

REDSTAR GOLD CORP.
(AN EXPLORATION STATE COMPANY)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

Stated in Canadian Funds

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

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

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

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MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Redstar Gold Corp:

Management is responsible for the preparation and presentation of the accompanying condensed interim consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

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

28 November 2014

"Toby Mayo"

Toby Mayo, CEO

"Grant T. Smith"

Grant T. Smith, CFO

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at	
		30 September 2014	31 March 2014
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 2,528,077	\$ 30,198
Marketable securities	(8)	42,076	61,542
Amounts receivable		8,029	7,378
Prepaid amounts and advances		63,013	58,558
		2,641,195	157,676
Non-current Assets			
Deposit		7,428	7,428
Exploration and evaluation assets	(9)	7,442,555	6,904,228
Equipment	(10)	19,877	23,050
		7,469,860	6,934,706
		\$ 10,111,055	\$ 7,092,382
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 391,359	\$ 105,849
Due to related parties	(13)	26,687	105,246
		418,046	211,095
EQUITY			
Share capital		22,437,382	19,665,089
Contributed surplus – warrants		1,257,299	794,985
Contributed surplus – options		2,551,438	2,525,585
Accumulated other comprehensive income		(98,547)	(77,542)
Deficit		(16,454,563)	(16,026,830)
		9,693,009	6,881,287
		\$ 10,111,055	\$ 7,092,382

Nature of operations and going concern	(1) Segmented disclosure	(14)
Basis of preparation - Statement of compliance	(2) Comparative figures	(15)
Capital management	(11) Subsequent events	(16)

The condensed interim consolidated financial statements were approved by the Board of Directors on 28 November 2014 and were signed on its behalf by:

“Toby Mayo”
Toby Mayo, Director

“Jacques Vaillancourt”
Jacques Vaillancourt, Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	6 months ended 30 September 2014	6 months ended 30 September 2013	3 months ended 30 September 2014	3 months ended 30 September 2013
CONTINUING OPERATIONS				
EXPENSES				
General and Administrative				
Consulting	\$ 130,284	\$ 173,320	\$ 90,416	\$ 82,560
Travel and promotion	64,935	18,545	40,749	7,609
Investor relations	52,140	64,241	44,997	30,174
Contract wages	41,383	165,362	21,109	80,613
Rent	38,537	62,928	15,581	31,358
Audit and legal	33,789	65,584	24,842	43,375
Regulatory fees	32,009	22,275	14,444	21,365
Share-based payments	(12) 25,852	120,601	1,233	60,577
Insurance	16,865	21,216	6,746	10,160
Office operations	7,530	16,090	3,751	6,947
Transfer agent	3,188	3,455	1,601	2,302
Amortization	(9) 3,173	4,105	1,586	1,977
	449,685	740,722	267,055	379,017
Other (Income) Expense				
(Gain) loss on foreign exchange	(10,346)	39,914	(1,757)	40,168
Interest (income)	(10,067)	(1)	(5,964)	(1)
(Gain) on sale of marketable securities	(1,539)	(2,762)	-	(1,650)
	(21,952)	37,151	(7,721)	38,517
Loss Before Income Tax	427,733	777,873	259,334	417,535
Future income tax (recovery)	-	(730)	-	(2,059)
Net Loss for the period	427,333	777,143	259,334	415,476
Other Comprehensive Income				
Unrealized loss (gain) on available-for-sale securities	21,005	(14,678)	7,155	(5,380)
Comprehensive Loss for the Period	\$ 448,738	\$ 762,465	\$ 266,489	\$ 410,096
Basic and Diluted Loss per Common Share	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)
Weighted Average Number of Shares Outstanding	163,206,691	82,608,593	168,809,967	91,519,586

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*Unaudited***Statement 3****CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Shares	Amount	Warrant	Options	Accumulated Other Comprehensive Income	Deficit	Shareholders' Equity
BALANCE 01 APRIL 2013	73,436,215	\$ 17,350,695	\$ 73,935	\$ 2,284,009	\$ (46,339)	\$ (14,647,730)	\$ 5,014,570
Shares issued for mineral property interests	375,000	27,500	-	-	-	-	27,500
Share-based payments	-	-	-	60,024	-	-	60,024
Unrealized loss on marketable securities	-	-	-	-	-	9,298	9,298
Net loss for the period	-	-	-	-	-	(361,666)	(361,666)
BALANCE 30 JUNE 2013	73,811,215	\$ 17,378,195	\$ 73,935	\$ 2,344,033	\$ (46,339)	\$ (15,000,098)	\$ 4,749,726
Shares issued for mineral property interests	125,000	12,500	-	-	-	-	12,500
Shares issued to finders	139,080	7,649	-	-	-	-	7,649
Issued for cash, net of unit issuance costs	39,383,363	1,347,857	721,050	60,577	-	-	2,129,484
Unrealized loss on marketable securities	-	-	-	-	14,678	-	14,678
Net loss for the period	-	-	-	-	-	(424,775)	(424,775)
BALANCE 30 SEPTEMBER 2013	113,458,658	\$ 18,746,201	\$ 794,985	\$ 2,404,610	\$ (31,661)	\$ (15,424,873)	\$ 6,489,262
Shares issued for debt	11,486,102	918,888	-	-	-	-	918,888
Share-based payments	-	-	-	120,975	-	-	120,975
Unrealized loss on marketable securities	-	-	-	-	(45,881)	-	(45,881)
Net loss for the period	-	-	-	-	-	(601,957)	(601,957)
BALANCE 31 MARCH 2014	124,944,760	\$ 19,665,089	\$ 794,985	\$ 2,525,585	\$ (77,542)	\$ (16,026,830)	\$ 6,881,287

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*Unaudited***Statement 3**

	Shares	Amount	Warrant	Options	Accumulated Other Comprehensive Income	Deficit	Shareholders' Equity
BALANCE 01 APRIL 2014							
Issued for cash, net of unit issuance costs	124,944,760 \$	19,665,089 \$	794,985 \$	2,525,585 \$	(77,542)\$	(16,026,830)\$	6,881,287
Share-based payments	55,133,333	2,281,454	962,467	-	-	-	3,243,921
Unrealized loss on marketable securities	-	-	-	24,620	-	-	24,620
Net loss for the period	-	-	-	-	(13,850)	-	(13,850)
						(168,399)	(168,399)
BALANCE 30 JUNE 2014							
Unit issuance costs	180,078,093 \$	21,946,543 \$	1,757,452 \$	2,550,205 \$	(91,392)\$	(16,195,229)\$	9,967,579
Fair value adjustment	-	(9,314)	-	-	-	-	(9,314)
Share-based payments	-	500,153	(500,153)	-	-	-	-
Unrealized loss on marketable securities	-	-	-	1,233	-	-	1,233
Net loss for the period	-	-	-	-	(7,155)	-	(7,155)
						(259,334)	(259,334)
BALANCE 30 SEPTEMBER 2014							
	180,078,093 \$	22,437,382 \$	1,257,299 \$	2,551,438 \$	(98,547)\$	(16,454,563)\$	9,693,009

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 September 2014	6 months ended 30 September 2013	3 months ended 30 September 2014	3 months ended 30 September 2013
OPERATING ACTIVITIES				
Loss for the Period	\$ (427,733)	\$ (777,143)	\$ (259,334)	\$ (415,476)
Items not Affecting Cash				
Amortization (9)	3,173	4,105	1,586	1,977
Share-based payments (12)	25,853	120,601	1,233	60,577
(Gain) on sale of marketable securities	(1,539)	(2,762)	-	(1,649)
Future income tax (recovery)	-	(730)	-	(2,060)
	(400,246)	(655,929)	(256,515)	(356,631)
Net Change in Non-cash Working Capital				
Amounts receivable	(651)	17,188	(874)	7,316
Prepays amounts and advances	(4,455)	18,749	(2,687)	10,041
Accounts payable and accrued liabilities	(75,887)	77,422	(50,073)	(75,001)
Due to related parties	(78,559)	162,353	(8,874)	46,227
	(159,552)	275,712	(62,508)	(11,417)
	(559,798)	(380,217)	(319,023)	(368,048)
INVESTING ACTIVITIES				
Acquisition of exploration assets	(18,627)	(1,574,291)	(6,439)	(1,560,470)
Exploration asset expenditures	(158,303)	(82,730)	(145,752)	(54,246)
Recoveries of acquisition of exploration and evaluation expenditures	-	4,983	-	4,983
Recoveries of exploration asset expenditures	-	18,329	-	18,329
Proceeds on sale of marketable securities	-	33,040	-	26,006
	(176,930)	(1,600,669)	(152,191)	(1,568,398)
FINANCING ACTIVITIES				
Issuance of units, net of issuance costs	3,234,607	2,076,556	(9,313)	2,076,556
Net Increase in Cash and Cash Equivalents	2,497,879	95,670	(480,527)	143,110
Cash position – beginning of period	30,198	61,026	3,008,604	13,586
Cash Position – End of Period	\$ 2,528,077	\$ 156,696	\$ 2,528,077	\$ 156,696
Schedule of Non-cash Investing and Financing Transactions				
Shares issued for acquisition costs	\$ -	\$ 40,000	\$ -	\$ 27,500
Shares issued for finder's fees	-	(7,649)	-	-
Cash paid for interest	-	-	-	-
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1) Nature of operations and going concern

Redstar Gold Corp. (the "Company", or "Redstar") is engaged in the acquisition, exploration, and development of mineral properties in North America. The Company is incorporated and domiciled in Canada under the Business Corporations Act (British Columbia), and its registered office is Suite 1710, 1177 West Hastings Street, Vancouver, BC V6E 2L3.

These condensed interim consolidated financial statements (the "Financial Statements") have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

There are several adverse conditions that cast significant doubt upon the soundness of this assumption. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of exploration and evaluation expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Consistent with other companies, in the sector of mineral exploration, the Company has incurred operating losses since inception, has limited sources of revenue, is unable to self-finance operations and has significant cash requirements to meet its overhead and maintain its mineral interests.

For the company to continue to operate as a going concern it must continue to obtain additional financing to maintain operations; although the Company has been successful in the past at raising funds, there can be no assurance that this will continue in the future.

If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

Management has estimated that the Company has sufficient financing to complete current work plans; however, expanded and future development will require additional financing in order to complete all planned exploration and other programs during the year ending 31 March 2015 and thereafter. If funds are unavailable on terms satisfactory to the Company, some or all planned activities may be cancelled or postponed. Management believes it has available funds to continue operations for a period of one year.

	30 September	31 March
Rounded to 000's	2014	2014
Working capital surplus (deficit)	\$ 2,223,000	\$ (53,000)
Accumulated (deficit)	\$ (16,455,000)	\$ (16,027,000)

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2) Basis of preparation – Statement of compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Since the unaudited Financial Statements do not include all disclosures required by IFRS for annual consolidated financial statements, they should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended 31 March 2014.

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of condensed interim financial statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies.

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3) Summary of significant accounting policies

The accounting policies and methods of computation followed in preparing these Financial Statements are the same as those followed in preparing the most recent audited annual financial statements. For a complete summary of significant accounting policies, please refer to the Company’s audited annual financial statements for the year ended 31 March 2014.

a) Basis of presentation

These Financial Statements incorporate the financial statements of the Company and the entities controlled by the Company, which consist of:

- Redstar Gold USA Inc. (“Redstar USA”), which was incorporated in the State of Nevada, (owned 100% by the Company.
- Redstar Gold (Alaska) Inc. (“Redstar Alaska”), which was incorporated in the State of Alaska, (owned 100% by the Company.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

b) Foreign currency translation

These Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the parent. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The parent and its subsidiaries use the Canadian dollar as their functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the end of reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences and other changes in the carrying amount of the security. Translation differences are recognized in the income statement and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets, such as investments in equity securities, classified as available-for-sale are reported as part of the fair value gain or loss and are included in equity.

c) Measurement uncertainty

The preparation of these Financial Statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas that require estimates as the basis for determining the stated amounts include assumptions related to the valuation of exploration and evaluation assets, the useful life of equipment, share-based payment valuation and the deferred tax asset not recognized in these Financial Statements.

Depreciation and depletion of property, plant and equipment assets are dependent upon estimates of useful lives and reserve estimates, both of which are determined with the exercise of judgment. The assessment of any impairment of property, plant and equipment is dependent upon estimates of recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Provisions for environmental rehabilitations are recognized in the period in which they arise and are stated as the fair value of estimated future costs.

The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. These estimates require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

d) Comprehensive income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income, components of other comprehensive income, and cumulative translation adjustments are presented in the Condensed Interim Consolidated Statement of Comprehensive Income and the Condensed Interim Consolidated Statement of Changes in Equity.

e) Exploration and evaluation assets

The Company is currently in the exploration stage with all of its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination.

Costs of acquisition and exploration of mineral properties are capitalized until either commercial production is established or a property is abandoned. Once commercial production has commenced, the net costs of the applicable property are charged to operations using the unit-of-production method based on estimated proven and probable recoverable reserves. The net costs related to abandoned properties are charged to income. Office and administration costs not specifically related to mineral projects are expensed in the year in which they occur.

The Company reviews the carrying value of each property on an annual basis, at a minimum. This review generally is made by reference to the timing of exploration work, work programs proposed and the exploration results achieved by the Company and others. When the carrying value of a property is estimated to exceed its net recoverable amount, provision is made for the decline in fair value.

The amounts shown for the exploration and evaluation assets represent costs incurred to date and do not reflect present or future values. Acquisition costs represent shares or cash paid to acquire the rights to the resource property, while exploration expenditures represent amounts paid to explore and develop the resource properties. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to successfully complete their exploration program.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

Restoration provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

The Company has determined that it has no restoration obligation as at 30 September 2014.

f) Share-based payments

The Company has a stock option plan that is described in note 12. Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting periods using a graded attribution approach. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured), and are recorded at the date the goods or services are received. If and when the stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized during the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Forfeitures of stock options are accounted for as incurred.

g) Share capital

Share capital issued for non-monetary consideration is recorded at an amount based on the quoted market value of the Company's shares at the time of issuance.

h) Basic loss per share

Basic loss per share are computed using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the years presented and accordingly, basic and diluted loss per share are the same.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

i) Financial instruments

All financial instruments must be recognized, initially, at fair value on the statement of financial position. The Company has classified each financial instrument into the following categories: “fair value through profit or loss”, “held-to-maturity”, “loans and receivables,” and “available-for-sale”. Subsequent measurement of the financial instruments is based on their respective classification. Unrealized gains and losses on available-for-sale instruments are recorded in equity. The other categories of financial instruments are recognized at amortized cost using the effective interest method. The Company had made the following classifications:

Financial Asset or Liability	Category	Measurement Method
Cash and cash equivalents	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale	Fair value
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

j) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

k) Impairment

Non-monetary assets are tested for impairment when events or changes in circumstance indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

l) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by the former owners and operators of its properties and properties in which it has previously had an interest.

The Company conducts its mineral exploration activities in accordance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in a material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance is increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential of production on the properties may be diminished or negated.

4) Critical accounting estimates and judgments

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the Financial Statements.

a) Key sources of estimation uncertainty

Useful life of equipment

The Company reviews the estimated lives of its equipment at the end of each reporting period. There were no material changes in the lives of plant and equipment for the six month period ended 30 September 2014 or the year ended 31 March 2014.

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Share-based payments

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 3. The fair value of stock options granted is measured using the Black-Scholes option valuation model ("BkS"), which was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and changes in the highly subjective input assumptions can materially affect the calculated values. The fair value of stock options granted using the BkS do not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

b) Key sources of judgement uncertainty

Determination of functional currency

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management determined that the functional currency of the Company and its wholly owned subsidiaries is the Canadian dollar.

Going concern evaluation

As discussed on note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at 30 September 2014.

Exploration and evaluation assets

The carrying value of the Company's exploration and evaluation assets is reviewed by management quarterly, or whenever events or circumstances indicate that its carrying amount may not be recovered. Management considers certain impairment indicators such as market capitalization of the Company, metal price changes, plans for the properties and the results of exploration to date.

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5) Accounting standards issued but not yet effective

a) IFRS 9, Financial Instruments

The Standard is effective for annual periods beginning on or after 1 January 2015, with earlier adoption permitted. The standard is the first part of a multi-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The Company is currently assessing the impact it will have on the consolidated financial statements.

b) IAS 32, Financial instruments: presentation

IAS 32 provides further clarity around details relating to the right of set-off and the application of offsetting criteria under certain circumstances. The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014. The Company is currently evaluating the impact of this standard on the Financial Statements.

c) IAS 24, Related party transactions

IAS 24 was amended to revise the definition of related party to include an entity that provides key management personnel services to the reporting entity or its parent and to clarify the related party disclosure requirements. This amendment is effective for fiscal years beginning on or after 1 July 2014. The Company is currently assessing the impact of this standard on the Financial Statements.

d) IFRIC 21, Levies imposed by governments

In May 2013, the IASB issued IFRIC 21 which sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized. The Company is currently assessing the impact of IFRIC 21 on the Financial Statements.

6) New and amended accounting standards

The following new and amended accounting standards were adopted by the Company:

a) IFRS 2, Share-based payment

IFRS 2 *Share-based payment* was amended to clarify the definition of vesting conditions. The amendment applies to share-based payment transactions for which the grant date is on or after 1 July 2014. The adoption of this standard has no impact on the Company's Financial Statements.

b) IFRS 3, Business Combinations

IFRS 3, *Business Combinations* was amended to provide clarification related to contingent consideration in a business combination. The amendment is effective for business combinations where the effective date is on or after 1 July 2014. The adoption of this standard has no impact on the Company's Financial Statements.

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7) Financial instruments and risk management

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the Condensed Interim Consolidated Statement of Financial Position are carried at amortized cost with the exception of marketable securities, which are carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 30 September 2014 and 31 March 2014.

The fair value of the Company's marketable securities are quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy.

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's marketable securities have been assessed on the fair value hierarchy described above and classified as Level 1.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, marketable securities, amounts receivable, accounts payable and accrued liabilities, and due to related parties. As at 30 September 2014 and 31 March 2014, the carrying value of cash and cash equivalents is fair value. Marketable securities are marked to fair value at each financial statement reporting date. Amounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their fair value due to their short-term nature.

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada and the United States; accordingly, the Company believes it not exposed to significant credit risk.

e) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

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f) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its on-going general and exploration expenditures. The Company is not exposed to significant foreign currency risk, as a 5% shift in foreign exchange rates would result in an impact of approximately \$22,000. At 30 September 2014, the Company held currency totalling the following:

Canadian (Dollars)	US (Dollars)
\$2,094,658	\$386,706

g) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at 30 September 2014, the Company had a cash balance of \$2,528,077 to settle current liabilities of \$418,046. The Company is not exposed to significant liquidity risk.

8) Marketable securities

	Shares	Cost	Accumulated Unrealized (Loss)	Total
30 September 2014				
Uranium Standard Resources Ltd. ⁽ⁱ⁾	11,111 ⁽ⁱⁱ⁾	\$ 30,000	\$ (29,611)	\$ 389
Confederation Minerals Ltd.	150,000	33,750	(22,500)	11,250
True Grit Resources Ltd.	540,000	70,400	(43,400)	27,000
Brocade Metals Corp.	320,000	4	-	4
Magna Resources Ltd.	57,219	5,722	(2,289)	3,433
		\$ 139,876	\$ (97,800)	\$ 42,076

	Shares	Cost	Accumulated Unrealized Gain (Loss)	Total
31 March 2014				
Uranium Standard Resources Ltd. ⁽ⁱ⁾	33,333	\$ 30,000	\$ (29,000)	\$ 1,000
Confederation Minerals Ltd.	150,000	33,750	(15,750)	18,000
True Grit Resources Ltd.	540,000	70,400	(35,300)	35,100
Brocade Metals Corp.	320,000	4	-	4
Magna Resources Ltd.	57,219	5,722	1,716	7,438
		\$ 139,876	\$ (78,334)	\$ 61,542

⁽ⁱ⁾ Formerly, Central Resources Corp.

⁽ⁱⁱ⁾ On 25 July 2014, Uranium Standard Resources Ltd. consolidated its shares on a basis of three existing shares for one new share.

During the six month period ended 30 September 2014, the Company recorded an unrealized loss on marketable securities of \$21,005 (2013 -\$14,678), which is included in equity.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**9) Exploration and evaluation assets**

The Company has interests in mineral properties, the details of which follow for the six month period ended 30 September 2014 and the year ended 31 March 2014:

	Canada		Nevada		Alaska		Total
Balance as at 01 April 2013	\$	1,493,589	\$	438,638	\$	3,535,609	\$ 5,467,836
Acquisitions During the Year							
Expenditures		-		15,463		1,623,421	1,638,884
Expenditures recovered		(108,750)		(165,369)		-	(274,119)
		(108,750)		(149,906)		1,623,421	1,364,765
Exploration Expenditures							
Assaying		-		391		420	811
Geophysical		-		1,980		24,719	26,699
Camp and exploration		-		-		1,365	1,365
Travel and accommodation		-		42,189		1,130	43,319
Equipment rental		-		4,825		7,272	12,097
Reclamation		-		-		7,751	7,751
Recoveries		-		(18,329)		-	(18,329)
		-		31,057		42,656	73,713
Mineral properties written-off		-		(2,086)		-	(2,086)
Balance as at 31 March 2014	\$	1,384,839	\$	317,703	\$	5,201,685	\$ 6,904,228
Balance as at 01 April 2014	\$	1,384,839	\$	317,703	\$	5,201,685	\$ 6,904,228
Acquisitions During the Period							
Expenditures		-		-		18,627	18,627
Exploration Expenditures							
Geological		-		-		344,759	344,759
Geophysical		6,000		-		-	6,000
Supplies and materials		-		-		55,081	55,081
Travel and accommodation		-		1,992		31,993	33,985
Equipment rental		-		-		75,931	75,931
Maps and reports		-		-		1,796	1,796
Land tenure		-		2,148		-	2,148
		6,000		4,140		509,560	519,700
Balance as at 30 September 2014	\$	1,390,839	\$	321,843	\$	5,729,873	\$ 7,442,555

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Property	Balance 31 March 2014	Acquisition Costs	Exploration Expenditures	Balance 30 September 2014
Newman Todd	\$ 1,384,839	\$ -	\$ 6,000	\$ 1,390,839
Nevada General ⁽ⁱ⁾	(41,407)	-	2,672	(38,735)
Painted Hills	44,122	-	165	44,287
Richmond Summit	39,622	-	119	39,741
Root Spring	(19,215)	-	-	(19,215)
Cooks Creek	58,483	-	-	58,483
Oasis	60,966	-	119	61,085
Baker Spring	5,553	-	256	5,809
Seven Devils	169,579	-	809	170,388
Shumagin	5,185,646	13,177	1,796	5,200,619
Unga-Popof	16,040	5,450	507,764	529,254
	\$ 6,904,228	\$ 18,627	\$ 519,700	\$ 7,442,555

⁽ⁱ⁾ Nevada General includes Queens, Larus, Long Island, and Gold Cloud.

a) Newman Todd Property, Red Lake District, Ontario, Canada

In 2007, the Company acquired a 100% interest in the Newman Todd area properties (comprised of several properties) by issuing 700,000 common shares to the vendor. The mineral claims are subject to a 1% net smelter return ("NSR") royalty provided that the total NSR royalties payable on any claims within the property do not exceed 2.75%. Should a mine be placed into production, the Company is required to issue common shares with a value in the aggregate of \$1,000,000. Should production exceed 250,000 ounces of gold, the Company is required to issue additional common shares with a value of \$1,000,000.

On 19 November 2010, the Company entered into an option agreement with Confederation Minerals Ltd. ("Confederation") whereby Confederation can earn up to a 70% undivided interest in the Company's 100% owned Newman Todd Property in Red Lake, Ontario.

Under the terms of the agreement, Confederation can earn an initial 50% interest in the project by funding \$5,000,000 in exploration and development work, issuing shares of Confederation and making payments to the Company as follows:

	Cash	Shares	Exploration Expenditures on Projects
19 November 2010	\$ 50,000 ⁽ⁱ⁾	100,000 ⁽ⁱ⁾	\$ -
19 November 2011	50,000 ⁽ⁱ⁾	100,000 ⁽ⁱ⁾	2,000,000 ⁽ⁱⁱ⁾
19 November 2012	75,000 ⁽ⁱ⁾	150,000 ⁽ⁱ⁾	1,500,000 ⁽ⁱⁱ⁾
19 November 2013	75,000 ⁽ⁱ⁾	150,000 ⁽ⁱ⁾	1,500,000 ⁽ⁱⁱ⁾
	\$ 250,000	500,000	\$ 5,000,000

⁽ⁱ⁾ Received

⁽ⁱⁱ⁾ Incurred

Upon having earned an initial 50% interest in the project, Confederation can earn an additional 20% interest by providing a Preliminary Assessment of the property, at Confederation's cost, and issuing 500,000 shares of Confederation to the Company. In addition, to maintain the second option in good standing, Confederation will make minimum annual expenditures of \$250,000 commencing on the third anniversary and until the earlier of (a) the full exercise of the second option, and (b) the expiry of the second option.

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On 14 April 2011, the Company acquired, under joint acquisition with Confederation, a 50% interest in 18 mineral claims adjacent to the Newman Todd project (the "Todd Property"). Of the 50% interest acquired by the parties from the vendor, Confederation acquired an undivided 35% interest in the Todd Property (being 70% of vendor's interest) and the Company acquired an undivided 15% interest in the Todd Property (being 30% of the vendor's interest) for the sum of \$70,000. The remaining 50% interest in the claims is held by Rubicon Minerals Corporation.

b) Nevada Properties, USA

AngloGold-Ashanti Agreements

On 9 March 2005, the Company entered into a Data Base Purchase and Buy Back Agreement with AngloGold-Ashanti North America Inc. ("AngloGold") whereby the Company acquired the right to a 100% ownership of an exploration and geological database covering Nevada, Utah, Idaho and California ("Great Basin Database"), in consideration for the issuance of shares and making certain expenditures within the Great Basin. The agreement was subject to AngloGold retaining the right to back into projects for a 60% interest by making certain additional expenditures on specified properties. On 8 May 2008, the Company completed the purchase of the database, eliminating AngloGold's back-in option on various properties, and the agreement was terminated. Pursuant to a subsequent agreement, the back-in rights on properties acquired prior to May, 2008 (Eagle Basin, Richmond Summit, Cooks Creek, Root Spring and Oasis) were converted to royalties of 1% to 2%, depending on the price of gold.

Nevada Properties and AngloGold royalty

Properties	Staked Claims (#)	AngloGold Royalty (%)
Baker	22	-
Cooks Creek	66	1-2
Gold Cloud	20	-
Larus	7	-
Long Island	27	-
Oasis	10	1-2
Painted Hills	14	-
Queens	4	-
Richmond Summit	10	1-2
Root Springs	61	1-2
Seven Devils	54	-

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24 January 2014 Agreement – Nevada Projects

On 24 January 2014, the Company entered into an option-to-purchase agreement (the “24 January 2014 Agreement”) with True Grit, pursuant to which True Grit can acquire 100% of the Company’s assets in Nevada, comprised of 10 of the projects (the “Projects”) in Nevada (including the Cooks Creek Property, and excluding the Root Spring Property as well as the AngloGold-Ashanti database (the “Database”)) owned by the Company, in consideration for making the following staged cash payments and share issuances, and incurring in stages the following exploration expenditures:

	Cash	Shares	Exploration Expenditures on Projects
Within five business days of the effective date ⁽ⁱ⁾	\$ 50,000 ⁽ⁱⁱ⁾	500,000 ⁽ⁱⁱ⁾	\$ -
On or before 20 February 2015	50,000	500,000	250,000
On or before 20 February 2016	50,000	500,000	250,000
On or before 20 February 2017	50,000	1,000,000	250,000
	<u>\$ 200,000</u>	<u>2,500,000</u>	<u>\$ 750,000</u>

⁽ⁱ⁾ Effective date: 20 February 2014

⁽ⁱⁱ⁾ Received

The agreement also provides for additional cash and shares to be received on completion of any bankable feasibility in connection with the Projects, as well as a net smelter royalty ranging from 1% to 2.5%, of which True Grit can purchase 50% for \$1,000,000 for a period of up to two years after the commencement of commercial production. The Agreement supersedes the prior option agreement in respect of the Cooks Creek Property.

24 February 2014 Agreement – Digital Copy of Database

On 24 February 2014, the Company entered into a purchase agreement with Renaissance Gold Inc., to sell a digital copy of the Database, in consideration for \$60,000 (received).

Root Spring Property – Option Agreement

On 6 June 2011, the Company entered into an option agreement, subsequently amended in October, 2012 and November, 2013 (the “Amending Agreement”), with Brocade Metals Corp. (“Brocade”), whereby Brocade has the option to earn a 70% interest in the property in consideration for the following:

	Cash	Shares	Exploration Expenditures on Projects
On signing of the agreement	\$ 20,000 ⁽ⁱ⁾	100,000 ⁽ⁱ⁾	\$ -
On or before 31 December 2011	30,000 ⁽ⁱ⁾	100,000 ⁽ⁱ⁾	100,000 ⁽ⁱⁱ⁾
On or before 31 December 2012	30,000 ⁽ⁱ⁾	60,000 ⁽ⁱ⁾	400,000 ⁽ⁱⁱ⁾
On execution of Amending Agreement	5,000 ⁽ⁱ⁾	-	-
On or before 31 December 2013	-	60,000 ⁽ⁱ⁾	-
On or before 31 December 2014	38,333	60,000	500,000
On or before 31 December 2015	38,333	60,000	750,000
On or before 31 December 2016	38,333	60,000	1,250,000
	<u>\$ 199,999</u>	<u>500,000</u>	<u>\$ 3,000,000</u>

⁽ⁱ⁾ Received

⁽ⁱⁱ⁾ Incurred

During the three month period ended 30 September 2014, the Company was advised by Brocade that it was terminating the Option Agreement on the Roots Springs Property.

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c) Alaska Properties, USA

Shumagin Property

On 19 May 2011, the Company entered into an option agreement with NGAS Production Co. ("NGAS"), a subsidiary of Magnum Hunter Resources Corp. ("Magnum"), to acquire, subject to underlying advance royalty payments of US\$2,000 per month to a maximum of US\$450,000, a 100% interest in the Shumagin Project, in consideration for making the following payments:

	Cash (\$US)	Shares (\$US) ⁽ⁱ⁾
19 May 2011	\$ 100,000 ⁽ⁱⁱ⁾	\$ -
30 June 2011	-	250,000 ⁽ⁱⁱⁱ⁾
15 July 2011	500,000 ⁽ⁱⁱ⁾	-
01 January 2012	200,000 ⁽ⁱⁱ⁾	250,000 ⁽ⁱⁱⁱ⁾
	<u>\$ 800,000</u>	<u>\$ 500,000</u>

⁽ⁱ⁾ The Company must issue in common shares the equivalent dollar-value as stated above.

⁽ⁱⁱ⁾ Paid

⁽ⁱⁱⁱ⁾ Issued

In addition, at the option of NGAS, a final option payment of US\$1,500,000 in cash (US\$1,000,000 on or before 1 September 2012 and US\$500,000 on or before 1 September 2013) or the number of common shares of the Company equivalent to US\$1,500,000 on or before 1 October 2012.

On 31 August 2012, NGAS elected to be paid US\$1,000,000 in cash on 1 September 2012 (paid) and US\$500,000 in cash on or before 1 September 2013 (collectively, the "Payments"). With respect to the US\$1,000,000 due 1 September 2012, NGAS granted the Company an extension of 180 days from and after 1 September 2012 to make the US\$1,000,000 payment due to NGAS, in consideration for making cash payment to NGAS of US\$100,000 on signing of the extension agreement (paid), and issuing in the aggregate 875,000 shares in stages, as to 125,000 shares on the TSX approval of the extension agreement (issued), and 125,000 shares each on the 30th, 60th, 90th, 120th, 150th and 180th days after 1 September 2012 (all issued).

In respect of the US\$1,000,000 originally due on 1 September 2012 and subsequently extended to February 28, 2013, NGAS granted the Company a second extension of 180 days to 1 September 2013, to make the US\$1,000,000 payment due to NGAS, in consideration for making cash payment to NGAS of US\$100,000 on signing of the extension agreement (paid) and share issuances to NGAS of 125,000 shares on the TSX approval of the extension agreement (issued), and additional staged share issuances to NGAS until such time as the Payments are made (625,000 shares issued). All commitments having been met, the Company now owns 100% of the Shumagin Property.

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Unga-Popov Property

On 18 February 2014, the Company signed a Letter of Intent (“LOI”) with Full Metal, to take an assignment of Full Metal’s interest in its agreement with TAC, which agreement is subject to force majeure due to the inability of Full Metal to finalize the last Underlying Agreement. Under the terms of the LOI, the Company may acquire a 100% undivided interest in the property, upon issuance of 4,000,000 shares and payment of a total of US\$50,000 (US\$10,000 paid) to Full Metal, subject to regulatory approval, completion of a definitive agreement including the consent of TAC to the assignment, and satisfying the Underlying Agreements. The LOI supersedes all other agreements with Full Metal in respect of the property.

On 8 September 2014, the Company announced that, together with Full Metal Minerals Ltd. and the Aluet Corporation, it has signed an Assignment and Novation Agreement in respect to the Unga-Popov Property, which replaces the LOI signed on 18 February 2014, whereby all rights and interests held previously by FMM are assigned to Redstar. Pursuant to the Agreement, Redstar is required to perform the following:

	Cash (\$CAD)	Cash (\$US)	Shares issued to Full Metal	Exploration expenditure on the Property (\$US)
On signing of the agreement ⁽ⁱ⁾	\$ 125,000 ⁽ⁱⁱ⁾	\$ 50,000 ⁽ⁱⁱ⁾	750,000 ⁽ⁱⁱ⁾	\$ -
1 January 2015	-	55,000	-	400,000 ⁽ⁱⁱⁱ⁾
1 January 2016	-	60,000	-	500,000 ⁽ⁱⁱⁱ⁾
1 January 2017	-	60,000	-	500,000
1 January 2018	-	-	-	1,000,000
1 January 2019	-	-	-	1,000,000
	<u>\$ 125,000</u>	<u>\$ 230,000</u>	<u>750,000</u>	<u>\$ 3,400,000</u>

⁽ⁱ⁾ 8 September 2014

⁽ⁱⁱ⁾ Paid or issued subsequent to the period-end

⁽ⁱⁱⁱ⁾ Incurred

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10) Equipment

	Computers	Equipment	Vehicles	Total
COST OR DEEMED COST				
Balance at 31 March 2014 and 30 September 2014	\$ 77,911	\$ 27,016	\$ 29,100	\$ 134,027
ACCUMULATED DEPRECIATION				
Balance at 01 April 2013	\$ 62,789	\$ 20,043	\$ 20,497	\$ 103,329
Depreciation for the year	4,051	1,293	2,304	7,648
Balance at 31 March 2014	\$ 66,840	\$ 21,336	\$ 22,801	\$ 110,977
Depreciation for the period	1,661	568	944	3,173
Balance at 30 September 2014	\$ 68,501	\$ 21,904	\$ 23,745	\$ 114,151
CARRYING AMOUNTS				
At 31 March 2014	\$ 11,071	\$ 5,680	\$ 6,299	\$ 23,050
At 30 September 2014	\$ 9,410	\$ 5,112	\$ 5,355	\$ 19,877

11) Capital management

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

12) Share capital

- a) **Authorized: Unlimited common shares without par value.**
b) **Issued or allotted and fully paid:**

During the six month period ended 30 September 2014:

The Company closed, on 27 May 2014, a non-brokered private placement of 55,133,333 units (the "Units") at a price of \$0.06 per unit for gross proceeds of approximately \$3.31 million. Each Unit consisted of one common share and two transferable one-half common share purchase warrants (Warrants A and Warrants B). Each whole Warrant A can be exercised into one common share of the Company at a price of \$0.09 per share until 27 May 2015. Each whole Warrant B can be exercised into one common share of the Company at a price of \$0.12 per share until 27 January 2017. If 18 months after closing the Company's common shares trade at a 33.3 percent premium to the warrant exercise price for 10 consecutive trading days, then the Company can force warrant holders to exercise their Warrants B into common shares of the Company. In connection with the private placement, the Company has paid finder's fees in the amount of \$64,080 to finders who introduced subscribers to the placement.

During the year ended 31 March 2014:

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The Company issued 125,000 common shares in the capital of the Company each on April 23, May 23, June 20, and 23 July 2013, valued at \$8,750, \$10,000, \$8,750 and \$12,500, respectively, in connection with the acquisition of the Shumagin property.

The Company closed a non-brokered private placement (the "Placement"), on 21 August 2013, and issued, for gross proceeds of \$2,166,085, 39,383,363 shares in the capital of the Company and 39,383,363 warrants allowing for the purchase of up to 39,383,363 shares in the capital of the Company at \$0.07 per share until 21 August 2014, and at \$0.10 per share from 22 August 2014 to 21 October 2015. In connection with the Placement, the Company paid a total of \$89,529 in cash and issued in the aggregate 139,080 common shares in the capital of the Company to finders, which shares were valued at \$7,649.

The Company reached agreements, during the year ended 31 March 2014, with various suppliers, pursuant to which it issued, on 5 February 2014 a total of 11,486,102 shares in its capital, in payment for services rendered to the Company during the past 24 months, at a price of \$0.08 per share, for total value of \$918,888.

c) Stock options

The Company has a 20% stock option plan for its directors, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. The maximum term of the options is 5 years.

Stock option activity during the period is summarized as follows:

	30 September 2014	Weighted Average Exercise Price	31 March 2014	Weighted Average Exercise Price
STOCK OPTION ACTIVITY				
Balance – Beginning of period	7,335,000	0.28	6,540,000	0.27
Granted	2,200,000	0.06	1,875,000	0.13
Expired	(505,000)	0.15	-	-
Forfeit	(1,480,000)	0.33	(1,080,000)	-
Balance – End of period	7,550,000	0.18	7,335,000	0.28

Stock-based compensation for the options that vested during the period is as follows:

	30 September 2014
Number of options vested	1,018,750
Compensation recognized	\$ 1,233

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As at the period end 30 September 2014 and the year end 31 March 2014 the Company had the following stock options outstanding:

Expiry date	Exercise Price	30 September 2014 Outstanding	30 September 2014 Exercisable	31 March 2014 Outstanding
16 September 2014	\$ 0.15	-	-	600,000
28 October 2015	0.18	860,000	990,000	1,100,000
23 February 2016	0.30	100,000	150,000	150,000
07 September 2016	0.50	500,000	500,000	500,000
30 September 2016	0.53	-	-	400,000
18 May 2017	0.29	1,675,000	2,010,000	2,310,000
26 July 2017	0.20	400,000	400,000	400,000
30 September 2018	0.10	940,000	750,000	1,000,000
5 December 2014	0.20	475,000	237,500	475,000
5 December 2016	0.10	400,000	200,000	400,000
30 April 2019	0.06	450,000	112,500	-
10 September 2019	0.06	1,750,000	437,500	-
		7,550,000	5,787,500	7,335,000

Subsequent to the period end the Company granted 1,600,000 options to directors, on 29 October 2014.

d) Share-based payments

For the period ended 30 September 2014 and the year ended 31 March 2014, the Company issued stock options to its directors, officers, employees, and consultants and recognized stock-based compensation as follows:

	30 September 2014	31 March 2014
Total Options Granted	2,200,000	1,875,000
Average exercise price	\$ 0.06	\$ 0.13
Estimated fair value of compensation	\$ 66,000	\$ 241,576
Estimated fair value per option	\$ 0.03	\$ 0.13

The fair value of the stock-based compensation of options to be recognized in the accounts has been estimated using the Black-Scholes Model with the following weighted-average assumptions:

	30 September 2014	31 March 2014
Risk free interest rate	1.05%	1.71%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	72%	61%
Expected option life in years	5	3
Expected maturity rate	70-100%	60-100%

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

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e) Warrants

WARRANT ACTIVITY	30 September 2014	Weighted Average Exercise Price	31 March 2014	Weighted Average Exercise Price
Balance – Beginning of Period	42,065,193	0.08	9,839,872	0.51
Issued	55,133,333	0.11	39,383,363	0.07
Expired	(2,681,830)	0.25	(7,158,042)	0.60
Balance – End of Period	94,516,696	0.11	42,065,193	0.08

Date of Issuance	Date of Expiry	Exercise Price	30 September 2014 Outstanding	31 March 2014 Outstanding
20 December 2012	20 June 2014	0.25	-	2,681,830
21 August 2013	21 October 2015	0.07	39,383,363	39,383,363
27 May 2014	27 May 2015	0.09	27,566,666	-
27 May 2014	27 Jan 2017	0.12	27,566,667	-
			94,516,696	42,065,193

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13) Related party transactions

RELATED PARTY DISCLOSURE

Name and Principal Position	Fiscal Period ⁽ⁱ⁾	Remuneration or Fees ⁽ⁱⁱ⁾	Amounts Receivable (Payable)
Acrehouse, a company controlled by the CEO and president – consulting fees	2014 2013	\$ 12,500 \$ -	\$ 13,935 \$ -
R. Bob Singh, former CEO – consulting fees	2014 2013	\$ - \$ 67,500	\$ - \$ -
Highwood Advisory, a company controlled by the former CEO – consulting fees	2014 2013	\$ 42,375 \$ -	\$ - \$ -
Clearline, a company controlled by the CFO – consulting fees	2014 2013	\$ - \$ -	\$ - \$ -
Venturex, a company controlled by the former CFO – consulting fees	2014 2013	\$ 21,000 \$ 21,000	\$ - \$ 3,150
Director	2014 2013	\$ 24,980 \$ 13,172	\$ - \$ -
A former Director	2014 2013	\$ - \$ 18,000	\$ - \$ -
A company of which a former director is a shareholder – admin fees ⁽ⁱⁱⁱ⁾	2014 2013	\$ 72,576 \$ 368,526	\$ 12,752 \$ 829,176

⁽ⁱ⁾ For the six month periods ended 30 September 2014 and 30 September 2013.

⁽ⁱⁱ⁾ Remuneration or fees were paid or accrued to the related party.

⁽ⁱⁱⁱ⁾ During the year ended 31 March 2014, the Company settled an amount owing to Pamicon of \$829,176 by way of issuance of 10,364,701 shares.

The Company conducts a portion of its management and administrative activities through a service contractor of which a former director is a shareholder. For the period ended 30 September 2014, the Company was charged \$nil (2013 - \$11,184) for exploration-related costs and \$72,576 (2013 - \$368,526) to reimburse office and administrative costs as follows:

	30 September 2014	30 September 2013
Contract consulting ⁽ⁱ⁾	\$ 29,542	\$ 281,503
Travel and promotion	-	23,525
Rent	38,251	53,628
Office and miscellaneous	4,783	9,870
	\$ 72,576	\$ 368,526

⁽ⁱ⁾ Includes compensation paid to the former CEO, CFO, and a director of \$nil (2013 - \$147,000).

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14) Segmented disclosure

Rounded to 000's	Canada	United States	Total
30 September 2014			
Current assets	\$ 2,586,000	\$ 55,000	\$ 2,641,000
Non-current Assets			
Non-current deposit	7,000	-	7,000
Exploration and evaluation assets	1,391,000	6,052,000	7,443,000
Equipment	15,000	5,000	20,000
	3,999,000	6,112,000	10,111,000
Liabilities			
Current liabilities	418,000	-	418,000
31 March 2014			
Current assets	\$ 107,000	\$ 51,000	\$ 158,000
Non-current Assets			
Non-current deposit	7,000	-	7,000
Exploration and evaluation assets	1,385,000	5,519,000	6,904,000
Equipment	16,000	7,000	23,000
	1,515,000	5,577,000	7,092,000
Liabilities			
Current liabilities	211,000	-	211,000

15) Comparative figures

Certain comparative figures have been reclassified to conform to current period presentation. The comparative period reclassification groups total telephone costs of \$2,391 with office operations expense. The reclassification has not had an impact on the results of operations for the period.

16) Subsequent events

On 17 November 2014, the Company announced the appointment of Grant T Smith as CFO, effective immediately. Mr. Smith replaced Jeannine Webb in this capacity.

On 29 October 2014, the Company reports that, subject to regulatory approval, it has granted 1,600,000 incentive stock options to certain directors of the Company. The options have been granted under the terms of the Company's stock option plan and are exercisable at a price of \$0.06 per share. The options vest in four equal tranches: the first tranche on the date of grant, then six, twelve, and eighteen months after the date of grant, with a five year term.