

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and six months ended August 31, 2014

Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

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Redhill Resources Corp.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

	August 31, 2014	February 28, 2014
	$	$
ASSETS		
Current		
Cash	2,677,490	2,260,317
Receivables (Note 3)	49,285	11,828
Loan receivable (Note 4)	913,640	-
Prepaids	24,578	76,148
	3,664,993	2,348,293
Equipment (Note 5)	43,335	53,869
Exploration and evaluation assets (Note 6)	-	1,573,752
Oil and gas interests (Note 7)	-	1,962,752
Reclamation bonds (Note 8)	35,180	20,015
Financial assets (Note 9)	2,873,946	4,742,778
	6,617,454	**10,701,459**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 11)	34,751	63,144
Shareholders' equity		
Share capital (Note 12)	53,357,210	53,083,877
Reserves (Note 12)	1,572,518	2,622,039
Deficit	(48,347,025)	(45,067,601)
	6,582,703	10,638,315
	6,617,454	**10,701,459**

Nature and continuance of operations (Note 1), **Commitments** (Note 14), **Subsequent Events** (Note 19)

Approved and authorized by the Board on October 29, 2014.

Approved on behalf of the Board of Directors:

"Graham Harris" Director

"Andrew W. Bowering" Director

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

Redhill Resources Corp.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2014	2013	2014	2013
	$	$	$	$
EXPENSES				
Bad debts	2,905	-	2,905	-
Depreciation	5,625	5,828	10,534	11,655
Foreign exchange (gain) loss	1,177	54,527	(158)	171,764
Investor relations	2,934	5,162	5,824	10,327
Management, consulting, and directors fees (Note 13)	227,941	144,172	403,012	288,631
Office and rent (Note 13)	26,312	31,905	48,826	61,001
Professional fees	17,434	22,488	31,146	47,588
Property investigation and due diligence	66,279	-	66,279	-
Regulatory and shareholder services	7,055	9,051	15,294	11,445
Salaries and wages	2,430	16,233	13,184	23,584
Share-based compensation (Note 12 and 13)	453,419	-	453,419	-
Travel and related	11,444	9,393	31,608	28,137
Loss before other items	(824,955)	(298,759)	(1,081,873)	(654,132)
FINANCE AND OTHER ITEMS				
Equity loss on investment in associate (Note 10)	-	(2,400)	-	(17,946)
Gain on sale of investment in associate (Note 10)	-	692,946	-	692,946
Gain on sale of oil and gas interests	1,975	-	199,653	-
Loss on warrants held (Note 9)	(271,615)	-	(458,832)	-
Gain (loss) on debentures held (Note 4)	(103,786)	-	22,002	-
Interest income	28,673	12,862	49,660	28,929
Write-down of exploration and evaluation assets (Note 6)	(2,102,974)	(1,227,706)	(2,102,974)	(1,227,706)
	(2,447,727)	(524,298)	(2,290,491)	(523,777)
Net loss before income tax	(3,272,682)	(823,057)	(3,372,364)	(1,177,909)
Deferred income tax (recovery) (Note 9)	113,100	(17,126)	183,300	(17,126)
Net loss for the period	(3,385,782)	(805,931)	(3,555,664)	(1,160,783)
OTHER COMPREHENSIVE INCOME (LOSS)				
Net change in fair value of financial assets, net of tax	(756,900)	(360,646)	(1,226,700)	(2,445,846)
Total comprehensive loss for the period	**(4,142,682)**	**(1,166,577)**	**(4,782,364)**	**(3,606,629)**
Basic and diluted loss per common share				
Net loss for the year	$ (0.18)	$ (0.06)	$ (0.19)	$ (0.09)
Total comprehensive loss for the year	$ (0.22)	$ (0.09)	$ (0.26)	$ (0.27)
Weighted average number of common shares outstanding	18,692,178	13,260,656	18,499,786	13,251,526

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

Redhill Resources Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	Six Months Ended August 31,	
	2014	2013
	$	$
Cash flows used in operating activities		
Loss from continuing operations	(3,555,664)	(1,160,783)
Items not affecting cash:		
Deferred income tax (recovery)	183,300	(17,126)
Depreciation	10,534	11,655
Share-based compensation	453,419	-
Write-down of exploration and evaluation assets	2,102,974	1,227,707
Loss on warrants held	458,832	-
Gain on debentures held	(22,002)	-
Unrealized exchange loss	-	160,760
Gain on sale of investment in associate	-	(692,946)
Gain on sale of oil and gas interest	(199,653)	-
Equity loss on investment in associate	-	17,946
Changes in non-cash working capital items:		
Receivables	(37,457)	(4,502)
Prepaids	51,570	7,816
Accounts payable and accrued liabilities	(32,068)	(51,289)
	(586,215)	(500,762)
Cash flows used in investing activities		
Reclamation bonds	(15,165)	(121)
Loan receivable	(891,638)	-
Exploration and evaluation asset expenditures	(525,547)	(1,345,288)
Proceeds from disposal of oil and gas interest	2,162,405	-
	730,055	(1,345,409)
Cash flows from financing activities		
Proceeds from exercise of warrants	273,333	-
Change in cash during the period	417,173	(1,846,171)
Cash, beginning of period	2,260,317	5,736,199
Cash, end of period	**2,677,490**	**3,890,028**

Supplemental disclosure with respect to cash-flows (Note 18)

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

Redhill Resources Corp.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars - Unaudited)

	Number of Shares Issued	Share Capital	Reserves			Deficit	Total Shareholders' Equity
			Stock Options	Unrealized Gains (Losses)	Total		
		$	$	$	$	$	$
Balance at February 29, 2013	**13,242,395**	**52,467,627**	**1,146,028**	**281,728**	**1,427,756**	**(42,319,647)**	**11,575,736**
Shares issued pursuant to acquisition of exploration and evaluation assets	35,000	14,000	-	-	-	-	14,000
Forfeited share options	-	-	(114,190)	-	(114,190)	114,190	-
Comprehensive loss for the period	-	-	-	(2,445,846)	(2,445,846)	(1,160,783)	(3,606,629)
Balance at August 31, 2013	13,277,395	52,481,627	1,031,838	(2,164,118)	(1,132,280)	(43,366,240)	7,983,107
Private placement	5,000,000	600,000	-	-	-	-	600,000
Share issuance costs	-	(3,750)	-	-	-	-	(3,750)
Shares issued pursuant to acquisition of exploration and evaluation assets	30,000	6,000	-	-	-	-	6,000
Share-based compensation	-	-	64,791	-	64,791	-	64,791
Forfeited share options	-	-	(262,440)	-	(262,440)	262,440	-
Comprehensive loss for the period	-	-	-	3,951,968	3,951,968	(1,963,801)	1,988,167
Balance at February 28, 2014	18,307,395	53,083,877	834,189	1,787,850	2,622,039	(45,067,601)	10,638,315
Warrants exercised	1,708,334	273,333	-	-	-	-	273,333
Share-based compensation	-	-	453,419	-	453,419	-	453,419
Forfeited share options	-	-	(276,240)	-	(276,240)	276,240	-
Comprehensive loss for the period	-	-	-	(1,226,700)	(1,226,700)	(3,555,664)	(4,782,364)
Balance at August 31, 2014	**20,015,729**	**53,357,210**	**1,011,368**	**561,150**	**1,572,518**	**(48,347,025)**	**6,582,703**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Redhill Resources Corp. (the "Company") was incorporated on March 7, 2005 under the laws of the Province of British Columbia. The Company's principal business is to acquire, explore and develop resource interests.

The head office and principal address of the Company is Suite 2000, 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2K3. The registered and records office is located at Suite 650-1188 West Georgia Street, Vancouver, BC, V6E 4A2.

During the period, the Company initiated the procedures for dissolving its wholly owned subsidiary, ATW Gold Corp. Australia Pty Ltd. The dissolution should be completed in November 2014.

The Company's oil and gas and mineral properties are at the exploration stage and are without a known body of commercial ore or hydrocarbon reserves. The business of exploring for oil, gas and minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing reservoirs or mines. Major expenses may be required to establish oil and gas or ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct oil and gas production or mining and processing facilities. The amounts shown as exploration and evaluation assets represent acquisition, holding and exploration and evaluation costs and do not necessarily represent present or future recoverable values. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the Company obtaining the necessary financing to complete the exploration and development of the properties, the discovery of economically recoverable reserves and future profitable operations.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company and its subsidiary will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at August 31, 2014, the Company had written off the value of its mineral properties and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful acquisition of resource properties and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with current working capital, proceeds from exercise of options and warrants, the maturation of the High North Resources Ltd. ("High North") debenture in April 2015, the potential sale of High North common shares and further private placements.

These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Condensed Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended February 28, 2014.

The condensed interim consolidated financial statements of the Company for the three and six months ended August 31, 2014 were approved and authorized for issue by the Board of Directors on October 29, 2014.

Basis of presentation
The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation
These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, ATW Gold Corp. Australia Pty Ltd. All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

Use of estimates
The preparation of financial statements in conformity with IFRS 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 the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, valuation of share-based compensation and other equity based payments, the recognition and valuation of provisions for asset retirement obligations, and the recoverability and measurement of deferred tax assets and liabilities.

Critical judgment exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets
Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, a history of conversion of oil and gas reserves with similar characteristics to its own properties to proven and probable hydrocarbon reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax 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.

Restoration and environmental obligations
As at August 31, 2014 and February 28, 2014, there were no significant restoration and environmental obligations.

Accounting pronouncements not yet adopted
A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended February 28, 2015 and have not been applied in preparing these condensed interim consolidated financial statements. Management does not expect the new and revised standards to have an effect on the Company's reported financial position or results of operations:

a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is tentatively effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

3. RECEIVABLES

	August 31, 2014	February 28, 2014
	$	$
Sales tax receivable	36,927	8,990
Other receivables	12,358	2,838
	49,285	**11,828**

4. LOAN RECEIVABLE

In April 2014, the Company purchased 850 12% convertible subordinated debentures at a subscription price of $1,000 per debenture for a total cost of $850,000. The debentures bear interest at a rate of 12% per annum (calculated annually) which is payable semi-annually on October 3, 2014 and April 4, 2015. Each debenture is convertible at the holder's option into common shares of High North Resources Ltd. ("High North") for a period of one year at $0.85 per common share.

The fair value attributable to the conversion feature, which is being accounted for as a derivative, was re-valued at the reporting date and calculated as $22,002 using the Black Scholes option pricing model with the following assumptions: risk free interest rate of 1.02%, expected life of 0.59 years and volatility of 73.86%.

5. EQUIPMENT

	Computer equipment	Leasehold improvement	Other equipment	Total
	$	$	$	$
Cost:				
At February 28, 2013 and 2014 and August 31, 2014	78,775	80,039	79,920	238,734
Depreciation:				
At February 28, 2013	51,778	65,173	44,604	161,555
Additions	7,080	8,487	7,743	23,310
At February 28, 2014	58,858	73,660	52,347	184,865
Additions	3,194	4,243	3,097	10,534
At August 31, 2014	62,052	77,903	55,444	195,399
Net book value:				
At February 28, 2014	19,917	6,379	27,573	53,869
At August 31, 2014	**16,723**	**2,136**	**24,476**	**43,335**

6. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets are currently comprised of properties located in Canada as follows:

	Canada			USA	
	Aspen	Yellow Chris	Stikine Terrane	Honeycomb Hills	Total
	$	$		$	$
Balance, February 28, 2013	**430,900**	**-**	**-**	**1,227,706**	**1,658,606**
Acquisition costs	13,500	89,000	25,000	-	127,500
Exploration expenditures					
Geochemistry	51,835	-	-	-	51,835
Drilling and metallurgical	945,287	-	-	-	945,287
Geological and engineering contractors	249,230	37,330	3,500	-	290,060
Subtotal	1,259,852	126,330	28,500	-	1,414,682
Write-down of exploration and evaluation assets	(145,500)	(126,330)	-	(1,227,706)	(1,499,536)
	1,114,352	-	28,500	(1,227,706)	(84,854)
Balance, February 28, 2014	**1,545,252**	**-**	**28,500**	**-**	**1,573,752**
Exploration expenditures (recoveries)					
Geochemistry	-	-	575	-	575
Drilling and metallurgical	-	-	485,338	-	485,338
Geological and engineering contractors	-	-	123,979	-	123,979
Mining tax credit	(80,670)	-	-	-	(80,670)
	(80,670)	-	609,892	-	529,222
Write-down of exploration and evaluation assets	(1,464,582)	-	(638,392)	-	(2,102,974)
Balance, August 31, 2014	**-**	**-**	**-**	**-**	**-**

6. EXPLORATION AND EVALUATION ASSETS (continued)

a) Canada

Aspen

The Company has entered into five different option agreements relating to the Aspen properties. During the year ended February 28, 2014, the Company terminated four of the five option agreements and wrote-down related exploration and evaluation assets of $145,500.

In September 2014, the Company terminated the final option agreement and, as a result, wrote down related exploration and evaluation assets of $1,464,582 during the six months ended August 31, 2014.

Option Agreement 1:
In August 2012, the Company entered into an option agreement with two companies related by way of a common director to acquire a 60% interest in several mineral claims in British Columbia subject to the following:

i) upon closing of the agreement, make a cash payment of $50,000 (paid);
ii) on or before August 1, 2013, make a cash payment of $75,000 and incur aggregate exploration expenditures on the property of $250,000;
iii) on or before August 1, 2014, make a cash payment of $75,000 and incur an additional $750,000 of exploration expenditures for total aggregate exploration expenditures on the property of $1,000,000; and
iv) on or before August 1, 2015, make a cash payment of $100,000 and incur an additional $1,500,000 of exploration expenditures for total aggregate exploration expenditures on the property of $2,500,000.

On July 2, 2013, the Company terminated this option agreement and wrote-down related exploration and evaluation assets costs of $50,000.

Option Agreement 2:
In September 2012, the Company entered into the second option agreement with an optionor to acquire a 100% interest in several mineral claims in British Columbia. On September 3, 2013, the Company signed an amended option agreement with the optionor. Under the amended agreement, in order to acquire the 100% interest in the property, the Company must:

i) upon closing of the original agreement, make a cash payment of $15,000 (paid) and issue 100,000 common shares of the Company (issued at a value of $7,000);
ii) on or before September 20, 2013, make a cash payment of $7,500 (paid), issue 300,000 common shares of the Company (issued at a value of $6,000), and incur aggregate exploration expenditures on the property of $50,000 (incurred);
iii) on or before February 20, 2014, make a cash payment of $17,500;
iv) on or before September 20, 2014, make a cash payment of $30,000, issue 200,000 common shares of the Company, and incur an additional $100,000 of exploration expenditures for total aggregate exploration expenditures on the property of $150,000;
v) on or before September 20, 2015, make a cash payment of $50,000 and incur an additional $100,000 of exploration expenditures for total aggregate exploration expenditures on the property of $250,000;
vi) on or before September 20, 2016, make a cash payment of $100,000; and
vii) on or before September 20, 2017, make a cash payment of $300,000.

On February 18, 2014, the Company terminated this option agreement and wrote-down related exploration and evaluation assets costs of $35,500.

6. EXPLORATION AND EVALUATION ASSETS (continued)

a) Canada (continued)

Aspen - continued

Option Agreement 3:
In October 2012, the Company entered into the third option agreement with an optionor to acquire a 100% interest in several mineral claims in British Columbia. On October 11, 2013, the Company signed an amended option agreement with the optionor. Under the amended agreement, in order to acquire the 100% interest in the property, the Company must:

i) upon closing of the original agreement, make a cash payment of $30,000 (paid);
ii) on or before October 12, 2014, make a cash payment of $30,000 and incur aggregate exploration expenditures on the property of $50,000;
iii) on or before October 12, 2015, make a cash payment of $40,000 and incur an additional $100,000 of exploration expenditures for total aggregate exploration expenditures on the property of $150,000;
iv) on or before October 12, 2016, make a cash payment of $50,000 and incur an additional $100,000 of exploration expenditures for total aggregate exploration expenditures on the property of $250,000;
v) on or before October 12, 2017, make a cash payment of $100,000; and
vi) on or before October 12, 2018, make a cash payment of $300,000.

The Company may, at any time, exercise the option early by paying the remaining option cash payments to the optionor and signing a declaration that it will make the remaining expenditures.

The optionor will retain a 1.5% Net Smelter Return Royalty (“NSR”) on the property which the Company can reduce to 1% by paying the optionor $1,000,000.

On September 1, 2014, the Company terminated this option agreement and wrote-down the remaining exploration and evaluation assets costs of $1,464,582.

Option Agreement 4:
In December 2012, the Company entered into the fourth option agreement with an optionor to acquire a 100% interest in several mineral claims in British Columbia subject to the following:

i) upon closing of the agreement, make a cash payment of $20,000 (paid) and issue 100,000 common shares of the Company (issued at a value of $5,000);
ii) on or before December 14, 2013, make a cash payment of $20,000 and issue 100,000 common shares of the Company;
iii) on or before December 14, 2014, make a cash payment of $20,000.

The Company also entered into an agreement to compensate an unrelated party with a finder’s fee in connection with the above transaction:

i) upon closing of the agreement, make a cash payment of $2,000 (paid);
ii) on December 14, 2013, make a cash payment of $2,000;
iii) on December 14, 2014, make a cash payment of $2,000.

On November 14, 2013, the Company terminated this option agreement and wrote down related exploration and evaluation assets costs of $27,000.

6. EXPLORATION AND EVALUATION ASSETS (continued)

a) Canada (continued)

Aspen - continued

Option Agreement 5:
In February 2013, the Company entered into the fifth option agreement with an optionor to acquire a 100% interest in several mineral claims in British Columbia subject to the following:

i) upon closing of the agreement, make a cash payment of $20,000 (paid) and issue 200,000 common shares of the Company (issued at a value of $10,000);
ii) on or before February 12, 2014, make a cash payment of $20,000 and issue 200,000 common shares of the Company;
iii) on or before February 12, 2015, make a cash payment of $20,000 and issue 200,000 common shares of the Company.

The Company also entered into an agreement to compensate an unrelated party with a finder's fee in connection with the above transaction:

i) upon closing of the agreement, make a cash payment of $2,000 (paid) and issue 20,000 common shares of the Company (issued at a value of $1,000);
ii) on February 12, 2014, make a cash payment of $2,000 and issue 20,000 common shares of the Company;
iii) on February 12, 2015, make a cash payment of $2,000 and issue 20,000 common shares of the Company.

During the year ended February 28, 2014, the Company decided to abandon this option agreement and wrote down related exploration and evaluation assets costs of $33,000.

Yellow Chris

In June 2013, the Company signed an option agreement with an optionor to acquire a 50% interest in several mineral claims in British Columbia subject to the following ("First Option"):

i) Make a cash payment of $75,000 (paid) within 5 days of signing the letter of intent;
ii) issue 350,000 common shares of the Company within 5 days of TSX Venture Exchange approval (issued at a value of $14,000);
iii) on or before July 15, 2014, make a cash payment of $75,000 and issue 350,000 common shares of the Company;
iv) on or before July 15, 2015, make a cash payment of $75,000 and issue 350,000 common shares of the Company; and
v) on or before July 15, 2016, make a cash payment of $75,000 and issue 350,000 common shares of the Company.

To keep the First Option in good standing, the Company also has to incur $4,500,000 in exploration expenditures on the claims as follows:

i) $450,000 before May 6, 2014;
ii) $1,200,000 in aggregate before May 6, 2015;
iii) $2,400,000 in aggregate before May 6, 2016; and
iv) $4,500,000 in aggregate before May 6, 2017.

On March 3, 2014, the Company terminated this option agreement and wrote down related exploration and evaluation assets of $126,330 as at February 28, 2014.

6. EXPLORATION AND EVALUATION ASSETS (continued)

a) Canada (continued)

Stikine Terrane

On January 28, 2014, the Company entered into an option agreement with optionors to acquire a 100% interest in ten mineral claims situated in the Stikine Terrane in North Central British Columbia subject to the following:

i) on the date of approval from the TSX-V Exchange ("Effective Date") being February 4, 2014, make a cash payment of $25,000 (paid);
ii) on or before February 4, 2015, make a cash payment of $25,000, issue 100,000 common shares of the Company, and incur aggregate exploration expenditures of $50,000;
iii) on or before February 4, 2016, make a cash payment of $75,000, issue 200,000 common shares of the Company, and incur an additional $500,000 in exploration expenditures for total aggregate exploration expenditures of $550,000; and
iv) on or before February 4, 2017, make a cash payment of $100,000, issue 300,000 common shares of the Company, and incur an additional $1,000,000 in exploration expenditures for total aggregate exploration expenditures of $1,550,000.

The optionors will retain a 1.5% Net Smelter Return Royalty ("NSR") on the property which the Company can reduce to 0.5% by paying $900,000 to the optionors.

In September 2014, the Company abandoned the Stikine Terrane project and, as a result, wrote down related exploration and evaluation assets of $638,392 during the six months ended August 31, 2014.

b) United States

Honeycomb Hills

In March 2011, the Company closed its purchase agreement with a vendor to purchase a 100% interest in the Honeycomb Hills mineral claims in Utah subject to the following:

i) Payment of $250,000 to the vendor (paid);
ii) Issuance of 7,500,000 common shares of the Company to the vendor upon closing of the agreement (issued at a value of $825,000).

The Company also paid a finder's fee of $25,000 in connection with the transaction.

In August 2013, the Company abandoned the Honeycomb Hills project and, as a result, wrote down related exploration and evaluation assets of $1,227,706 during the year ended February 28, 2014.

7. OIL AND GAS INTERESTS

a) In December 2013, the Company acquired a 100% interest in seven crown petroleum and natural gas leases (the "Leases") from the Government of Alberta public offering of Crown land rights for $1,962,752 (the "Bid Amount"). The Leases are located in North Western Alberta.

The Company entered into a binding memorandum of understanding with High North whereby High North was granted the option to purchase the leases by April 18, 2014 by paying to the Company the Bid Amount plus a premium of 10%.

In May 2014, High North exercised its option to acquire the Leases by paying the Company $2,162,405 which resulted in the Company recording a gain on the sale of the oil and gas interests of $199,653.

The Company retained a 2.5% gross overriding royalty in any production for the Leases.

b) Subsequent to the period, the Company acquired a 100% interest in a total of eight sections of crown petroleum and natural gas leases (the "2014 Leases") in the Government of Alberta's September 17, 2014 public offering of Crown land rights. The 2014 Leases cover 2,048 hectares in northwestern Alberta. The total amount paid for the accepted offers was $1,016,990.

8. RECLAMATION BONDS

In addition to its exploration and evaluation assets, the Company entered into two Safekeeping Agreements with the Ministry of Energy, Mines and Petroleum Resources in connection with one reclamation permit for the Aspen Property and one reclamation permit for the Stikine Terrane property.

As at August 31, 2014, the Safekeeping Agreement relating to the Aspen property is secured by a $15,000 deposit (2014 - $15,000 and $5,000) which earns interest at prime less 1.9% and matures on February 2, 2015.

As at August 31, 2014, the Safekeeping Agreement relating to the Stikine Terrane property is secured by a $20,000 deposit (2014 - $Nil) which earns interest at prime less 1.95% and matures on March 19, 2015.

9. FINANCIAL ASSETS

a) In December 2011, the Company received 40,000,000 Mutiny Gold Ltd. ("Mutiny") ordinary common shares at a value of $3,371,840 (AUD $3,200,000) as consideration for a 10% net profit interest royalty on the previously held Gullewa property. The shares were subject to a 15 month escrow period and were released on March 15, 2013.

On November 8, 2013, the Company sold all the Mutiny shares for net proceeds of $1,322,008 (AUD $1,344,050) resulting in a loss on the sale of $1,928,197 (AUD $1,855,950). Consequently, the Company reversed $117,012 (AUD $120,000) of deferred income tax recovery, net of foreign exchange, previously recorded.

b) In July 2013, the Company sold its 30% interest in Valleyview to High North Resources Ltd. ("High North"), a public company with two Company directors in common at the time of the transaction, for 3,000,000 shares of High North valued at $975,000. The High North shares are subject to a pooling agreement and will be released 10% on July 29, 2013, 20% on January 29, 2014, 20% on July 29, 2014, 20% on January 29, 2015, and 30% on July 29, 2015. At August 31, 2014, 1,500,000 shares were held in escrow.

9. FINANCIAL ASSETS (continued)

b) (continued)

In October 2013, the Company subscribed to 3,000,000 units of High North (the "High North Unit") at a price of $0.35 per unit for $1,050,000. Each High North Unit consists of one common share and one-half share purchase warrant which is exercisable for two years at an exercise price of $0.50 per whole warrant. No value was allocated to the warrants on initial recognition.

At August 31, 2014, the 6,000,000 High North shares had a value of $2,670,000 (February 28, 2014 - $4,080,000). The 1,500,000 warrants were re-valued at the reporting date and calculated as $203,946 (February 28, 2014 - $662,778). Due to the unrealized loss in the value of the High North shares during the six months ended August 31, 2014, the Company has decreased the deferred income tax liability to $83,850 (February 28, 2014 - $267,150) and recognized a deferred income tax expense of $183,300.

The fair value attributable to the warrants using the Black Scholes option pricing model was $203,946 (February 28, 2014 - $662,778) with the following assumptions:

	August 31, 2014	February 28, 2014
Risk-free interest rate:	1.02%	1.87%
Dividend yield:	Nil	Nil
Expected life:	1.10 years	1.75 years
Volatility:	84%	122%

10. INVESTMENT IN ASSOCIATE

In December 2012, the Company entered into a convertible debenture agreement with an arms' length party, Valleyview Exploration Inc. ("Valleyview"), whereby the Company advanced $300,000 to the borrower with interest at 6% per annum payable annually. Under the agreement, the Company could demand repayment of the Principal Amount at anytime. Additionally, the Company had the right to convert the Principal Amount into one-third of the issued and outstanding common shares of Valleyview on a fully diluted basis. In January 2013, the Company exercised its right to convert the advance into 3,000,000 common shares of Valleyview.

The Company recorded a $17,946 equity loss on investment in associate, representing its share of Valleyview's losses from March 1, 2013 to July 23, 2013. No equity pickup was recorded for the period from conversion to February 28, 2013 as the amount was not significant.

On July 24, 2013, the Company sold its 30% interest in Valleyview to High North in exchange for 3,000,000 shares of High North valued at $975,000 resulting in a gain of $692,946.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2014	February 28, 2014
	$	$
Accounts payable	30,660	11,492
Accrued liabilities	4,000	45,600
Payroll tax liabilities	91	6,052
	34,751	**63,144**

12. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the six months ended August 31, 2014, the Company issued 1,708,334 shares for 1,708,334 warrants exercised at $0.16 per share for total proceeds of $273,333.

During the year ended February 28, 2014, the Company:

a) Issued 350,000 pre-consolidation shares valued at $14,000 as payment for the Yellow Chris exploration and evaluation asset (Note 6);
b) Issued 300,000 pre-consolidation shares valued at $6,000 as payment for the Aspen exploration and evaluation asset (Note 6);
c) Completed a 10 old for 1 new share consolidation;
d) Completed a non-brokered private placement which consisted of the issuance of 5,000,000 units at a price of $0.12 per unit for gross proceeds of $600,000. Each unit consisted of one common share and one share purchase warrant exercisable for a two year term at an exercise price of $0.16 per warrant.

Share Options

The Company has a share option plan (the "Plan") whereby the Company can grant share options to directors, officers, employees and consultants enabling them to acquire up to 10% of the issued common shares of the Company. Options granted can have a maximum term of ten years and the board of directors can determine the vesting requirements.

A summary of the share options outstanding and exercisable at August 31, 2014 is as follows:

Number of Share Options	Exercise Price	Expiry Date
	$	
500,000	0.155	February 3, 2019
1,330,000	0.40	August 11, 2019
1,830,000		

The weighted average life of options outstanding at August 31, 2014 was 4.81 years.

12. SHARE CAPITAL AND RESERVES (continued)

Share Options (continued)

During the six months ended August 31, 2014, the Company granted 900,000 (February 28, 2014 – 500,000) share options with a total fair value of $363,335 (February 28, 2014 - $64,791) or $0.40 per option (February 28, 2014 - $0.13 per option).

In August 2014, the Company issued 430,000 options to various directors and officers of the Company who had 502,000 options cancelled in July 2014. The transaction is being accounted for as a repricing whereby the incremental difference of $90,084 between the fair value of the cancelled options and the fair value of the newly issued options is being charged to share-based compensation.

Share options transactions are summarized as follows:

	Number of Share Options	Weighted Average Exercise Price
		$
Balance, February 28, 2013	1,184,000	1.08
Granted	500,000	0.155
Cancelled	(367,000)	1.15
Balance, February 28, 2014	1,317,000	0.71
Granted	1,330,000	0.40
Cancelled	(817,000)	1.04
Balance, August 31, 2014	**1,830,000**	0.33

The following weighted average assumptions were used in the Black-Scholes option pricing model for the valuation of the share options granted:

	August 31, 2014	February 28, 2014
Risk-free interest rate:	1.52%	1.51%
Dividend yield:	Nil	Nil
Expected life:	5 years	5 years
Volatility:	126%	123%

Warrants

A summary of the share purchase warrants outstanding and exercisable at August 31, 2014 is as follows:

Number of Warrants	Exercise Price	Expiry Date
	$	
3,291,666	0.16	February 18, 2016

During the year ended February 28, 2014, the Company issued 5,000,000 share purchase warrants in connection with the non-brokered private placement that closed during the fiscal year.

12. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, February 28, 2013	-	-
Issued	5,000,000	0.16
Balance, February 28, 2014	5,000,000	0.16
Exercised	(1,708,334)	0.16
Balance August 31, 2014	**3,291,666**	**0.16**

13. RELATED PARTY TRANSACTIONS

During the six months ended August 31, 2014, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

a) Paid management fees of $35,962 (August 31, 2013 - $Nil) to the President, COO, and director of the Company;

b) Paid management fees of $35,962 (August 31, 2013 - $Nil) to the CEO and director of the Company;

c) Paid consulting fees of $90,000 (August 31, 2013 - $90,000) to the Chairman, CFO, and director of the Company;

d) Paid consulting fees of $90,000 (August 31, 2013 - $82,500) to a company controlled by a director and the former CEO of the Company;

e) Paid consulting fees of $Nil (August 31, 2013 - $26,014) to a company controlled by a director of the Company;

f) Paid directors fees of $35,000 (August 31, 2013 - $Nil) to a director of the Company;

g) Paid consulting fees of $Nil (August 31, 2013 - $10,000) to a former director of the Company;

h) Paid management fees of $10,000 (August 31, 2013 - $60,000) and salaries of $35,000 (August 31, 2013 - $Nil) to the former CFO of the Company;

i) Paid management fees of $9,000 (August 31, 2013 - $18,000) to a director of the Company;

j) Paid management fees of $25,000 (August 31, 2013 - $Nil) to the corporate secretary of the Company;

k) Rent recoveries of $30,593 (August 31, 2013 - $55,615), office recoveries of $14,200 (August 31, 2013 - $Nil), and payroll recoveries of $32,600 (August 31, 2013 - $17,000) were received from companies related by way of common directors and officers; and

13. RELATED PARTY TRANSACTIONS (continued)

l) The Company incurred exploration expenditures for geochemistry, drilling, and geological and engineering contractors of $526,983 (August 31, 2013 - $1,257,935) and property investigation and due diligence fees of $44,989 (August 31, 2013 - $Nil) to a company controlled by two directors of the Company.

On August 11, 2014 the Company signed two Executive Employment Agreements, one with the President, COO, and director of the Company and the other with CEO and director of the Company. Each agreement states that the executive will earn an annual salary of $180,000 plus bonuses and is entitled to termination payments of one years' salary plus 10% of the salary for the loss of group benefits plus 50% of the total bonuses paid over the previous two calendar years.

As at August 31, 2014, the Company owed $5,971 (February 28, 2014 - $3,524) to various directors and officers of the Company which is included in accounts payable and accrued liabilities.

As at August 31, 2014, the Company had a loan receivable of $913,640 (August 31, 2013 - $Nil) and financial assets valued at $2,873,946 (August 31, 2013 - $1,050,000) with High North, a company related by way of a common director.

Summary of key management personnel compensation:

	For the six months ended August 31,	
	2014	**2013**
	$	**$**
Directors fees	35,000	-
Management fees	295,923	286,514
Share-based compensation	392,864	
	723,787	**286,514**

14. COMMITMENTS

Commencing June 1, 2009, the Company entered into a three-year term lease agreement for office space in Vancouver, British Columbia. The Company receives recoveries on a month to month basis from various sub-tenants. On January 4, 2012, the Company signed a lease amending agreement extending the lease for an additional five years. The remaining minimum future lease payments, excluding operating costs are as follows:

September 1, 2014 to February 28, 2015	$ 49,964
March 1, 2015 to February 28, 2016	105,286
March 1, 2016 to February 28, 2017	107,070
March 1, 2017 to May 31, 2017	26,768

15. CAPITAL DISCLOSURE AND MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of oil and gas and mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the management of capital, the Company includes shareholders equity and long term obligations as capital.

15. CAPITAL DISCLOSURE AND MANAGEMENT (continued)

In order to carry out planned exploration and development activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. In addition, the Company is dependent upon external financings to fund activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital restrictions.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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 market data.

The Company's financial instruments consist of cash, receivables, loan receivables, financial assets, reclamation bonds, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, loan receivables, reclamation bonds, and financial assets, approximates their carrying values. Cash, reclamation bonds and financial assets are measured at fair value using level 1 inputs. The Company's investment in the High North warrants and the convertible portion of the High North debentures are measured using level 3 inputs to the Black Scholes valuation as disclosed in Notes 4 and 9. The principal portion of the High North debenture is measured using level 2 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity, commodity price and market price risk.

a) Currency risk

While the Company's parent is Canadian and its capital is raised in Canadian dollars, the Company is also conducting business activities in Australia through its wholly owned subsidiary; as such, it is subject to risk in fluctuations in the exchange rate of the Australian dollar. As at August 31, 2014, the Company has cash denominated in AUD dollars of AUD $5 (February 28, 2014 – AUD $116,726), receivables of AUD $Nil (February 28, 2014 – AUD $5,135), prepaids of AUD $Nil (February 28, 2014 - $2,000), and accounts payable of AUD $91 (February 28, 2014 – AUD $385). Each 1% change in the Canadian dollar versus the Australian dollar will result in a gain/loss of approximately $1 (February 28, 2014 - $1,200).

In addition, the Company also holds a bank account denominated in United States dollars; therefore, it is also subject to risk in fluctuations in the exchange rate of the United States dollar. As at August 31, 2014, the Company has cash denominated in United States dollars of US $45,210 (February 28, 2014 – US $45,613). Each 1% change in the Canadian dollar versus the United States dollar will result in a gain/loss of approximately $500 (2013 - $500).

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Credit risk

Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian and Australian financial institutions and its receivables consist primarily of amounts due from the Canadian and Australian government and a related party company. The Company is not exposed to significant credit risk on these items; however, the Company is exposed to credit risk on its loan receivable with High North.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company's loan receivable has a fixed interest rate of 12% per annum and it does not have any interest-bearing debt.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

e) Commodity price risk

The Company is subject to price risk for fluctuations in the market price of gold through its mineral properties and oil and gas through its investment in High North and its other oil and gas resource properties. Gold, oil, and gas prices are affected by numerous factors beyond the Company's control, including central bank sales, producer hedging activities, the relative exchange rate of the US with other major currencies, global and regional demand and political and economic conditions. Worldwide gold, oil, and gas production levels also affect gold, oil and gas prices, and the price of gold, oil, and gas are occasionally subject to rapid short-term changes due to speculative activities. The Company does not actively manage its exposure to gold, oil or gas price risk.

f) Market price risk

Market price risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The financial asset held by the Company is quoted on public stock exchange and as such, the Company is subject to market risk. For every $0.01 change in the price of High North shares, the Company will realize a $72,000 net change in fair value, before taxes, on its investment in the shares and warrants.

17. SEGMENTED INFORMATION

The Company has one operating segment, being the exploration of resource properties. Geographic information is as follows:

	As at August 31, 2014		
	Canada	**Australia**	**Total**
	$	**$**	**$**
Equipment	43,335	-	43,335
Exploration and evaluation assets	-	-	-
	43,335	**-**	**43,335**

	As at February 28, 2014		
	Canada	**Australia**	**Total**
	$	**$**	**$**
Equipment	53,027	842	53,869
Exploration and evaluation assets	1,573,752	-	1,573,752
Oil and gas interests	1,962,752	-	1,962,752
	3,589,531	**842**	**3,590,373**

18. SUPPLEMENTAL NON-CASH DISCLOSURES

	For the six months ended August 31,	
	2014	**2013**
	$	**$**
Shares issued for exploration and evaluation assets	-	14,000
Exploration and evaluation assets expenditures included in accounts payable and accrued liabilities	3,675	2,339
Shares received for sale of Valleyview	-	975,000
Change in fair market value of financial assets	(1,410,000)	(2,428,720)
Reallocation of reserves on forfeited and expired options & warrants	276,240	114,190

19. SUBSEQUENT EVENTS

a) In September 2014, the Company acquired a 100% interest in a total of 8 sections of crown petroleum and natural gas leases (the “Leases”) in the Government of Alberta’s September 17, 2014 public offering of Crown land rights. The Leases cover 2,048 hectares in northwestern Alberta. The total amount paid for the accepted offers was $1,016,990.

19. SUBSEQUENT EVENTS (continued)

b) In September 2014, the Company entered into a Memorandum of Understanding ("MOU") with Petrel Robertson Consulting Ltd. ("Petrel") regarding the purchase of a Petrel prospect ("Chinook"). Under the terms of the MOU, Petrel will assign the intellectual property, all rights, and all geophysical/geological work associated with the Chinook prospect to the Company.

In consideration for Chinook, the Company has agreed to pay Petrel $100,000 upon signing of a definitive agreement and grant Petrel 100,000 share options exercisable over a five year term at an exercise price of $0.50 (issued in September 2014). An additional 300,000 common shares of the Company will be issued to Petrel conditional upon certain land acquisition thresholds. The terms in the MOU are subject to review and approval by the TSX Venture Exchange.

c) In September 2014, 50,000 share options with an exercise price of $0.155 per share were exercised for total proceeds of $7,750 and 466,668 warrants with an exercise price of $0.16 per share were exercised for total proceeds of $74,667.

d) In September 2014, the Company terminated both the option agreement for the Stikine Terrane project and the final option agreement for the Aspen project and, as a result, wrote-down related exploration and evaluation assets of $638,392 and $1,464,582, respectively, during the six months ended August 31, 2014.