

REDSTAR GOLD CORP.
(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements

For the Period Ending December 31, 2013

(Expressed in Canadian Dollars)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of 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 interim financial statements by an entity's auditor

REDSTAR GOLD CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

	Notes	December 31, 2013 \$	March 31, 2013 \$
Assets			
Current assets			
Cash and cash equivalents		28,499	61,026
Marketable securities	6	41,753	33,444
Accounts receivable		11,358	34,202
Due from related party	10	47,059	47,059
Prepaid expenses and advances		55,147	73,263
		<u>183,816</u>	<u>248,994</u>
Non-current assets			
Deposit		7,428	7,428
Exploration and evaluation assets	7	7,048,994	5,467,836
Property, plant and equipment	8	24,758	30,698
		<u>7,081,180</u>	<u>5,505,962</u>
		<u>7,264,996</u>	<u>5,754,956</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		167,608	70,414
Due to related parties	10	871,012	669,973
		<u>1,038,620</u>	<u>740,387</u>
Shareholders' Equity			
Share capital	9	18,746,201	17,350,695
Warrants		794,985	73,935
Contributed surplus		2,464,872	2,284,009
Accumulated other comprehensive income		(43,553)	(46,339)
Deficit		(15,736,128)	(14,647,730)
		<u>6,226,376</u>	<u>5,014,569</u>
		<u>7,264,996</u>	<u>5,754,956</u>

Subsequent events (note 12)

Approved on behalf of the Board:

"R. Bob Singh"

R. Bob Singh, Director

"Douglas Fulcher"

Douglas Fulcher, Director

(The accompanying notes are an integral part of these consolidated financial statements.)

REDSTAR GOLD CORP.
(An Exploration Stage Company)
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	For the Nine Months Ended December 31		For the Three Months Ended December 31	
		2013 \$	2012 \$	2013 \$	2012 \$
Expenses					
Amortization		5,942	7,735	1,837	2,579
Consulting	10	238,387	92,350	65,067	43,817
Contract wages	10	219,358	368,258	53,997	129,696
Insurance		48,303	28,552	27,087	9,050
Investor relations	10	93,400	94,080	29,159	26,880
Office operations	10	19,228	26,506	5,530	9,691
Audit and legal		80,078	24,631	11,493	10,646
Regulatory fees		29,965	5,723	7,689	2,266
Rent	10	93,945	98,455	31,017	36,100
Share-based payments	9	180,863	543,983	60,262	160,790
Telephone	10	3,555	4,743	1,164	1,379
Transfer agent		5,780	4,839	2,324	2,766
Travel and promotion	10	39,515	65,909	20,971	26,561
		1,058,319	1,365,764	317,597	462,221
Other Expenses (Income)					
Interest (income)		(1)	(374)	(0)	(2)
Loss (gain) on sale of marketable securities		(2,762)	16,000	-	6,774
Loss on foreign exchange		34,893	4,947	(5,020)	974
Write off of exploration and evaluation assets		-	152,224	-	12,731
		32,130	172,797	(5,020)	20,477
Loss Before Income Tax		1,090,450	1,538,561	312,577	482,698
Future income tax (recovery)		(2,052)	366	(1,321)	(1,401)
Net Loss for the Period		1,088,398	1,538,927	311,255	481,297
Other Comprehensive Income					
Unrealized loss (gain) on available-for-sale securities		(2,786)	2,562	11,892	(9,807)
Comprehensive Loss for the Period		1,085,612	1,541,489	323,148	471,490
Basic Loss per Share		0.01	0.02	0.00	0.01
Weighted Average Number of Common Shares		92,929,342	67,770,411	113,458,658	68,467,628

(The accompanying notes are an integral part of these consolidated financial statements.)

REDSTAR GOLD CORP.
(An Exploration Stage Company)
Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital		Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
	Number #	Amount \$					
Balance, March 31 2012	67,319,215	16,463,632	42,782	1,680,188	(30,187)	(12,663,997)	5,492,417
Net loss for the year	-	-	-	-	-	(1,983,733)	(1,983,733)
Issued for cash, net of share issuance costs	4,892,000	687,246	-	-	-	-	687,246
Issued on exercise of stock options	100,000	25,000	-	-	-	-	25,000
Issued for mineral property interests	1,125,000	186,250	-	-	-	-	186,250
Fair value of agents' warrants	-	(31,153)	31,153	-	-	-	-
Fair value of stock options exercised	-	19,720	-	(19,720)	-	-	-
Share-based payments expense	-	-	-	623,541	-	-	623,541
Unrealized gain (loss) on available-for-sale securities, net of future income taxes	-	-	-	-	(16,152)	-	(16,152)
Balance, March 31, 2013	73,436,215	17,350,695	73,935	2,284,009	(46,339)	(14,647,730)	5,014,569
Net loss for the period	-	-	-	-	(0)	(1,088,398)	(1,088,398)
Issued for cash, net of share issuance costs	39,383,363	1,347,857	721,050	-	-	-	2,068,907
Issued to finders	139,080	7,649	-	-	-	-	7,649
Issued for mineral property interests	500,000	40,000	-	-	-	-	40,000
Share-based payments expense	-	-	-	180,863	-	-	180,863
Unrealized gain (loss) on available-for-sale securities, net of future income taxes	-	-	-	-	2,786	-	2,786
Balance, December 31, 2013	113,458,658	18,746,201	794,985	2,464,872	(43,553)	(15,736,128)	6,226,376

(The accompanying notes are an integral part of these consolidated financial statements.)

REDSTAR GOLD CORP.
(An Exploration Stage Company)
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)

	Note	For the Nine Months Ended December 31		For the Three Months Ended December 31	
		2013 \$	2012 \$	2013 \$	2012 \$
Operating Activities					
Net loss		(1,088,398)	(1,538,927)	(311,255)	(481,297)
Items not involving cash					
Amortization		5,942	7,734	1,837	2,578
Share-based payments		180,863	543,983	60,262	160,790
Loss (gain) on sale of marketable securities		(2,762)	16,000	-	16,000
Write off of exploration and evaluation assets		-	152,224	-	12,731
Future income tax (recovery)		(2,052)	366	(1,322)	(1,401)
		(906,407)	(818,620)	(250,478)	(290,599)
Changes in non-cash working capital					
Accounts receivable		22,844	71,801	5,656	(13,000)
Prepaid expenses and advances		18,116	(5,838)	(633)	(11,827)
Accounts payable and accrued liabilities		97,194	75,117	19,772	52,521
Due to related parties		201,039	531,314	38,686	18,634
		339,193	672,394	63,481	46,328
Cash used in operating activities		(567,214)	(146,226)	(186,997)	(244,271)
Investing Activities					
Acquisition of exploration and evaluation assets		(1,581,179)	(152,240)	(6,888)	(18,168)
Exploration and evaluation assets expenditures		(92,042)	(3,638,606)	(9,312)	(1,245,455)
Recoveries of acquisition of exploration and evaluation expenditures		79,983	126,896	75,000	104,736
Recoveries of exploration and evaluation assets expenditures		18,329	3,468,036	-	1,194,877
Proceeds from sale of marketable securities		33,040	72,000	-	28,646
Cash used in investing activities		(1,541,869)	(123,914)	58,800	64,636
Financing Activities					
Issuance of shares, net of share issuance costs	9	2,076,556	712,246	-	687,246
Cash provided by financing activities		2,076,556	712,246	-	687,246
Increase (decrease) in cash and cash equivalents		(32,527)	442,106	(128,197)	507,611
Cash and cash equivalents - beginning of period		61,026	108,755	156,696	43,250
Cash and cash equivalents - end of period		28,499	550,861	28,499	550,861
Supplemental Cash Flow Information					
Shares issued for acquisition of exploration and evaluation assets		40,000	118,750	-	118,750
Shares issued for finders' fees		(7,649)	-	-	-
Value of shares received in respect of exploration and evaluation assets		33,750	36,001	33,750	101,506

(The accompanying notes are an integral part of these consolidated financial statements.)

REDSTAR GOLD CORP.
(An Exploration Stage Company)
Notes to Condensed Consolidated Interim Financial Statements
For the nine months ended December 31, 2013 and 2012
(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Redstar Gold Corp. (the "Company") 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. At December 31, 2013, the Company has a working capital deficit of \$854,804 (March 31, 2013: \$491,393) and accumulated deficit of \$15,736,128 (March 31, 2013: \$14,647,730).

These consolidated financial statements have been prepared in accordance with accounting principles on a going concern basis, which contemplates the realization of assets and discharge of liabilities at their carrying values in the normal course of business for the foreseeable future rather than through the process of forced liquidation. The consolidated financial statements do not include any adjustments to the classification and amounts of assets and liabilities that may be required should the Company be unable to continue as a going concern.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate the acquisition of, participation in or interest in new properties, assets or business opportunities, and raise additional funds primarily by way of equity financings. Any acquisition may be subject to shareholder and regulatory approval and obtaining the necessary financing. Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain operations may be impaired and, accordingly, the Company may be unable to continue as a going concern.

2. Basis of preparation, consolidation, and compliance

These condensed consolidated interim financial statements:

- are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and they should be read in conjunction with the annual financial statements for the year ended March 31, 2013 and the notes to the financial statements. The accounting policies set out in Note 3 have been applied consistently to all years presented in these financial statements unless otherwise indicated. The significant accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Company's annual financial statements ended March 31, 2013;
- incorporate the financial statements of the Company and its wholly-owned integrated subsidiaries, Redstar Gold USA Inc. and Redstar Gold (Alaska) Inc. All significant intercompany transactions have been eliminated;
- have been prepared on a historical basis, are presented in Canadian dollars, and were approved by the Board of Directors on February 4, 2014.

3. Summary of significant accounting policies

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

(a) Use of estimates and judgment

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue 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.

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Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing 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.

Significant areas requiring the use of estimates include the fair values of financial instruments; collectability of accounts receivable; the balances of accrued liabilities; impairment of exploration and evaluation assets; determination of deferred tax assets; and the assumptions used in the determination of the fair value of share-based payments, agent compensation options and finder's warrants. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.

- (b) Functional and presentation currency
The Company's functional and presentation currency is the Canadian dollar.

4. Financial instruments

The Company has classified its cash and restricted cash as Fair Value Through Profit or Loss ("FVTPL"); accounts receivable (excluding tax arrangements), as loans and receivables; and accounts payable, loans and interest payable, as other financial liabilities.

The carrying values of cash and restricted cash, accounts receivables and accounts payable approximate their fair values due to the short-term maturity of these financial instruments.

The Company's financial instruments are as follows:

	December 31, 2013	March 31 2013
	\$	\$
Marketable securities	41,753	33,444

5. Financial risk management

- (a) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents, accounts receivable, other than Goods and Services Tax ("GST"), due from related party, and prepaid expenses and advances. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

The Company's maximum exposure to credit risk as at December 31, 2013 and March 31, 2013 is as follows:

	December 31, 2013	March 31 2013
	\$	\$
Cash and cash equivalents	28,499	61,026
Accounts receivable	11,358	34,202
Due from related party	47,059	47,059
Prepaid expenses and advances	55,147	73,263
	142,063	215,550

The Company manages credit risk with respect to its cash by maintaining deposits with a major Canadian financial institution; however, this exposes the Company's cash to concentration of credit risk as all amounts are held at a single institution.

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(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

At December 31, 2013, the Company had cash and cash equivalents of \$28,499 (March 31, 2013: \$61,026), marketable securities of \$41,753 (March 31, 2013: \$33,444), amounts due from a related party and accounts receivable of \$47,059 and \$11,358 respectively (March 31, 2013: \$47,059 and \$34,202), prepaid expenses and advances of \$55,147 (March 31, 2013: \$73,263) and accounts payable and accrued liabilities of \$167,608 (March 31, 2013: \$70,414) and amounts due to related parties of \$871,012 (March 31, 2013: \$669,973). The Company believes it will be able to raise sufficient funds to meet its short-term business requirements. During December, 2013, the Company reached agreements with various suppliers whereby the Company will issue 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 deemed price of \$0.08 per share, for total value of \$918,888. The agreements are subject to regulatory approval.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign currency risk as its monetary assets and liabilities are denominated in Canadian dollars.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

There were no changes in the Company's approach to managing the above risks.

6. Marketable securities

At December 31, 2013 and March 31, 2013, the Company held marketable securities as follows:

REDSTAR GOLD CORP.
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For the nine months ended December 31, 2013 and 2012
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	Shares	Cost	Accumulated Unrealized Gain (Loss)	Total
December 31, 2013	#	\$	\$	\$
Central Resources Corp.(after consol of 3:1)	33,333	30,000	(28,833)	1,167
Confederation Minerals Ltd.	150,000	33,750	-	30,000
True Grit Resources Ltd. (1)	40,000	20,400	(18,400)	2,000
Brocade Metals Corp.	320,000	4	(1)	3
Magna Resources Ltd.	57,219	5,722	2,861	8,583
		89,876	(44,373)	41,753

	Shares	Cost	Accumulated Unrealized Gain (Loss)	Total
March 31, 2013	#	\$	\$	\$
Central Resources Corp.	100,000	30,000	(28,000)	2,000
Confederation Minerals Ltd.	150,000	30,278	(5,528)	24,750
True Grit Resources Ltd. (1)	40,000	20,400	(18,000)	2,400
Brocade Metals Corp.	260,000	3	-	3
Magna Resources Ltd.	57,219	5,722	(1,431)	4,291
		86,403	(52,959)	33,444

(1) Formerly Catalina Metals Corp.

During the nine month period ended December 31, 2013, the Company:

- recognized an unrealized gain on securities held of \$4,838 (March 31, 2013: \$52,959), which is included in other comprehensive income (loss). Future income tax recovery in the amount of \$2,052 (March 31, 2013: \$6,620) was recorded against the unrealized gain for an unrealized gain, net of tax, in the amount of \$2,786 (March 31, 2013: \$46,339).
- recognized a realized gain of \$2,762 on the sale of 150,000 Confederation shares, for net proceeds of \$33,040
- received 150,000 Confederation shares valued at \$33,750, in connection with the Newman Todd property

7. Exploration and evaluation assets

The Company has interests in mineral properties, the details of which follow for the nine month period ended December 31, 2013 and the year ended March 31, 2013:

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For the nine months ended December 31, 2013 and 2012
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	Canada \$	Nevada \$	Alaska \$	Total \$
March 31, 2013	1,493,589	438,638	3,535,609	5,467,836
Acquisitions during the period				
Expenditures	-	15,463	1,605,715	1,621,178
Expenditures recovered	(108,750)	(4,983)	-	(113,733)
Net acquisition costs during the period	(108,750)	10,480	1,605,715	1,507,445
Exploration expenditures during the period				
Assaying	-	391	420	811
Geophysical	-	1,980	24,719	26,699
Camp and exploration support	-	-	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
	-	49,386	42,656	92,041
Expenditures recovered during the period	-	(18,329)	-	(18,329)
Net exploration expenditures during the period	-	31,057	42,656	73,712
Mineral property costs written off during the period	-	-	-	-
December 31, 2013	1,384,839	480,175	5,183,980	7,048,994

Canada includes: Newman Todd

Nevada includes: Painted Hills, Richmond Summit, Root Spring, Cooks Creek, Oasis, Baker, Seven Devils, Queens, Larus, Long Island and Gold Cloud

Alaska includes: Shumagin and Unga-Popof

Property	Balance - March 31, 2013 \$	Acquisition costs \$	Acquisition costs recovered \$	Exploration expenditures \$	Exploration expenditures recovered \$	Mineral property costs written off \$	Balance - December 31, 2013 \$
Newman Todd	1,493,589	-	(108,750)	-	-	-	1,384,839
Nevada General	110,773	-	-	10,292	-	-	121,065
Painted Hills	42,101	-	-	2,021	-	-	44,122
Richmond Summit	38,180	-	-	1,443	-	-	39,623
Root Spring	(14,233)	-	(4,983)	8,804	(8,804)	-	(19,216)
Cooks Creek	58,003	-	-	10,005	(9,525)	-	58,483
Oasis	59,522	-	-	1,443	-	-	60,965
Baker Spring	1,896	-	-	3,657	-	-	5,553
Seven Devils	142,396	15,463	-	11,721	-	-	169,580
Shumagin	3,530,604	1,605,715	-	42,656	-	-	5,178,975
Unga-Popof	5,005	-	-	-	-	-	5,005
	5,467,836	1,621,178	(113,733)	92,041	(18,329)	-	7,048,994

Nevada General includes: Queens, Larus, Long Island, and Gold Cloud

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	Canada \$	Nevada \$	Alaska \$	Total \$
March 31, 2012	1,604,589	556,548	3,010,265	5,171,402
Acquisitions during the year				-
Expenditures	-	42,533	414,523	457,055
Expenditures recovered	(111,000)	(89,392)	-	(200,392)
Net acquisition costs during the year	(111,000)	(46,859)	414,523	256,663
Exploration expenditures during the year				
Assaying	322,124	38,809	-	360,933
Consulting - geology	1,000,877	152,491	78,642	1,232,009
Consulting - geophysical	-	26,835	2,275	29,110
Consulting - geochemical	-	506	-	506
Camp and exploration support	139,113	13,571	1,742	154,426
Drilling	1,793,054	366,824	2,048	2,161,926
Environmental	165,486	-	-	165,486
Preliminary economic assessment	33,198	-	-	33,198
Land and tenure	121,500	113,689	14	235,203
Travel and accommodation	135,816	45,829	17,054	198,699
Equipment rental	285,260	-	-	285,260
Maps and reports	2,539	-	9,046	11,585
Reclamation	783	-	-	783
	3,999,749	758,554	110,821	4,869,124
Expenditures recovered during the year	(3,999,749)	(649,723)	-	(4,649,472)
Net exploration expenditures during the year	-	108,831	110,821	219,652
Mineral property costs written off during the year	-	(179,882)	-	(179,882)
March 31, 2013	1,493,589	438,638	3,535,609	5,467,836

Canada includes: Newman Todd

Nevada includes: Painted Hills, Richmond Summit, Root Spring, Cooks Creek, Oasis, Baker, Seven Devils, Queens, Larus, Long Island and Gold Cloud

Alaska includes: Shumagin and Unga-Popof

Property	Balance - March 31, 2012 \$	Acquisition costs \$	Acquisition costs recovered \$	Exploration expenditures \$	Exploration expenditures recovered \$	Mineral property costs written off \$	Balance - March 31, 2013 \$
General	-	-	-	-	-	-	-
Newman Todd	1,604,589	-	(111,000)	3,999,749	(3,999,749)	-	1,493,589
Nevada General	121,245	-	-	104,139	(6,072)	(108,539)	110,773
Eagle Basin	71,343	-	-	-	-	(71,343)	-
Painted Hills	39,973	-	-	2,128	-	-	42,101
Richmond Summit	36,450	-	-	1,730	-	-	38,180
Root Spring	16,528	14,813	(45,207)	515,798	(516,165)	-	(14,233)
Cooks Creek	94,632	-	(36,625)	15,359	(15,363)	-	58,003
Oasis	53,166	-	-	6,356	-	-	59,522
Baker Spring	8,950	-	(7,560)	102,003	(101,497)	-	1,896
Seven Devils	114,261	27,720	-	11,041	(10,626)	-	142,396
Shumagin	3,005,260	414,523	-	110,821	-	-	3,530,604
Unga-Popof	5,005	-	-	-	-	-	5,005
	5,171,402	457,056	(200,392)	4,869,124	(4,649,472)	(179,882)	5,467,836

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

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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 November 2, 2009, the Company entered into an option agreement with Central Resources Corp. (“Central”) whereby Central had the option to earn up to a 60% undivided interest in the Company’s 100% owned Newman Todd Property in Red Lake, Ontario, subject to making certain payments to the Company. On November 15, 2010 Central formally advised the Company that it would not be continuing with the option on the Newman Todd property

On November 19, 2010, the Company entered into an option agreement with 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:

Incurring exploration and development expenditures, as to:

- \$2,000,000 by November 19, 2011 (incurred);
- \$1,500,000 by November 19, 2012 (incurred);
- \$1,500,000 by November 19, 2013 (incurred).

Cash payments and share issuances of Confederation to the Company, as to:

- \$50,000 and 100,000 shares on signing (received);
- \$50,000 and 100,000 shares by November 19, 2011 (received);
- \$75,000 and 150,000 shares by November 19, 2012 (received);
- \$75,000 and 150,000 shares by November 19, 2013 (received).

Upon having earned an initial 50% interest in the project, Confederation can earn an additional 20% interest by providing a National Instrument 43-101 compliant Preliminary Economic 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. Confederation has now earned the initial 50% interest in the Newman Todd property.

On April 14, 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

(a) AngloGold-Ashanti Agreements

On March 9, 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

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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 May 8, 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 (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	Number of staked claims and mineral leases	AngloGold royalty
	#	%
Baker	22	-
Cooks Creek	66	1-2
Gold Cloud	20	-
Larus	7	-
Long Island	40	-
Oasis	13	1-2
Painted Hills	14	-
Queens	4	-
Richmond Summit	10	1-2
Root Spring	124	1-2
Seven Devils	70	-

Baker Property – Lease Agreement

On June 14, 2011, the Company entered into a mining lease agreement with Newmont USA Limited, a subsidiary of Newmont Mining Corporation ("Newmont"), whereby Newmont may lease the property in consideration for a 2.5% NSR and the following:

Cash payments to the Company

- US\$5,000 on signing of the agreement (received);
- US\$7,500 on or before June 14, 2012 (received);
- US\$10,000 on or before June 14, 2013;
- US\$20,000 on or before June 14, 2014;
- US\$30,000 on or before June 14, 2015 and annually thereafter.

Incur expenditures on the property

- US\$75,000 on or before June 14, 2012 (incurred);
- an additional US\$150,000 on or before June 14, 2013.

On April 22, 2013, the Company was advised by Newmont that it was terminating its lease agreement for the Baker property.

(b) Cooks Creek Property – Option Agreement

On February 25, 2011, the Company entered into an agreement, subsequently amended, with Catalina Metals Corp. (now True Grit Resources Ltd. ("True Grit")), whereby True Grit has the option to earn a 60% interest in the Cooks Creek Property in consideration for the following:

Cash payments to the Company

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- \$35,000 on approval by the Exchange (the “Approval Date”), received on March 7, 2011 (received);
- \$35,000 on or before March 7, 2013 (received);
- \$55,000 on or before March 7, 2014;
- \$75,000 on or before March 7, 2015.

Share issuances to the Company

- 100,000 common shares within 5 days of Approval Date (received);
- 20,000 common shares⁽¹⁾ on or before March 7, 2013 (received);
- 20,000 common shares⁽¹⁾ on or before March 7, 2014;
- 20,000 common shares⁽¹⁾ on or before March 7, 2015;
- 20,000 common shares⁽¹⁾ on or before March 7, 2016.

⁽¹⁾ Post-consolidation True Grit common shares. The common shares of True Grit were consolidated on November 5, 2012, as to 5 old common shares for one new common share.

Exploration expenditures on the Property

- \$125,000 on or before March 7, 2012 (incurred);
- \$575,000 on or before March 7, 2014;
- \$800,000 on or before March 7, 2015;
- \$1,000,000 on or before March 7, 2016.

Upon having earned an initial 60% in the property, True Grit can elect to earn an additional 10% interest by expending a further \$2,000,000 in exploration expenditures.

(c) Oasis Property

The property is comprised of 13 claims acquired by staking. AngloGold holds a 2% NSR royalty. On October 30, 2009, the Company acquired two associated placer claims, which are subject to a 1.5% NSR with pre-production royalties payable as to US\$9,000 per year (paid) for years 1-3, US\$12,000 per year for years 4 to 8, and US\$15,000 per year for years 9 to commercial production. The NSR can be purchased for US\$800,000 at any time. On November 26, 2012, the Company terminated the purchase agreement dated October 30, 2009 to acquire the two associated placer claims.

(d) Root Spring Property – Option Agreement

On June 6, 2011, the Company entered into an option agreement, subsequently amended in October, 2012 and November, 2013 (the “Amended 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 payments to the Company

- \$20,000 on the signing of the agreement (received);
- \$30,000 on or before December 31, 2011 (received);
- \$30,000 on or before December 31, 2012 (received);
- \$5,000 on execution of the Amending Agreement (received);
- \$38,333 annually on or before December 31, 2014, 2015 and 2016.

Share issuances to the Company

- 100,000 shares on the signing of the agreement (received);
- 100,000 shares on or before December 31, 2011 (received);
- 60,000 shares on or before December 31, 2012 (received),
- 60,000 shares on or before December 31 (received);
- 60,000 shares annually on or before December 31, 2014, 2015 and 2016.

Incur expenditures on the Property

- \$100,000 on or before December 31, 2011 (incurred);

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- an additional \$400,000 on or before December 31, 2012 (incurred);
- an additional \$500,000 on or before December 31, 2014;
- an additional \$750,000 on or before December 31, 2015;
- an additional \$1,250,000 on or before December 31, 2016.

(e) Seven Devils Property

The property is comprised of 54 claims acquired by staking and 16 leased claims. The leased claims are subject to a 2% NSR. Pursuant to an agreement, as amended, in respect of the leased claims, the Company is required to make quarterly advance minimum royalty payments of US\$5,000 from October 1, 2009 to July 1, 2012 (paid), US\$7,500 from October 1, 2012 to July 1, 2013 (paid), US\$7,500 each on or before October 1, 2013 (paid) and December 1, 2013, and US\$10,000 thereafter, as well as minimum annual exploration expenditures of US\$150,000 until the Company has prepared and delivered a positive prefeasibility study.

(f) Seven Devils and Long Island Properties – First Right of Refusal

On August 30, 2012, the Company entered into an agreement with True Grit, whereby the Company granted the exclusive first right of refusal on the Seven Devils and the Long Island properties to True Grit for a period of six months, in consideration for payment of the Bureau of Land Management of the US Department of the Interior (the “BLM”) fees (received) and the County (“County”) fees (received). Upon receipt of the BLM and County fees, True Grit earned the first right of refusal to enter into a formal option agreement to earn a 70% interest in the properties, and to conduct exploration programs and incur exploration expenditures on the properties for a period of six months. The agreement with True Grit expired on February 28, 2013.

C. Alaska Properties, USA

(a) Shumagin Property

On May 19, 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:

Cash payments to NGAS:

- US\$100,000 on signing of the agreement (paid);
- US\$500,000 on or before July 15, 2011 (paid);
- US\$250,000 on or before January 1, 2012 (paid).

Share issuances to NGAS:

- US\$250,000 by the issuance of common shares of the Company on or before June 30, 2011 (issued)
- US\$250,000 by issuance of common shares of the Company on or before January 1, 2012 (issued)

Cash payment or share issuances to NGAS:

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

On August 31, 2012, NGAS elected to be paid US\$1,000,000 in cash on September 1, 2012 (paid) and US\$500,000 in cash on or before September 1, 2013 (collectively, the “Payments”). With respect to the US\$1,000,000 due September 1, 2012, NGAS granted the Company an extension of 180 days from and after September 1, 2012 to make the US\$1,000,000 payment due to NGAS, in consideration for making cash payment to NGAS of

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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 September 1, 2012 (all issued).

In respect of the US\$1,000,000 originally due on September 1, 2012 and subsequently extended to February 28, 2013, NGAS granted the Company a second extension of 180 days to September 1, 2013, to make the US\$1,000,000 payment due to NGAS, in consideration for making:

Cash payment to NGAS:

- US\$100,000 on signing of the extension agreement (paid)

Share issuances to NGAS, until such time as the Payments are made:

- 125,000 shares on the TSX approval of the extension agreement (issued);
- 125,000 shares on or before March 31, 2013 (issued);
- 125,000 shares on or before April 30, 2013 (issued);
- 125,000 shares on or before May 31, 2013 (issued);
- 125,000 shares on or before June 30, 2013 (issued);
- 125,000 shares on or before July 31, 2013 (issued);
- 125,000 shares on or before August 30, 2013 (not required).

All commitments having been met, the Company now owns 100% of the Shumagin Property.

(b) Unga-Popof Property

On June 9, 2011, the Company entered into agreement with Full Metal Minerals Ltd. ("Full Metal") to acquire 60% of Full Metal's interest in the Unga-Popof Property in consideration for the following:

Cash payments to Full Metal

- US\$5,000 on signing of the agreement (paid)
- US\$70,000 within five business days of finalization of the underlying agreements as negotiated by Full Metal
- US\$75,000 on or before August 1, 2012
- US\$75,000 on or before August 1, 2013
- US\$75,000 on or before August 1, 2014.

Share issuances to Full Metal

- 250,000 common shares of the Company within 5 business days of the finalization of the underlying agreements by Full Metal
- 250,000 common shares of the Company on or before August 1, 2012
- 250,000 common shares of the Company on or before August 1, 2013
- 250,000 common shares of the Company on or before August 1, 2014.

Incur expenditures on the Property

- US\$500,000 on or before August 1, 2012
- an additional US\$1,000,000 on or before August 1, 2013
- an additional US\$1,500,000 on or before August 1, 2014
- an additional US\$2,000,000 on or before August 1, 2015.

In addition, the Company has the option of earning an additional 15% interest by producing a Bankable Feasibility Study and issuing an additional 1,000,000 common shares of the Company to Full Metal. The Unga-Popof Property is subject to three underlying agreements, two of which have been executed.

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On July 29, 2013, the agreement entered into with Full Metal on June 9, 2011 was amended to extend payment dates (all other terms of the agreement remain the same), such that the Company maintains the right to acquire 60% of Full Metal's interest in the Unga-Popof Property in consideration for the following:

	Cash payments to Full Metal US\$	Share issuances to Full Metal ⁽²⁾ #	Incur expenditures on the Property US\$
On signing of the agreement	5,000	-	-
Within 5 business days of completion of the Underlying Agreements ⁽¹⁾	70,000	250,000	-
On or before one year after completion of the Underlying Agreements	75,000	250,000	500,000
On or before 2 years after completion of the Underlying Agreements	75,000	250,000	1,000,000
On or before 3 years after completion of the Underlying Agreements	75,000	250,000	1,500,000
On or before 4 years after completion of the Underlying Agreements	-	-	2,000,000

⁽¹⁾ The Unga-Popof Property is subject to three underlying agreements (the "Underlying Agreements"), two of which have been executed.

⁽²⁾ Subject to regulatory approval of the agreement.

8. Property, plant and equipment

	Cost				Accumulated Amortization				Net	
	March 31, 2013		December 31, 2013		March 31, 2013		December 31, 2013		March 31, 2013	December 31, 2013
	Additions	Dispositions	Additions	Dispositions	Additions	Dispositions	Additions	Dispositions	Additions	Dispositions
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Computer equipment	77,911	0	-	77,911	62,789	3,153	-	65,942	15,122	11,969
Equipment	27,016	-	-	27,016	20,043	994	-	21,037	6,973	5,979
Automobiles	29,100	-	-	29,100	20,497	1,794	-	22,291	8,603	6,809
Total	134,027	0	-	134,027	103,329	5,941	-	109,270	30,698	24,758

	Cost				Accumulated Amortization				Net	
	March 31, 2012		March 31, 2013		March 31, 2012		March 31, 2013		March 31, 2012	March 31, 2013
	Additions	Dispositions	Additions	Dispositions	Additions	Dispositions	Additions	Dispositions	Additions	Dispositions
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Computer equipment	73,987	3,924	-	77,911	57,148	5,641	-	62,789	16,839	15,122
Equipment	27,016	-	-	27,016	18,300	1,743	-	20,043	8,716	6,973
Automobiles	29,100	-	-	29,100	16,979	3,518	-	20,497	12,121	8,603
Total	130,103	3,924	-	134,027	92,427	10,902	-	103,329	37,676	30,698

9. Capital stock

Authorized: Unlimited number of common shares without par value
Issued at December 31, 2013: 113,458,658 common shares

During the period ended December 31, 2013, the Company issued 125,000 common shares in the capital of the Company each on April 23, 2013, May 23, 2013, June 20, 2013 and July 23, 2013, valued at \$8,750, \$10,000, \$8,750 and \$12,500, respectively, in connection with the acquisition of the Shumagin property.

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On August 21, 2013, the Company closed a non-brokered private placement (the "Placement") 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 for a period of one year from closing, and at \$0.10 per share for the 14-month period commencing one year from closing. In connection with the Placement, the Company paid a total of \$89,529 and issued in the aggregate 139,080 common shares in the capital of the Company to finders, which shares were valued at \$7,649.

During December, 2013, the Company reached agreements with various suppliers whereby the Company will issue 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 deemed price of \$0.08 per share, for total value of \$918,888. The agreements are subject to regulatory approval.

Share purchase warrants

As at December 31, 2013 and March 31, 2013, the Company had share purchase warrants outstanding as follows:

Expiry Date	December 31, 2013		March 31, 2013	
	Number of Warrants #	Weighted Average Exercise Price \$	Number of Warrants #	Weighted Average Exercise Price \$
June 20, 2014	2,681,830 ^(a)	0.25	7,158,042 ^(a)	0.60
October 21, 2015	39,383,363 ^(b)	0.07	2,681,830 ^(b)	0.25
	42,065,193	0.08	9,839,872	0.51

(a) The warrants were valued at \$31,153 using the Black-Scholes pricing model with the following assumptions: risk-free interest rate: 1.13%; expected stock price volatility: 235.83% and expected warrant life in years: 1.5.

(b) The warrants were valued at \$721,050 using the Black-Scholes pricing model with the following assumptions: risk-free interest rate: 1.07%; expected stock price volatility: 100.58% and expected warrant life in years: 1.

The following table presents changes in warrants for the period ended December 31, 2013 and the year ended March 31, 2013:

	December 31, 2013		March 31, 2013	
	Number of Warrants #	Weighted Average Exercise Price \$	Number of Warrants #	Weighted Average Exercise Price \$
Outstanding at beginning of period	9,839,872	0.51	7,158,042	0.60
Issued during the period	39,383,363	⁽¹⁾	2,681,830	0.25
Expired during the period	(7,158,042)	-		
Outstanding at end of period	42,065,193	0.08	9,839,872	0.51

⁽¹⁾ The warrants are exercisable at \$0.07 on or before August 21, 2014 and at \$0.10 from August 22, 2014 to October 21, 2015

Stock options

The Company has a 20% stock option plan, which allows the Board of Directors to grant options to directors, officers, employees and consultants. The maximum term of the options is five years. Options vest as to 25% at the date of grant and an additional 25% each six months thereafter.

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As at December 31, 2013 and March 31, 2013 the Company had stock options outstanding to directors, employees and consultants as follows:

December 31, 2013				
Outstanding Number of Options	Exercisable Number of Options		Expiry Date	Exercise Price
#	#			\$
600,000	600,000		September 16, 2014	0.15
1,100,000	1,100,000		October 28, 2015	0.18
150,000	150,000		February 23, 2016	0.30
500,000	500,000		September 7, 2016	0.50
400,000	400,000		September 30, 2016	0.53
2,310,000	1,732,500		May 18, 2017	0.29
400,000	200,000		July 26, 2017	0.20
1,000,000	250,000		September 30, 2018	0.10
475,000	118,750		December 5, 2014	0.20
400,000	118,750		December 5, 2016	0.10
7,335,000	5,170,000			

March 31, 2013				
Outstanding Number of Options	Exercisable Number of Options		Expiry Date	Exercise Price
#	#			\$
740,000	740,000		September 16, 2014	0.15
1,600,000	1,600,000		October 28, 2015	0.18
150,000	150,000		February 23, 2016	0.30
500,000	500,000		September 7, 2016	0.50
400,000	400,000		September 30, 2016	0.53
2,750,000	1,375,000		May 18, 2017	0.29
400,000	200,000		July 26, 2017	0.20
6,540,000	4,965,000			

The following table presents changes in stock options for the period ended December 31, 2013 and the year ended March 31, 2013:

	December 31, 2013		March 31, 2013	
	Outstanding Number of Options	Weighted Average Exercise Price	Outstanding Number of Options	Weighted Average Exercise Price
	#	\$	#	\$
Outstanding at beginning of period	6,540,000	0.27	5,235,000	0.26
Granted	1,875,000	0.13	3,150,000	0.28
Exercised	-	-	(100,000)	0.25
Expired	-	-	(795,000)	0.23
Forfeited	(1,080,000)	-	(950,000)	0.26
Outstanding at end of period	7,335,000	0.28	6,540,000	0.27

Share-based payments

The fair value of incentive stock options is recognized as share-based payments expense over the vesting period of the options.

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The fair value of stock options granted during the period is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2013	March 31, 2013
Risk-free interest rate	1.0% to 1.07%	1.43%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	101.39% to 224.91%	173.17%
Expected option life in years	1 to 5	5

10. Related party transactions

- (a) The Company conducts the majority of its management, administrative and exploration activities through a services contractor in which a director is a shareholder. For the period ended December 31, 2013, the Company was charged \$12,260 (2012: \$176,857) for exploration-related costs and \$483,973 (2012: \$613,792) to reimburse office and administrative costs as follows:

	\$	\$
Contract and consulting*	363,126	368,258
Travel and promotion	27,433	40,715
Investor relations	0	94,080
Rent	79,051	83,024
Office and miscellaneous	14,363	27,715
	483,973	613,792
* includes compensation for the Chief Executive Officer ("CEO") and a Director:	171,000	189,000

As at December 31, 2013, the Company owed \$863,695 (March 31, 2013: \$661,573) to that contractor. The amount due to this related party is without interest and is due on demand. These transactions were made in the normal course of operations and are recorded at the exchange amount, being the amount agreed upon by the related parties.

- (b) During the period ended December 31, 2013, the Company was charged \$31,500 (December 31, 2012: \$31,500) by a company whose principal is the Chief Financial Officer. At December 31, 2013, the Company owed \$3,150 to that company (March 31, 2013: \$8,400).
- (c) During the period ended December 31, 2013, the Company incurred \$4,167 (December 31, 2012: \$Nil) from a company whose principal is a director and the Chairman of the Board of Directors. At December 31, 2013, the Company owed \$4,167 to that company (March 31, 2013: \$Nil).
- (d) Compensation of key management personnel for the periods ending December 31, 2013 and 2012 is summarized as follows:

	December 31, 2013	December 31, 2012
	\$	\$
Fees for the CEO, CFO and a Director	202,500	220,500

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the periods ended December 31, 2013 and 2012.

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- (e) At December 31, 2013, the Company was owed, without interest and on demand, \$47,059 (March 31, 2013: \$47,059) by a company related by virtue of common directorship, in respect of the Cooks Creek property.

11. Segmented information

The Company has one operating segment, mineral exploration and development and operates in two geographical segments, Canada and the United States. The capital assets and total assets identifiable with these geographical areas are as follows:

	December 31, 2013	March 31, 2013
	\$	\$
Capital Assets (including exploration and evaluation assets and deposits)		
Canada	1,410,216	1,523,112
United States	5,670,964	3,982,850
	7,081,180	5,505,962

	December 31, 2013	March 31, 2013
	\$	\$
Total Assets		
Canada	1,594,032	1,772,106
United States	5,670,964	3,982,850
	7,264,996	5,754,956

12. Subsequent events

- entered into an option-to-purchase agreement (the "Agreement") with True Grit whereby True Grit can acquire 100% of the Company's assets in Nevada. The assets consist of a 100% interest in 10 projects (the "Projects") in Nevada as well as the AngloGold-Ashanti database purchased by the Company in 2005. To exercise the option, True Grit will, over a three year period, make staged payments totaling \$200,000, issue a total of 2,500,000 shares in its capital to the Company, and incur exploration expenditures totaling \$750,000 on the Projects. The Agreement also provides for additional cash and share payments to the Company 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 2 years after the commencement of commercial production. The Agreement is subject to regulatory approval.
- in respect of the shares-for-debt arrangement announced in December, 2013, the Company has filed for regulatory approval. Pursuant to the agreements with various suppliers, the Company will issue a total of 11,486,102 shares in its capital in payment for past services rendered to the Company, at a deemed price of \$0.08 per share, for total value of \$918,888.