

**Ascot Resources Ltd.**

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)**

**For the six month period ended September 30, 2014**

## NOTICE OF NO AUDIT REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 5 1-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim 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 unaudited interim 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.

Robert Evans

CFO

November 19, 2014

# Ascot Resources Ltd.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

Expressed in Canadian Dollars

September 30, 2014

	September 30, 2014 \$	March 31, 2014 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 5)	\$5,967,627	\$2,965,862
Receivables	62,837	638,169
Prepaid expenses and deposits	171,569	30,958
<b>Total current assets</b>	<b>\$6,202,033</b>	<b>\$3,634,989</b>
<b>Non-current assets</b>		
Available-for-sale investment (Note 6)	\$59,500	\$102,000
Reclamation deposits (Note 7)	340,000	340,000
Exploration and evaluation assets (Note 8)	32,592,537	30,227,007
Property, plant and equipment (Note 9)	73,804	71,544
<b>Total non-current assets</b>	<b>\$33,065,841</b>	<b>\$30,740,551</b>
<b>Total assets</b>	<b>\$39,267,874</b>	<b>\$34,375,540</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Trade and other payables	\$207,266	\$138,192
Other liabilities (Note 10)	79,993	-
<b>Total current liabilities</b>	<b>\$287,259</b>	<b>\$138,192</b>
<b>Non-current liabilities</b>		
Provisions (Note 11)	\$253,112	\$249,112
Deferred tax liability	4,924,041	4,357,880
<b>Total non-current liabilities</b>	<b>\$5,177,153</b>	<b>\$4,606,992</b>
<b>Total liabilities</b>	<b>\$5,464,412</b>	<b>\$4,745,184</b>
<b>Shareholders' equity</b>		
Share capital (Note 12)	\$63,723,718	\$58,530,138
Contributed surplus (Note 12)	9,669,948	7,532,168
Accumulated other comprehensive income	98,084	135,272
Accumulated deficit	(39,688,288)	(36,567,222)
<b>Total shareholders' equity</b>	<b>\$33,803,462</b>	<b>\$29,630,356</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$39,267,874</b>	<b>\$34,375,540</b>

Signed on behalf of the Board of Directors by:

"Robert A. Evans" (signed)

Director

"Ken M. Carter" (signed)

Director

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

# Ascot Resources Ltd.

## CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS/INCOME (UNAUDITED)

Expressed in Canadian Dollars  
For the six months ended September 30, 2014

	For the three months ended September 30,		For the six months ended September 30,	
	2014 \$	2013 \$	2014 \$	2013 \$
<b>Interest and other income (Note 10)</b>	<b>\$114,936</b>	<b>\$ 9,080</b>	<b>\$135,720</b>	<b>\$ 10,372</b>
Professional fees	\$149,832	\$ 125,560	\$303,575	\$ 259,793
Office and administration	21,900	21,395	37,030	79,028
Share based compensation	39,169	1,994,101	2,193,050	1,994,101
Promotion and shareholders' costs	54,916	106,615	88,627	113,927
Accretion expense	2,000	2,000	4,000	4,000
Swamp Point maintenance costs	42,807	1,476	59,031	12,762
<b>Total expenses</b>	<b>\$310,624</b>	<b>\$ 2,251,147</b>	<b>\$2,685,313</b>	<b>\$ 2,463,611</b>
<b>Loss before income tax</b>	<b>\$(195,688)</b>	<b>\$ (2,242,067)</b>	<b>\$(2,549,593)</b>	<b>\$(2,435,239)</b>
Deferred tax (expense) recovery (Note 14)	(447,215)	(333,738)	(571,473)	(366,833)
<b>Loss after income tax</b>	<b>\$(642,903)</b>	<b>\$ (2,575,805)</b>	<b>\$(3,121,066)</b>	<b>\$(2,820,072)</b>
<b>Other comprehensive income, net of tax</b>				
Fair value losses on available for sale investment net of deferred taxes	\$(7,437)	\$ (37,188)	\$(37,188)	\$(104,125)
<b>Total other comprehensive income, net of tax</b>	<b>(7,437)</b>	<b>\$ (37,188)</b>	<b>\$(37,188)</b>	<b>\$(104,125)</b>
<b>Total comprehensive loss/income for the period</b>	<b>\$(650,340)</b>	<b>\$ (2,538,617)</b>	<b>\$(3,158,254)</b>	<b>\$(2,942,197)</b>
<b>Loss per common share, basic and diluted (Note 18)</b>	<b>\$(0.01)</b>	<b>\$(0.03)</b>	<b>\$(0.03)</b>	<b>\$(0.03)</b>

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# Ascot Resources Ltd.

## CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Expressed in Canadian Dollars  
For the six months ended September 30, 2014

	Share Number	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total \$
<b>Balance at April 1, 2013</b>	<b>82,094,801</b>	<b>\$51,721,506</b>	<b>\$5,578,235</b>	<b>\$269,147</b>	<b>\$(33,033,807)</b>	<b>\$24,535,081</b>
Loss for the period		-	-	-	(2,820,072)	(2,820,072)
Share capital issued (Note 12)	8,049,000	5,757,100	-	-	-	5,757,100
Warrants issued		(154,881)	154,881	-	-	-
Warrants exercised	1,486,875	1,239,016	(49,516)	-	-	1,189,500
Share issue costs		(498,499)	-	-	-	(498,499)
Options vested		-	1,994,101	-	-	1,994,101
Available-for-sale investment		-	-	(104,125)	-	(104,125)
<b>Balance at September 30, 2013</b>	<b>91,630,676</b>	<b>\$58,064,242</b>	<b>\$7,677,701</b>	<b>\$165,022</b>	<b>\$(35,853,879)</b>	<b>\$30,053,086</b>
<b>Balance at April 1, 2014</b>	<b>92,491,301</b>	<b>\$58,530,138</b>	<b>\$7,532,168</b>	<b>\$135,272</b>	<b>\$(36,567,222)</b>	<b>\$29,630,356</b>
Loss for the period		-	-	-	(3,121,066)	(3,121,066)
Share capital issued	3,679,556	3,311,625				3,311,625
Options vested			2,193,050			2,193,050
Warrants issued		(94,288)	94,288			-
Warrants exercised	2,882,400	2,290,441	(149,558)			2,140,883
Share issue costs		(314,198)				(314,198)
Available-for-sale investment		-	-	(37,188)	-	(37,188)
<b>Balance at September 30, 2014</b>	<b>99,053,257</b>	<b>\$63,723,718</b>	<b>\$9,669,948</b>	<b>\$98,084</b>	<b>\$(39,688,288)</b>	<b>\$33,803,462</b>

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

# Ascot Resources Ltd.

## CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

Expressed in Canadian Dollars  
For the six months ended September 30, 2014

	September 30, 2014 \$	September 30, 2013 \$
<b>Cash flows from operating activities</b>		
Loss for the period	\$(3,121,066)	\$ (2,820,072)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation (Note 9)	-	-
Accretion expense	4,000	4,000
Stock based compensation	2,193,050	1,994,101
Deferred income tax expense	571,473	366,833
Changes in non-cash working capital balances:		
Receivables	575,332	(4,627)
Prepaid expenses	(140,611)	(26,687)
Trade and other payables	69,074	98,277
Other liabilities	79,993	-
<b>Total cash inflows from operating activities</b>	<b>\$231,245</b>	<b>\$(388,175)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(41,040)	-
Investment in exploration and evaluation assets	(2,326,750)	(2,555,174)
<b>Total cash (outflows) from investing activities</b>	<b>\$(2,367,790)</b>	<b>\$(2,555,174)</b>
<b>Cash flows from financing activities</b>		
Share issuances	3,311,625	5,757,100
Cost of issue of shares	(314,198)	(498,499)
Proceeds from exercise of warrants	2,140,883	1,189,500
<b>Total cash inflows from financing activities</b>	<b>\$5,138,310</b>	<b>\$6,448,101</b>
<b>Total increase (decrease) in cash during the period</b>	<b>\$3,001,765</b>	<b>\$3,504,752</b>
<b>Cash and cash equivalents at beginning of period (Note 5)</b>	<b>\$2,965,862</b>	<b>\$965,872</b>
<b>Cash and cash equivalents at end of period (Note 5)</b>	<b>\$5,967,627</b>	<b>\$4,470,624</b>

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

## **1. CORPORATE INFORMATION**

Ascot Resources Ltd.'s business activity is the exploration and evaluation of mineral properties. Ascot Resources Ltd. (the "Company") was incorporated under the Business Corporations Act of British Columbia in May 1986. The Company has one wholly-owned subsidiary, Ascot USA Inc., a Washington corporation. The Company is listed on the TSX Venture Exchange, having the symbol AOT-V, as a Tier 2 mining issuer and is in the process of exploring its mineral properties.

The address of the Company's corporate office and principal place of business is #202 15388 24Ave Surrey, British Columbia, V4A 2J2, Canada.

## **2. BASIS OF PREPARATION**

### **a) Statement of Compliance**

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on November 19, 2014.

### **b) Basis of Measurement**

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets. These consolidated financial statements are expressed in Canadian dollars and include the accounts of Ascot Resources Ltd. and its wholly-owned US subsidiary, Ascot USA Inc. All intercompany transactions and balances are eliminated on consolidation.

The consolidated financial statements are presented in Canadian dollars ("CDN"), which is also the functional currency of the Company and its wholly-owned subsidiary.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

### **c) Going Concern of Operations**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. As at September 30, 2014, the Company had not yet achieved profitable operations, had a deficit of \$39,688,288, and expects to incur further losses in the development of its business, all of which indicates material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Realization values may be substantially different from carrying values as shown.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been adopted for the year ending March 31, 2014 and have been applied consistently to all periods presented in these consolidated financial statements.

#### **a) Foreign Currency Transactions**

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the period-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in comprehensive loss. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

#### **b) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

#### **c) Mineral Exploration and Evaluation Expenditures**

##### **Pre-exploration Costs**

Pre-exploration costs are expensed in the year in which they are incurred.

##### **Exploration and Evaluation Expenditures**

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** CONTINUED**d) Reclamation Deposits**

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

**e) Property, Plant and Equipment****Recognition and Measurement**

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

**Subsequent Costs**

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**Major Maintenance and Repairs**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

**Gains and Losses**

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

**Depreciation**

Depreciation is recognized in profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Diamond drills	Straight line over 3 Years
Field Equipment	Straight line over 3 Years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** CONTINUED

#### **f) Impairment of Non-Financial Assets**

Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in accumulated other comprehensive loss/income.

#### **g) Financial Instruments**

##### **Financial Assets**

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

##### **Loans and Receivables**

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, and comprise of cash and cash equivalents, receivables and reclamation deposits. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

##### **Available-For-Sale Investments**

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

##### **Impairment on Financial Assets**

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** CONTINUED

#### **Financial Liabilities**

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade and other payables. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

#### **h) Provisions**

##### **Rehabilitation Provision**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

##### **Other Provisions**

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

#### **i) Income Taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** CONTINUED**j) Share Capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, preferred shares, share warrants, share options and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Flow-through Shares**

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognised as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through share proceeds in Note 10.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

**k) Loss Per Share**

Basic loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

**l) Share-based Payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** CONTINUED

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

#### **m) Standards, Amendments and Interpretations**

Effective April 1, 2013, the Company adopted the following new and revised International Financial Reporting Standards.

- Amendment to IAS 1, Presentation of Financial Statements

The amendments to IAS 1 revised the presentation of other comprehensive income (OCI). Separate subtotals are required for items which may subsequently be recycled through profit or loss and items that will not be recycled through profit or loss. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

- IFRS 7 Financial Statements: Disclosures

The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

- IFRS 10 Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

- IFRS 11 Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

- IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

- IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

The following standards and interpretations have been issued but are not yet effective:

- IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after February 1, 2015. The Company is in the process of evaluating the impact of the new standard.

- IAS 24 Related Party Disclosures

The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

- IFRIC 21 Levies

The IASB issued IFRIC 21 – Levies (“IFRIC 21”), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“Obligating Event”). IFRIC 21 clarifies that the Obligating Event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

##### **Judgments**

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

##### **a) Exploration and Evaluation Expenditure**

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

##### **b) Title to Mineral Property Interests**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

##### **c) Income Taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

##### **Estimates**

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The estimates and assumptions that have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS CONTINUED**

##### **a) Rehabilitation Provisions**

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

##### **b) Share-based Payment Transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 13.

#### **5. CASH AND CASH EQUIVALENTS**

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

	September 30, 2014	March 31, 2014
Cash	\$467,627	\$ 465,862
Guaranteed Investment Certificates ("GICs")	5,500,000	2,500,000
	<u>\$5,967,627</u>	<u>\$ 2,965,862</u>

Cash is held at a Canadian chartered bank and at registered brokers. The GICs are held at a Canadian Chartered Bank. The GICs bear interest at 1.20 % (2013 – 1.95%). The GICs may be redeemed on twenty-four hours notice to the bank.

Included in cash and cash equivalents is \$3,243,000 ( March 31, 2013 – \$296,000) which is required to be spent on flow-through expenditures.

#### **6. AVAILABLE-FOR-SALE INVESTMENT**

Available-for-sale investment consists of an investment in common shares of Cardero Resource Corp. and therefore has no fixed maturity date or coupon rate. The fair value of the listed available-for-sale investment has been determined directly by reference to published price quotations in an active market.

<b>Cardero Resource Corp.</b>	Numbers of shares	Amount \$
<b>Balance March 31, 2014</b>	850,000	\$ 102,000
Loss on revaluation during the period	-	(42,500)
<b>Balance September 30, 2014</b>	<u>850,000</u>	<u>\$59,500</u>



**7. RECLAMATION DEPOSITS**

The Company is required to maintain reclamation deposits for its Swamp Point and Premier properties in respect of their expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. The reclamation deposits are held in certificates of deposits with a Canadian chartered bank and the Ministry of Finance.

	<b>Balance</b>			<b>Balance</b>
	<b>April 1, 2013</b>	<b>Additions</b>	<b>Disposals</b>	<b>March 31, 2014</b>
	\$	\$	\$	\$
<b>Premier</b>				
Acquisition	\$ 400,000	\$500,000	\$ -	\$ 900,000
Exploration	13,353,511	2,109,917	-	15,463,428
<b>Dilworth</b>				
Acquisition	2,103,659	400,000	-	2,503,659
Exploration	6,282,780	426,915	-	6,709,695
<b>Mt. Margaret</b>				
Acquisition	2,142,209	-	-	2,142,209
Exploration	2,408,453	99,563	-	2,508,016
<b>Total</b>	<b>\$ 26,690,612</b>	<b>\$3,536,395</b>	<b>\$-</b>	<b>\$30,227,007</b>

	<b>Balance</b>			<b>Balance</b>
	<b>April 1, 2014</b>	<b>Additions</b>	<b>Disposals</b>	<b>September 30, 2014</b>
	\$	\$	\$	\$
<b>Premier</b>				
Acquisition	\$ 900,000	\$ -	\$ -	\$ 900,000
Exploration	15,463,428	2,316,989	-	17,780,417
<b>Dilworth</b>				
Acquisition	2,503,659	-	-	2,503,659
Exploration	6,709,695	-	-	6,709,695
<b>Mt. Margaret</b>				
Acquisition	2,142,209	-	-	2,142,209
Exploration	2,508,016	48,541	-	2,556,557
<b>Total</b>	<b>\$ 30,227,007</b>	<b>\$ 2,365,530</b>	<b>\$ -</b>	<b>\$32,592,537</b>

**8. EXPLORATION AND EVALUATION ASSETS** CONTINUED**PREMIER**

In June 2009, the Company signed an Option agreement for the Silbak-Premier gold mine in northern British Columbia, whereby, it could acquire a 100% interest in the mineral claims, mining leases, crown granted mineral claims and freehold and surface titles in British Columbia, Canada and Alaska, U.S.A. This property adjoins the Company's Dilworth property.

In order to purchase the assets the Company must make the following payments:

- (1) \$100,000 within ten days of the approval of the agreement by the TSX Venture Exchange (paid);
- (2) \$100,000 on or before June 2010 (paid);
- (3) \$100,000 on or before June 2011 (paid);
- (4) \$100,000 on or before June 2012 (paid);
- (5) \$500,000 on or before December 31, 2013 (paid);
- (6) \$500,000 on or before December 31, 2014;
- (7) \$9,550,000 on or before December 31, 2015.

On July 19, 2013, the Company signed an amended agreement with the optionors confirming the terms as set out above.

In order to exercise the option the Company must have exercised its right to acquire the Dilworth property and will grant the optionor a 1% Net Smelter Royalty ("NSR") and the first right to purchase at market prices all base metal concentrates produced from the Silbak-Premier option. In addition, as part of the amended agreement, Ascot will grant the optionor an additional 5% Net Smelter Royalty which can be bought out for \$9,550,000 upon the exercise of the option. The Net Smelter Royalty can only be bought out once the Net Smelter Royalty on the Dilworth option has been bought out (see below).

**DILWORTH**

The Company can acquire a 100% interest in the Dilworth Property, British Columbia, subject to a 1% NSR, by making the following option payments.

- (1) \$200,000 on receiving regulatory approval, which occurred in April 2007 (paid);
- (2) \$300,000 on or before April 2008 (paid);
- (3) \$200,000 on or before April 2009 (paid);
- (4) \$200,000 on or before April 2010 (paid);
- (5) \$500,000 on or before April 2011 (paid);
- (6) \$200,000 on or before April 2012 (paid);
- (7) \$400,000 on or before December 31, 2013 (paid);
- (8) \$400,000 on or before December 31, 2014;
- (9) \$4,150,000 on or before December 31, 2015.

On July 19, 2013, the Company signed an amended agreement with the optionors confirming the terms as set out above.

In November 2007 the Company acquired three crown grants (Old Timer, Butte and Yellowstone) which are located near the Company's Dilworth property. The consideration included \$100,000 cash (paid) and 200,000 common shares of the Company (issued), which were recorded at fair market value at the date of agreement. These properties are subject to a 1% NSR on the crown grants. In addition, as part of the amended agreement, Ascot will grant the optionor an additional 5% Net Smelter Royalty which can be bought out for \$4,150,000 upon exercise of the option.

**8. EXPLORATION AND EVALUATION ASSETS** CONTINUED**MT. MARGARET**

In March 2010 the Company signed an Option agreement, whereby, it could acquire a 100% interest in General Moly Inc.'s 50% interest in the Mt. Margaret property in Washington, USA. In order to purchase the property the Company made the following payments:

- i) \$100,000 US on signing (paid);
- ii) \$300,000 US fifteen months from the date of signing (paid);
- iii) \$335,000 US on May 31, 2012 (paid); and
- iv) \$1,300,000 US on October 10, 2012 (paid).

The optionor retains a 1.5% NSR. The Company may purchase one-half of the NSR upon completion of a preliminary economic assessment. The purchase price shall be negotiable but shall not be less than 50% of the net present value of the NSR.

**SWAMP POINT**

The Company holds a 100% interest in a Lease and foreshore tenure, expiring May 15, 2028, for the purpose of quarrying, digging and removal of sand and gravel at Swamp Point.

In July 2008, the Company announced that it was suspending work on the construction of a ship loading facility at Swamp Point until such time as aggregate markets improve. In December 2010, with no activity at Swamp Point, management decided to write the property off as impaired.

**9. PROPERTY, PLANT AND EQUIPMENT**

	Diamond Drills \$	Field Equipment \$	Total \$
<b>Cost</b>			
<b>Balance at April 1, 2013</b>	<b>\$684,754</b>	<b>\$116,546</b>	<b>\$801,300</b>
Additions	-	-	-
<b>Balance at March 31, 2014</b>	<b>\$ 684,754</b>	<b>\$ 116,546</b>	<b>\$ 801,300</b>
Additions	-	41,040	41,040
<b>Balance at September 30, 2014</b>	<b>\$684,754</b>	<b>\$157,586</b>	<b>\$842,340</b>
<b>Depreciation and impairment losses</b>			
<b>Balance at April 1, 2013</b>	<b>\$ 508,519</b>	<b>\$ 74,849</b>	<b>\$ 583,368</b>
Depreciation for the year	111,039	35,349	146,388
<b>Balance at March 31, 2014</b>	<b>\$ 619,558</b>	<b>\$ 110,198</b>	<b>\$ 729,756</b>
Depreciation for the period	32,528	6,252	38,780
<b>Balance at September 30, 2014</b>	<b>\$652,086</b>	<b>\$116,450</b>	<b>\$768,536</b>
<b>Carrying amounts</b>			
<b>At March 31, 2014</b>	<b>\$ 65,196</b>	<b>\$ 6,348</b>	<b>\$ 71,544</b>
<b>At September 30, 2014</b>	<b>\$32,668</b>	<b>\$41,136</b>	<b>\$73,804</b>

As of September 30, 2014, accumulated depreciation of \$768,536 (March 31, 2014 - \$729,756) has been capitalized to exploration and evaluation activities.

## 10. OTHER LIABILITIES

Other liabilities comprise the premium liability of the flow-through shares issued, representing the estimated difference between the quoted market price of a non flow-through share and the amount the investors pay for the flow-through shares. The following is a continuity schedule of the premium liability of the flow-through shares issuances.

### Flow-through Shares

	Issued May and June 2014 \$	Total \$
<b>Balance at March 31, 2013 and 2014</b>	\$ -	\$ -
Issuance of flow through May and June 2014	183,978	183,978
Derecognition of premium liability on expenditure of flow-through share proceeds	(103,985)	(103,985)
<b>Balance at September 30, 2014</b>	<b>\$ 79,993</b>	<b>\$ 79,993</b>

## 11. PROVISIONS

	Rehabilitation \$
<b>Balance at April 1, 2013</b>	<b>\$241,112</b>
Accretion of interest	8,000
<b>Balance at March 31, 2014</b>	<b>\$ 249,112</b>
Accretion of interest	4,000
<b>Balance at September 30, 2014</b>	<b>\$ 253,112</b>

### Rehabilitation Provision

Ascot Resources Ltd. makes full provision for the future cost of site rehabilitation on a discounted basis at the time exploration and evaluation activities take place. The rehabilitation provision represents the present value of rehabilitation costs relating to exploration and evaluation activities.

## 12. SHARE CAPITAL AND RESERVES

### Common Shares

The Company is authorized to issue an unlimited number of common shares.

The holders of common shares are entitled to receive dividends which may be declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets. The following is a summary of changes in common share capital from April 1, 2013 to September 30, 2014:

	Number of Shares	Issue Price	Amount
<b>Balance at March 31, 2013</b>	<b>82,094,801</b>		<b>\$ 51,721,506</b>
Flow-through share issuance	2,456,000	\$0.75	1,842,000
Share issuances	5,593,000	\$0.70	3,915,100
Issue of shares on exercise of options	675,000	\$0.27	327,783
Issue of shares on exercise of warrants	1,672,500	\$0.70-0.80	1,377,129
Less share issue costs	-		(653,380)
<b>Balance at March 31, 2014</b>	<b>92,491,301</b>		<b>\$58,530,138</b>
Flow-through share issuance	3,679,556	\$0.95	3,311,625
Issue of shares on exercise of warrants	2,882,400	\$0.70-0.95	2,290,441
Less share issue costs	-		(408,486)
<b>Balance at September 30, 2014</b>	<b>99,053,257</b>		<b>\$63,723,718</b>

In July and August 2013 the Company completed two private placements:

1. A flow-through private placement consisting of the issue and sale of 2,456,000 flow-through units at a price of \$0.75 per flow-through unit for gross proceeds of \$1,842,000. There was no premium liability related to the flow-through feature. Each flow-through unit consisted of one flow-through common share and one flow through share purchase warrant. Each flow through warrant entitles the holder to purchase one additional flow-through share of the Company at a price of \$0.75 per share for a period of 12 months after the closing of the offering. The brokers received a finders' fees of \$138,150 and 181,200 warrants exercisable at \$0.75 per share. The warrants expire 12 months after the closing of the offerings. Using the Black-Scholes model, a risk free factor at 1.14%, an expected dividend yield of 0.00%, an average expected life of one year and a volatility factor of 83.43% the value of the warrants was determined to be \$44,479 recorded to share issuance costs.
2. An equity private placement consisting of the issue and sale of 5,593,000 units at a price of \$0.70 per unit for gross proceeds of \$3,915,100. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.70 per share for a period of 24 months after the closing of the offering. The brokers received a finders' fees of \$291,383 and 419,475 warrants exercisable at \$0.70 per share. The warrants expire 12 months after the closing of the offerings. Using the Black-Scholes model, a risk free factor at 1.14%, an expected dividend yield of 0.00%, an average expected life of one year and a volatility factor of 83.43% the value of the warrants was determined to be \$110,402 recorded to share issuance costs.

# Ascot Resources Ltd.

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars  
For the six months ended September 30, 2014

In May and June 2014 the Company completed two tranches of a flow through private placement:

On May 30, 2014, the Company closed the first tranche of a non-brokered private placement for 2,146,530 units at a price of \$0.95 per unit for a gross proceeds of \$2,039,204. Each unit consists of one flow-through share and one-half of one non-transferable share purchase warrant. Each warrant is exercisable for an additional common share until May 30, 2016 at an exercise price of \$1.05. In connection with the private placement, the Company paid to the finders a cash commission of \$142,744 plus 150,257 non-transferrable warrants exercisable into common shares until May 30, 2016 at an exercise price of \$0.95. Using the Black-Scholes model, a risk free factor at 1.05%, an expected dividend yield of 0.00%, an average expected life of two years and a volatility factor of 81.41% the value of the warrants was determined to be \$57,588 recorded to share issuance costs.

On June 12, 2014, the Company closed the second tranche of a non-brokered private placement for 1,533,026 units at a price of \$0.95 per unit for a gross proceeds of \$1,456,375. Each unit consists of one flow-through share and one-half of one non-transferable share purchase warrant. Each warrant is exercisable for an additional common share until June 12, 2016 at an exercise price of \$1.05. In connection with the private placement, the Company paid to the finders a cash commission of \$101,946 plus 95,812 non-transferrable warrants exercisable into common shares until June 12, 2016 at an exercise price of \$0.95. Using the Black-Scholes model, a risk free factor at 1.05%, an expected dividend yield of 0.00%, an average expected life of two years and a volatility factor of 81.41% the value of the warrants was determined to be \$36,700 recorded to share issuance costs. In addition, the Company paid one finder an advisory fee of \$25,000.

As at September 30, 2014, \$3,243,000 of these funds remained to be spent on qualifying Canadian exploration expenses as defined by the Canadian Income Tax Act (March 31, 2014 \$296,000).

### Contributed Surplus

The following is a summary of changes in contributed surplus:

	September 30, 2014	March 31, 2014
	\$	\$
Warrants	\$ 1,005,231	\$ 1,060,501
Share Options (Note 13)	8,664,717	6,471,667
<b>Contributed Surplus</b>	<b>\$ 9,669,948</b>	<b>\$ 7,532,168</b>

**Share Purchase Warrants**

The following is a summary of changes in warrants from April 1, 2013 to June 30, 2014:

	Number of Warrants	Average Exercise Price \$
<b>Balance at April 1, 2013</b>	<b>4,651,375</b>	<b>0.86</b>
Issue of warrants	8,649,675	0.72
Exercise of warrants	(1,672,500)	(0.79)
Expiry of warrants	(3,164,500)	(0.89)
<b>Balance March 31, 2014</b>	<b>8,464,050</b>	<b>0.71</b>
Issue of warrants	2,085,847	1.04
Exercise of warrants	(2,882,400)	(0.74)
Expiry of warrants	(27,150)	(0.75)
<b>Balance as at June 30, 2014</b>	<b>7,640,347</b>	<b>0.79</b>

As at June 30, 2014, the Company had outstanding warrants as follows:

Number of warrants	Exercise price	Expiry
766,513	\$ 1.05	June 12, 2016
95,812	\$0.95	June 12, 2016
1,073,265	\$1.05	May 30, 2016
146,757	\$0.95	May 30, 2016
5,000,572	\$0.70	August 16, 2015
557,428	\$0.70	July 31, 2015
<b>7,640,347</b>		

Subsequent to the period end, 517,763 warrants were exercised at \$1.05, 79,282 were exercised at \$0.95 and 121,428 were exercised at \$0.70.

**e) Nature and Purpose of Equity and Reserves**

The reserves recorded in equity on the Company's balance sheet include 'Contributed Surplus', 'Accumulated Other Comprehensive Loss/Income' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise.

'Accumulated Other Comprehensive Loss/Income' includes an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings from period to period.



### 13. SHARE-BASED PAYMENTS

#### a) Option Plan Details

The Company has an incentive Stock Option Plan (“the Plan”) under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms of up to five years. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria. All options granted vest immediately.

The following is a summary of changes in options from April 1, 2013 to September 30, 2014:

Grant Date	Expiry Date	Price	Opening Balance April 1, 2013	During the Year		Closing Balance March 31 2014	During the Period		Closing Balance June 30, 2014
				Granted	Exercised		Granted	Exercised	
02/06/2009	02/06/2014	\$0.27	675,000	-	(675,000)	-	-	-	-
03/30/2010	03/30/2015	\$0.77	300,000	-	-	300,000	-	-	300,000
01/19/2011	01/19/2016	\$0.71	1,100,000	-	-	1,100,000	-	-	1,100,000
02/08/2012	02/08/2017	\$1.20	1,800,000	-	-	1,800,000	-	-	1,800,000
09/17/2013	09/17/2018	\$0.95	-	2,600,000	-	2,600,000	-	-	2,600,000
02/21/2014	02/21/2019	\$1.04	-	200,000	-	200,000	-	-	200,000
06/20/2014	06/20/2019	\$0.88	-	-	-	-	3,350,000	-	3,350,000
			3,875,000	2,800,000	(675,000)	6,000,000	3,350,000	-	9,350,000
Weighted Average Exercise Price			\$0.87	\$0.96	\$0.27	\$0.98	\$0.88	-	\$0.94

Subsequent to the period end 50,000 options were exercised at \$1.04 and 50,000 were exercised at \$0.88.

#### b) Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the year ended March 31, 2014 was \$0.77 and for the period ended September 30 2014 was \$0.63.

As at September 30, 2014, the stock options outstanding have a weighted average remaining contractual life of 3.6 years.

#### Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
06/20/2014	06/20/2019	\$ 0.88	\$ 0.88	1.48%	60-months	93.97%	0.00%

#### c) Amounts Expensed Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions that were capitalized during the period as part of exploration and evaluation activities were \$nil.

## 14. INCOME TAXES

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate for the full financial year applied to the pre-tax income of the interim period.

	September 30, 2014	September 30, 2013
	\$	\$
Loss before income taxes	\$ (2,549,593)	\$ (2,435,239)
Deferred income tax applicable to flow through expenditures	\$ 566,161	\$ 351,958
Deferred income tax applicable to available for sale investment	5,312	14,875
Total deferred income tax expense	\$ 571,473	\$ 366,833

As at March 31, 2014, the Company has estimated non-capital losses for Canadian and US income tax purposes of \$24,486,000 and \$177,000 respectively, that may be carried forward to reduce taxable income derived in future years, as summarized below.

Non-capital Canadian tax losses expiring as follows:

Year of Expiry	Taxable Losses
2029	\$ 469,000
2030	405,000
2031	19,913,000
2032	1,304,000
2033	1,216,000
2034	1,179,000
<b>Total</b>	<b>\$ 24,486,000</b>

## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

### **General Objectives, Policies and Processes:**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

#### **a) Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

##### *Interest Rate Risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts of major Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its financial institutions. As of September 30, 2014, the Company holds fixed interest bearing financial instruments and therefore the Company has no exposure to interest rate fluctuations. The Company had \$5,500,000 invested in GICs held at a Canadian chartered bank as at September 30, 2014.

##### *Foreign Currency Risk*

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. As a result, the Company's exposure to foreign currency risk is insignificant.

##### *Commodity Price Risk*

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to gold, silver and copper to determine the appropriate course of action to be taken by the Company.

##### *Sensitivity Analysis*

As at September 30, 2014, the carrying value of the Company's financial instruments related to cash and cash equivalents, investment, receivables, reclamation bonds and accounts payable and accrued liabilities approximate their fair value. However, if the Company's investment had to be liquidated on short notice, there is a risk that the Company might not receive their full fair market value.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- (i) Interest rate risk is remote as the interest rates on the Company's short term investments have fixed interest rates.
- (ii) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the market price of gold, silver and copper. Prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities are produced in the future, a profitable market will exist for them. A decline in the market prices may also require the Company to reduce its mineral resources, which could have a material and adverse effect on the Company's value.

As of September 30, 2014, the Company is not a producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

**Equity Price Risk:**

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings. The available-for-sale investment in the common shares of Cardero Resource Corporation is monitored by Management.

**b) Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represent the maximum credit exposure. The Company has gross credit exposure at September 30, 2014 and March 31, 2014 relating to cash and cash equivalents of \$5,967,627 and \$2,965,862 respectively. All cash and cash equivalents are held at a Canadian Chartered Bank. The Company considers the risk to be minimal for all cash and cash equivalent assets based on changes that are reasonably possible at the reporting date.

**c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable. Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

**Determination of Fair Value:**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying amounts for cash and cash equivalents and trade and other payables approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

**Fair Value Hierarchy:**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The available-for-sale investment is based on quoted prices and is therefore considered to be Level 1.

## **16. CAPITAL MANAGEMENT**

The Company monitors its cash, common shares, warrants and stock options as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business.

The Company is not exposed to any externally imposed capital requirements.

There has been no significant change to the Company's capital management policies during the period ended September 30, 2014.

## 17. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the year:

### a) Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation comprised:

	Six months ended September 30, 2014 \$	Six months ended September 30, 2013 \$
Consulting fees and salaries	294,613	277,406
Share-based payments	1,515,017	1,610,620
	\$1,809,630	\$ 1,888,026

### b) Loans to Key Management Personnel

No loans were made to Directors or any other key management personnel, including personally related entities during the reporting period.

### c) Other Related Party Transactions

No options were exercised by directors or officers in the quarters ended September 30, 2014 and September 30, 2013.

Included in accounts payable at both September 30, 2014 and March 31, 2014 are \$20,627 of amounts due to related parties, which pertains to royalties on product sold by the Company during the year ended March 31, 2008. Included in prepaids is \$100,000 in prepaid management fees (March 31, 2014 \$nil).

## 18. SEGMENTAL REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities. The Company has two geographic centres, Canada and the US. All of the Company's assets are in Canada except for the Mt. Margaret property which is located in the US. Costs for Mt. Margaret are included in exploration and evaluation assets, as disclosed in Note 8.

## 19. LOSS PER SHARE

	September 30, 2014	September 30, 2013
Loss attributable to ordinary shareholders	\$(3,158,254)	\$(2,942,197)
Weighted average number of common shares (basic and diluted)	98,075,747	86,990,854
Basic and diluted loss per share	\$(0.03)	\$(0.03)

For the period ended September 30, 2014 common equivalent shares totaling 16,990,347 (September 30 2013: 15,124,675) consisting of shares issuable on the exercise of options and warrants have been excluded from the calculation of diluted loss per share because the effect is anti-dilutive. Diluted loss per share is equal to basic loss per share.