables and accrued liabilities are non-interest bearing and are normally settled on 30-day terms.

## 12. SHARE CAPITAL

*Authorized*

Unlimited number of common shares and preferred shares with no par value. No preferred shares are issued and outstanding.

*Share Issuances*

In December 2013, the Company exercised its option to acquire the remaining 10% interest in the Goulagou and Rounga permits. As part of the option exercise the Company committed to issue 1,773,500 common shares of True Gold (Note 7 (iii)). The 1,773,500 common shares were issued subsequent to December 31, 2013 and as such were recorded in shareholder's equity, as at that date, as a commitment to issue shares for $700,533, reflecting the fair value of the Company's shares on January 30, 2014, the date the shares were issued. During the three month period ended March 31, 2014, these shares were issued and reallocated from commitment to issue shares to share capital.

During the three month period ended March 31, 2014, 775,000 options were exercised for total proceeds of $170,125, resulting in the issuance of 775,000 True Gold common shares.

On February 18, 2014, the Company completed a $51,910,657 bought deal financing and private placement. Pursuant to the bought deal offering, 105,110,000 units (the "Units") of True Gold were issued at a price of $0.40 per Unit, for aggregate gross proceeds to the Company of $42,044,000. True Gold also closed its private placement to LMM for aggregate gross proceeds to the Company of $9,866,657 which consisted of 24,358,400 Units at a price of $0.40 per Unit and 410,995 common shares of the Company at a price of $0.30 per share. The Company incurred costs of $3,075,770 in relation to the bought deal financing and private placement which were allocated to share capital.

Each Unit consists of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant will entitle the holder to purchase one common share of the Company at a price of $0.47 until August 18, 2014. The warrants had an estimated grant date fair value of $2,546,977 which was allocated to reserves. The fair value was determined using the Black-Scholes option pricing model with the following assumptions: expected life of six months; a volatility of 55%; a risk free interest rate of 1.02%; and a dividend yield of nil%.

*Escrow Shares*

Pursuant to the Blue Gold Acquisition, 937,170 of the common shares issued to certain directors and employees of Blue Gold are subject to an escrow agreement in accordance with the TSX Venture Exchange Corporate Finance Manual Policy 2.4 – *Capital Pool Companies*. The shares will be released from escrow as follows: 10% upon the issuance of notice of final acceptance of a qualifying transaction by the Exchange, and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. At March 31, 2014, 312,390 of these shares remained held in escrow. Subsequent to March, 31, 2014, on April 21, 2014, the remaining 312,390 common shares held in escrow were released.

*Share Purchase Warrants*

Details of issued and outstanding warrants are as follows:

## 12. SHARE CAPITAL (continued)

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance as at December 31, 2012 | 11,677,798 | $ 1.62 |
| Expired | (1,813,465) | 0.25 |
| Exercised | (9,864,333) | 1.88 |
| Balance as at December 31, 2013 | - | - |
| Issued | 64,734,200 | 0.47 |
| Balance as at March 31, 2014 | 64,734,200 | $ 0.47 |

Details of the warrants outstanding and exercisable at March 31, 2014 are as follows:

| Number of Warrants | Exercise Price | Expiry Date | Number of Warrants Exercisable |
|---|---|---|---|
| 64,734,200 | $0.47 | August 18, 2014 | 64,734,200 |

The weighted average remaining contractual term of the outstanding warrants is 0.38 years.

*Stock Options*

The Company has a fixed number stock option plan (the "Plan") reserving a total of 26,033,567 shares (the "2012 Plan Maximum") which represented approximately 20% of the issued and outstanding common shares of the Company ("Common Shares") as at May 3, 2012, for issuance or exercise of stock options granted under the Plan. The board of directors is authorized to set the exercise price, expiry date, and vesting provisions for each grant under the Plan, subject to the policies of the TSX Venture Exchange. All options granted under the current Plan have a maximum five year term, are generally exercisable at the last closing market price of the Common Shares prior to the date of grant. All stock options granted under the current Plan are subject to mandatory vesting: with 25% of the number of options granted vesting quarterly, resulting in options being fully vested 12 months after the grant date.

Details of issued and outstanding stock options are as follows:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Balance as at December 31, 2012 | 18,696,904 | $ 0.61 |
| Granted | 800,000 | 0.46 |
| Exercised | (1,835,000) | 0.22 |
| Expired | (687,099) | 0.70 |
| Cancelled | (237,000) | 0.32 |
| Balance as at December 31, 2013 | 16,737,805 | 0.65 |
| Granted | 6,130,000 | 0.40 |
| Exercised | (775,000) | 0.22 |
| Expired | (1,998,810) | 0.83 |
| Balance as at March 31, 2014 | 20,093,995 | $ 0.58 |

At March 31, 2014, the following options were outstanding:

## 12. SHARE CAPITAL (continued)

| Number of Options Outstanding | Weighted Average Remaining Contractual Life | Exercise Price | Number of Options Exercisable | Weighted Average Exercise Price of Options Exercisable |
|---|---|---|---|---|
| 6,130,000 | 4.78 | $ 0.40 | 2,900,000 | $ 0.40 |
| 100,000 | 4.09 | 0.28 | 75,000 | 0.28 |
| 400,000 | 3.89 | 0.62 | 400,000 | 0.62 |
| 250,000 | 3.72 | 0.62 | 250,000 | 0.62 |
| 3,395,000 | 3.72 | 0.62 | 3,395,000 | 0.62 |
| 100,000 | 3.40 | 0.43 | 100,000 | 0.43 |
| 1,050,000 | 3.11 | 0.37 | 1,050,000 | 0.37 |
| 125,000 | 2.88 | 0.72 | 125,000 | 0.72 |
| 750,000 | 2.82 | 0.67 | 750,000 | 0.67 |
| 500,000 | 2.55 | 0.64 | 500,000 | 0.64 |
| 1,250,000 | 2.52 | 0.47 | 1,250,000 | 0.47 |
| 1,380,000 | 2.64 | 0.64 | 1,380,000 | 0.64 |
| 2,398,995 | 2.44 | 1.19 | 2,398,995 | 1.19 |
| 200,000 | 1.52 | 0.80 | 200,000 | 0.80 |
| 505,000 | 1.43 | 0.69 | 505,000 | 0.69 |
| 300,000 | 2.42 | 0.48 | 300,000 | 0.48 |
| 1,260,000 | 0.44 | 0.25 | 1,260,000 | 0.25 |
| 20,093,995 | 3.34 | $ 0.58 | 16,838,995 | $ 0.61 |

## 13. EQUITY SETTLED SHARE-BASED PAYMENT RESERVE

*Stock Options*

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

The weighted average fair value of the options granted during the 3 month period ended March 31, 2014 was $0.19 (2013 - $0.29) per option. The fair value of each option granted was determined using the Black-Scholes option pricing model and used the following weighted average assumptions:

| | March 31, 2014 | March 31, 2013 |
|---|---|---|
| Risk free interest rate | 1.73% | 1.08% |
| Expected Life | 3 years | 3 years |
| Expected Volatility | 72% | 69% |
| Expected dividend yield | 0% | 0% |
| Forfeiture rate | 0% | 0% |

For the 3 month period ended March 31, 2014, the Company charged a total of $644,128 (March 31, 2013 – $625,167) of stock-based compensation expense to the statement of comprehensive loss.

*Warrants*

The warrant reserve records the fair value of warrants issued in conjunction with a financing until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

## 14. COMMITMENTS

The Company is party to operating leases for office premises in Canada, this includes an operating lease for shared office premises the Company occupies with Oxygen (Note 15). The Company is committed to paying its attributable percentage of costs pursuant to the Oxygen Agreement (Note 15). Upon termination of the Oxygen Agreement, the Company is required to indemnify Oxygen for costs associated with those agreements or obligations which had been executed or incurred by Oxygen in connection with or related to the services provided to the Company by Oxygen, these amounts are included in the table below. The percentage allocated to the Company by Oxygen for the operating lease, is subject to change. The lease terms are between five and ten years; each lease is renewable at the end of the lease period at market rate.

Total future minimum lease payments, under non-cancellable operating leases as at March 31, 2014 are as follows:

| Year | | Net Amount |
|---|---|---|
| 2014 | $ | 360,374 |
| 2015 | | 385,451 |
| 2016 | | 407,001 |
| 2017 | | 311,832 |
| 2018+ | | 1,643,778 |
| | $ | 3,108,436 |

During the three month period ended March 31, 2014, the Company entered into an agreement whereby it subleased certain of its office premises in Canada for the remaining term of the Company's lease commencing May 1, 2014. Future payments to be received pursuant to the sublease agreement have been netted against future minimum lease payments.

## 15. RELATED PARTY TRANSACTIONS

Details of transactions between the Company and its related parties are disclosed below.

*Compensation of key management personnel*

Key management includes members of the Board and executive officers of the Company. The aggregate compensation paid, or payable to key management for employee services is shown below:

| | 3 months ended | | | |
|---|---|---|---|---|
| | March 31, 2014 | | March 31, 2013 | |
| Salaries and other short-term employee benefits | $ | 724,700 | $ | 615,871 |
| Stock-based compensation | | 476,245 | | 374,072 |
| Total | $ | 1,200,945 | $ | 989,943 |

Trade payables and accrued liabilities include vacation and director fees payable to certain officers and directors in the amount of $169,829 (December 31, 2013 - $1,230,391).

*Oxygen Capital Corp.*

The Company is party to a management services agreement (the "Oxygen Agreement") with Oxygen Capital Corp. ("Oxygen"), a privately held management services company owned by certain directors of True Gold. Oxygen provides services to the Company at cost including staffing, office rental and other administrative functions. The Oxygen Agreement calls for True Gold to reimburse Oxygen for its share of office costs and salaries and wages of Oxygen employees for time spent by Oxygen personnel on projects and activities of True Gold. As part of the Oxygen Agreement, the Company provided a security deposit amounting to $413,461 (December 31, 2013 - $413,461), equal to an estimated three months of services. The security deposit will be applied to the last invoice under the Oxygen

## 15. RELATED PARTY TRANSACTIONS (continued)

Agreement, with any remaining amount being refunded to True Gold. The Company incurred expenses with Oxygen as follows:

| | | 3 months ended | |
|---|---|---|---|
| | Note | March 31, 2014 | March 31, 2013 |
| Management services | (i) | $ 520,230 | $ 455,790 |

(i) The total amount included in salaries and benefits is $158,856 (March 31, 2013 - $241,222), exploration costs is $219,952 (March 31, 2013 - $74,526), rent is $80,732 (March 31, 2013 - $26,441) and other miscellaneous is $60,690 (March 31, 2013 - $113,600).

Amounts due to Oxygen as at March 31, 2014 are $274,672 (December 31, 2013 - $177,318).

## 16. SEGMENTED INFORMATION

The Company's operations are in one segment, the mineral exploration industry. At March 31, 2014 and at December 31, 2013, True Gold has two geographic locations: Canada and Burkina Faso. The total non-current assets attributable to the geographic locations relate primarily to the Company' exploration properties and deferred exploration expenditures and have been disclosed in Note 7.

Non-current assets are distributed by geographic segment per the table below:

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| Canada | $ 1,138,944 | $ 759,185 |
| Burkina Faso | 20,761,567 | 17,647,097 |
| Total | $ 21,900,511 | $ 18,406,282 |

The Company is in the exploration stage and accordingly, has no reportable segment revenues.

## 17. SUBSEQUENT EVENT

a. On April 16, 2014, the Company granted 200,000 stock options to an officer to purchase common shares at an exercise price of $0.38 per option, expiring April 16, 2019.