KIVALLIQ ENERGY CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED MARCH 31, 2013

Canadian Dollars

Unaudited – Prepared by Management

Notice of Non-review of Condensed Interim Financial Statements

The attached condensed interim financial statements for the three and six month periods ended March 31, 2013 have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed interim financial statements.

Kivalliq Energy Corporation
(An Exploration Stage Company)
Condensed Statements of Financial Position
(Expressed in Canadian Dollars)
Unaudited – Prepared by Management

ASSETS	Notes	As at March 31, 2013	As at September 30, 2012
Current			
Cash and cash equivalents		$ **5,384,203**	$ 6,663,542
Other receivables		**3,230**	66,904
HST recoverable		**124,851**	400,457
Prepaid expenses		**100,181**	95,937
		5,612,465	7,226,840
Equipment	3	**719,572**	735,678
Intangible Assets	4	**424**	848
Exploration and Evaluation Assets *(Schedule)*	5	**49,725,762**	46,998,000
		56,058,223	54,961,366
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**927,564**	1,013,653
Deferred Tax Liability		**4,122,247**	4,561,553
		5,049,811	5,575,206
SHAREHOLDERS' EQUITY			
Share Capital	6	**53,201,805**	53,080,461
Prepaid share reserve	6	**2,000,000**	-
Contributed Surplus		**7,772,058**	7,801,902
Deficit		**(11,965,451)**	(11,496,203)
		51,008,412	49,386,160
		$ **56,058,223**	$ 54,961,366

Nature of Operations and Going Concern *(Note 1)*
Commitments *(Notes 5 and 10)*
Subsequent Events *(Notes 6 and 12)*

APPROVED ON MAY 22, 2013 ON BEHALF OF THE BOARD:

"James Paterson", CEO ,Director *"John Robins"* ,Director

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

Kivalliq Energy Corporation

(An Exploration Stage Company)

Condensed Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

	Notes	Three month periods ended March 31 2013	Three month periods ended March 31 2012	Six month periods ended March 31 2013	Six month periods ended March 31 2012
Expenses					
Amortization and depreciation		**$ 41,377**	$ 38,733	**$ 81,081**	$ 69,832
Bank charges and interest		**596**	2,425	**874**	3,548
Investor relations		**50,552**	68,026	**116,790**	109,156
Listing and filing fees		**13,748**	48,084	**14,101**	48,237
Office and sundry		**49,788**	58,267	**97,225**	121,154
Professional fees		**26,702**	58,722	**58,622**	111,684
Salaries and consulting fees		**195,547**	144,806	**450,341**	324,715
Stock-based compensation	**6**	**-**	1,643,650	**-**	1,650,069
Transfer agent fees		**6,310**	4,274	**8,003**	5,521
Travel and conference		**60,665**	56,331	**113,130**	121,320
Loss before the undernoted		**(445,285)**	(2,123,318)	**(940,167)**	(2,565,236)
Other income (expenses)					
Interest		**13,996**	17,179	**32,984**	30,848
Loss on foreign exchange		**(740)**	(1,077)	**(1,371)**	(1,858)
Part 12.6 tax expense		**-**	(9,882)	**-**	(9,882)
Amortization of flow-through premium liability		**-**	292,733	**-**	292,733
Loss before income taxes		**(432,029)**	(1,824,365)	**(908,554)**	(2,253,395)
Deferred tax recovery (expense)		**229,757**	(459,093)	**439,306**	(197,576)
Net loss and comprehensive loss for the period		**(202,272)**	(2,283,458)	**(469,248)**	(2,450,971)
Basic and diluted loss per common share		**$ (0.00)**	$ (0.02)	**$ (0.00)**	$ (0.02)
Weighted average number of common shares outstanding		**173,900,592**	134,411,157	**173,777,821**	128,494,643

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Kivalliq Energy Corporation

(An Exploration Stage Company)

Condensed Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

	Share Capital					
	Number of shares	Amount	Prepaid share reserve	Contributed surplus	Deficit	Total shareholders' equity
Balance, September 30, 2011	122,613,526	30,991,994	-	5,866,528	(5,840,959)	31,017,563
Issued						
Private placements – non flow-through	20,251,444	9,113,150	-	-	-	9,113,150
Private placements – flow-through	23,617,900	10,628,055	-	-	-	10,628,055
Exercise of options	258,000	59,080	-	-	-	59,080
Exercise of warrants	6,607,500	2,312,625	-	-	-	2,312,625
Fair value of options exercised	-	35,253	-	(35,253)	-	-
Fair value of warrants exercised	-	956,692	-	(956,692)	-	-
Stock-based compensation	-	-	-	2,594,741	-	2,594,741
Share issuance costs – cash	-	(970,921)	-	-	-	(970,921)
Tax benefit on share issuance costs	-	287,111	-	-	-	287,111
Share issuance costs - warrants	-	(332,578)	-	332,578	-	-
Loss for the year	-	-	-	-	(5,655,244)	(5,655,244)
Balance, September 30, 2012	173,348,370	53,080,461	-	7,801,902	(11,496,203)	49,386,160
Issued						
Private placement - shares and warrants (note 6 (d))			2,000,000			2,000,000
Exercise of options	560,000	91,500	-	-	-	91,500
Fair value of options exercised	-	29,844	-	(29,844)	-	-
Loss for the period	-	-	-	-	(469,248)	(469,248)
Balance, March 31, 2013	**173,908,370**	**$ 53,201,805**	**$ 2,000,000**	**$ 7,772,058**	**$ (11,965,451)**	**$ 51,008,412**

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

Kivalliq Energy Corporation

(An Exploration Stage Company)

Condensed Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

	Three month periods ended March 31		Six month periods ended March 31	
	2013	2012	**2013**	2012
Cash Flows from Operating Activities				
Net loss for the period	**$ (202,272)**	$ (2,283,458)	**$ (469,248)**	$ (2,450,971)
Adjustments for:				
Amortization and depreciation	**41,377**	38,733	**81,081**	69,832
Deferred tax recovery	**(229,757)**	459,093	**(439,306)**	197,576
Stock-based compensation	**-**	1,643,650	**-**	1,650,069
Amortization of flow-through premium liability	**-**	(292,733)	**-**	(292,733)
Interest income	**(13,996)**	(17,179)	**(32,984)**	(30,848)
Changes in non-cash working capital:				
Other receivables	**2,049**	190,018	**22,693**	420,081
HST recoverable	**377,545**	(64,912)	**275,606**	748,541
Prepaid expenses	**23,023**	(208,803)	**(4,244)**	(81,467)
Accounts payable and accrued liabilities	**(22,293)**	103,392	**39,277**	109,152
	(24,324)	(432,199)	**(527,125)**	339,232
Interest received	**71,893**	3,632	**73,965**	33,492
	47,569	(428,567)	**(453,160)**	372,724
Cash Flows used in Investing Activities				
Exploration and evaluation expenditures	**(1,001,727)**	(1,399,815)	**(2,853,128)**	(5,885,491)
Equipment and intangible assets	**(33,459)**	(239,256)	**(64,551)**	(248,863)
	(1,035,186)	(1,639,071)	**(2,917,679)**	(6,134,354)
Cash Flows from Financing Activities				
Issuance of share capital, net of issuance costs	**2,001,500**	11,401,238	**2,091,500**	11,433,738
Net increase(decrease) in cash and cash equivalents	**1,013,883**	9,333,600	**(1,279,339)**	5,672,108
Cash and cash equivalents - Beginning of period	**4,370,320**	3,552,130	**6,663,542**	7,213,622
Cash and cash equivalents - End of Period	**$ 5,384,203**	$ 12,885,730	**$ 5,384,203**	$ 12,885,730

Supplemental Schedule of Non-Cash Investing Activities	**March 31, 2013**	September 30, 2012
Exploration and evaluation expenditures included in account payable	**$ 830,141**	$ 955,507

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

Kivalliq Energy Corporation

(An Exploration Stage Company)

Schedule of Exploration and Evaluation Assets

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

	For the Six Month Period Ended March 31, 2013			For the year ended September 30, 2012
	Acquisition Costs	**Deferred Exploration Costs**	**Total**	Total
Mineral Interests				
Angilak, Nunavut				
Land Administration	$ -	$ 84,060	**$ 84,060**	$ 143,059
Air Support and Transportation	-	525,572	**525,572**	6,024,944
Drilling	-	-	**-**	5,261,059
Field and General Operations	-	288,072	**288,072**	1,765,418
Field Contractors and Consultants	-	578,623	**578,623**	2,074,227
Fuel	-	356,460	**356,460**	1,408,670
Laboratory Costs	-	303,682	**303,682**	399,997
Salaries and Wages		506,429	**506,429**	1,263,012
Travel and Accommodation (Project)	-	84,864	**84,864**	775,143
Exploration and Evaluation Expenditures for the Period	-	2,727,762	**2,727,762**	19,115,529
Balance, Beginning of the Period	1,004,442	45,993,558	**46,998,000**	27,882,471
Balance end of the Period	$ 1,004,442	$48,721,320	**$ 49,725,762**	$ 46,998,000

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

1. Nature of Operations and Going Concern

Kivalliq Energy Corporation ("Kivalliq" or the "Company") was incorporated as a wholly owned subsidiary of Kaminak Gold Corporation ("Kaminak") on February 13, 2008 as 0816479 BC Ltd. under British Columbia's Company Act. Effective February 20, 2008, 0816479 BC Ltd. changed its name to Kivalliq Energy Corp. The Company is an exploration stage company focusing on the acquisition, exploration and development of resource properties. The Company's head office is located at Suite 1020, 800 West Pender Street, Vancouver, BC, V6C 2V6.

The Company became a reporting issuer in Alberta and British Columbia on July 4, 2008 by virtue of a reorganization transaction involving the exchange of securities between Kaminak, the Company and the shareholders of Kaminak. The reorganization transaction involved the acquisition from Kaminak of a 100% interest in Kaminak's Uranium properties (Angilak, Baker Lake and Washburn). On July 7, 2008, after completion of its private placements, the Company's shares became publicly traded on the TSX Venture Exchange under the symbol "KIV".

Long-term continuance of the Company's operations is dependent upon achieving profitable operations and obtaining additional equity or debt financing. The recoverability of the carrying values of the Company's exploration and evaluation assets is dependent upon the existence and discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production from or proceeds from the disposition of these properties.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary had the going concern assumption deemed to be inappropriate. These adjustments could be material.

These condensed interim financial statements are unaudited, but in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for fair presentation of the financial position, operations and changes in financial results for the interim periods presented.

(Expressed in Canadian Dollars)

2. Significant Accounting Policies and Basis of Presentation

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company’s most recent annual financial statements for the year ended September 30, 2012.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of May 22, 2013, the date the Board of Directors approved the statements.

The condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended September 30, 2012.

3. Equipment

	Furniture & Equipment	Computer Equipment	Field Equipment	Leasehold Improvements	Total
Cost at September 30, 2012	**$ 31,595**	**$ 20,107**	**$ 874,362**	**$ 58,513**	**$ 984,577**
Current period additions	**-**	**1,650**	**62,900**	**-**	**64,550**
Cost at March 31, 2013	**31,595**	**21,757**	**937,262**	**58,513**	**1,049,127**
Accumulated depreciation at September 30, 2012	**8,240**	**10,136**	**217,757**	**12,766**	**248,899**
Current period depreciation	**2,336**	**1,578**	**70,360**	**6,382**	**80,656**
Accumulated depreciation at March 31, 2013	**10,576**	**11,714**	**288,117**	**19,148**	**329,555**
Net book value at March 31, 2013	**$ 21,019**	**$ 10,043**	**$ 649,145**	**$ 39,365**	**$ 719,572**

	Furniture & Equipment	Computer Equipment	Field Equipment	Leasehold Improvements	Total
Cost at September 30, 2011	$ 26,085	$ 17,162	$ 570,335	$ 54,049	$ 667,631
Current period additions	5,510	2,945	304,027	4,464	316,946
Cost at September 30, 2012	31,595	20,107	874,362	58,513	984,577
Accumulated depreciation at September 30, 2011	2,609	6,074	84,036	-	92,719
Current period depreciation	5,631	4,062	133,721	12,766	156,180
Accumulated depreciation at September 30, 2012	8,240	10,136	217,757	12,766	248,899
Net book value at September 30, 2012	$ 23,355	$ 9,971	$ 656,605	$ 45,747	$ 735,678

(Expressed in Canadian Dollars)

4. Intangible Assets

		Computer Software
Cost at September 30, 2012	**$**	**29,981**
Current period additions		**-**
Cost at March 31, 2013		**29,981**
Accumulated depreciation at September 30, 2012		**29,133**
Current period depreciation		**424**
Accumulated depreciation at March 31, 2013		**29,557**
Net book value at March 31, 2013	**$**	**424**

		Computer Software
Cost at September 30, 2011	$	24,891
Current period additions		5,090
Cost at September 30, 2012		29,981
Accumulated depreciation at September 30, 2011		19,770
Current period depreciation		9,363
Accumulated depreciation at September 30, 2012		29,133
Net book value at September 30, 2012	$	848

5. Exploration and Evaluation Assets

Details are as follows:

	Acquisition Costs	Exploration Costs	**Cumulative as at March 31, 2013**	Cumulative as at September 30, 2012
Angilak, Nunavut	$ 1,004,442	$ 48,721,320	**$ 49,725,762**	$ 46,998,000

General

The Company acquired from Kaminak, a related party, through the reorganization transaction (Note 1) the Angilak Property.

Angilak, Nunavut

Angilak is a combination of two properties, located on Inuit Owned Lands and Federal Crown land in Nunavut.

Kaminak signed an Exploration Agreement (“EA”) with Nunavut Tunngavik Inc. (“NTI”) whereby Kaminak was granted a 100% interest in the minerals within privately owned Inuit Owned Lands. This parcel is located directly adjacent to Kivalliq’s formerly named “Angilak IOCG Project”, comprised of staked claims located on Federal Crown land.

In order to keep the property in good standing, Kivalliq has agreed to complete the following:

- Kivalliq will issue 1,000,000 (issued) common shares from treasury to NTI staged over 36 months beginning after final TSX:V approval for the spin-out transaction (fully issued).
- Upon completion of a feasibility study on any portion of the property, NTI has the option of taking either a 25% participating interest or a 7.5% net profits royalty in the specific area subject to the feasibility study.

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets - *Continued*

Upon completion of a National Instrument 43-101 compliant report that outlines a measured resource of at least 12 million pounds of uranium, Kivalliq will pay NTI a cash sum of $1,000,000.

As a consequence of the land claims settlement, the property is not subject to royalty obligations to the Government of Canada, but instead is subject to an underlying 12% net profits royalty payable on all minerals to NTI. During periods of positive operating revenue, gross uranium revenue shall be calculated as 130% of the value of the product. Starting December 31, 2008, Kivalliq will pay annual advanced royalty payments to NTI in the sum of $50,000 annually (2008 – 2012 Paid).

6. Share Capital

As at March 31, 2013, there were an unlimited number of common voting shares without par value authorized.

As at March 31, 2013, there were nil (September 30, 2012 – nil) common shares held in escrow.

a) Private Placements

On May 29, 2012, Kivalliq closed a bought deal private placement of 16,772,900 flow-through common shares at a price of $0.50 per flow-through common share and 7,124,000 non-flow-through common shares at a price of $0.45 per non-flow-through common share for total gross proceeds of $11,592,250.

In connection with this private placement Kivalliq issued 1,393,783 agent warrants exercisable at a price of $0.45 per common share for a period of two years from the date of this private placement. Finder's fees consisted of cash payments of $685,908 in commissions and $63,330 in advisory fees. Kivalliq has recorded the fair value of these agent warrants as share issuance costs. The agent warrants attached to this issuance have been valued at $253,898 based upon the Black-Scholes valuation model using the following assumptions noted below.

Risk-free interest rate	1.21%
Expected dividend yield	0%
Expected stock price volatility	91%
Average expected warrant life	2 years

On February 21, 2012, Kivalliq closed a non-brokered private placement of 13,127,444 common shares at a price of $0.45 per common share, and 6,845,000 flow-through common shares at a price of $0.52 per flow-through common share for gross proceeds of $9,466,750.

In connection with this private placement Kivalliq issued 179,383 agent warrants exercisable at a price of $0.50 per common share and 146,820 agent warrants exercisable at a price of $0.55 per common share. Finder's fees consisted of cash payments of $303,254 in commissions and $10,884 in advisory fees. Kivalliq has recorded the fair value of these agent warrants as share issuance costs. The agent warrants attached to this issuance have been valued at $78,680 based upon the Black-Scholes valuation model using the following assumptions noted below.

(Expressed in Canadian Dollars)

6. Share Capital - *Continued*

a) Private Placements - *Continued*

Risk-free interest rate	1.13%
Expected dividend yield	0%
Expected stock price volatility	93%
Average expected warrant life	2 years

For all valuation models, the risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed warrant life. The expected volatility is based on the Company's historical prices. The expected average warrant is the average expected period to exercise, based on the historical activity patterns for warrants.

b) Warrants

Details as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, September 30, 2011	17,929,008	$0.38
Issued	1,719,986	$0.46
Exercised	(6,607,500)	$0.35
Expired	(10,642,500)	$0.37
Outstanding options, September 30, 2012	2,398,994	$0.54
Expired	(619,008)	$0.74
Outstanding warrants, March 31, 2013	**1,779,986**	**$0.46**

At March 31, 2013, warrants enabling the holders to acquire common shares as follows:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
April 5, 2013	$0.50	60,000	0.01
February 21, 2014	$0.50	179,383	0.90
February 21, 2014	$0.55	146,820	0.90
May 29, 2014	$0.45	1,393,783	1.16
Weighted average exercise price and remaining contractual life	**$0.54**	**1,779,986**	**1.07**

Subsequent to March 31, 2013, 60,000 warrants were expired without exercise.

c) Stock Options

Under the Company's stock option plan, the board of directors may grant options for the purchase of up to 10% of the total number of issued and outstanding common shares of the Company.

(Expressed in Canadian Dollars)

6. **Share Capital** - *Continued*

c) Stock Options - *Continued*

Options granted under the plan vest over time at the discretion of the board of directors and expire no later than five years from the date of issuance. Exercise prices on options granted under the plan cannot be lower than the market price of one share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by TSX Venture Exchange and the minimum exercise price per common share must be at least $0.10.

The changes in stock options issued are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding options, September 30, 2011	7,102,500	$0.37
Issued	10,755,000	$0.48
Exercised	(258,000)	$0.23
Cancelled	(619,500)	$0.49
Outstanding options, September 30, 2012	16,980,000	$0.43
Exercised	(560,000)	$0.16
Cancelled	(1,355,000)	$0.49
Outstanding options, March 31, 2013	**15,065,000**	**$0.44**

At March 31, 2013 the following stock options were outstanding:

Expiry Date	Weighted Average Exercise Price	Issued Number of Options	Vested and Exercisable Number of Options	Weighted Average Remaining Contractual Life in Years
November 12, 2013	$0.15	1,445,000	1,445,000	0.62
August 11, 2014	$0.25	150,000	150,000	1.36
January 29, 2015	$0.30	450,000	450,000	1.83
April 22, 2015	$0.45	740,000	740,000	2.06
September 8, 2015	$0.40	20,000	20,000	2.44
October 19, 2015	$0.50	2,205,000	2,205,000	2.55
January 19, 2017	$0.50	2,900,000	2,900,000	3.81
January 25, 2017	$0.50	2,100,000	2,100,000	3.82
September 25, 2017	$0.45	5,055,000	5,055,000	4.49
Weighted average of exercise price and remaining contractual life	**$0.44**	**15,065,000**	**15,065,000**	**3.38**

Subsequent to March 31, 2013, 10,000 options were exercised and 205,000 options were expired/cancelled without exercise.

(Expressed in Canadian Dollars)

6. Share Capital - *Continued*

c) Stock Options - *Continued*

The Company did not grant any stock options during the six month period ended March 31, 2013. During the year ended September 30, 2012, Kivalliq granted options to acquire 10,755,000 common shares with a weighted average exercise price of $0.48 per common share and a weighted average fair value of $0.24 per option. Share-based compensation expense under the Black-Scholes option pricing model of $nil (2011 - $6,419) was recorded in relation to options vested during the period.

The fair value of stock options for all options issued was estimated at the grant date based on the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.00 – 1.08%
Expected dividend yield	0%
Expected stock price volatility	87 - 108%
Expected forfeitures	0%
Average expected option life	2.5 years

For all valuation models, the risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed warrant/option life. The expected volatility is based on the Company's historical prices. The expected average option life is the average expected period to exercise, based on the historical activity patterns for options. The expected average warrant life is estimated to be the life of the warrant. Expected forfeitures are based on historical forfeitures of the Company's options.

d) Prepaid Share Reserve

On March 14, 2013, the Company had received $2,000,000 in relation to a private placement of units of common shares and whole warrants that closed on April 4, 2013 (note 12). The prepayment was for 6,666,667 units at a price of $0.30 per unit. The units were issued by the Company on April 4, 2013.

7. Related Party Transactions

Key management compensation

Key management consists of the Company's directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides non-cash benefits. The aggregate value of compensation with key management for the six month period ended March 31, 2013 was $425,432 (2012 - $1,368,656) and was comprised of the following:

(Expressed in Canadian Dollars)

7. Related Party Transactions - *Continued*

		Six month period ended March 31, 2013		Six month period ended March 31, 2012
Wages, salaries and consulting fees	$	409,579	$	409,650
Stock based compensation		-		946,505
Non-cash benefits		15,853		12,501
Total remuneration	$	**425,432**	$	1,368,656

Related party transactions

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

During the six month period ended March 31, 2013, the Company reimbursed $254,945 (2012 - $208,027) of rent, salaries, and office and administration expenses incurred by a company controlled by directors of the Company.

During the six month period ended March 31, 2013, the Company reimbursed companies with common directors and key management $30,863 (2012 - $110,268) for travel and office costs incurred on behalf of the Company.

The balance receivable from related parties at March 31, 2013 was $nil (September 30, 2012 - $11,349).

The balance payable to related parties at March 31, 2013 was $8,958 (September 30, 2012 - $34,077) and such payables are unsecured, non interest bearing and are expected to be repaid under normal trade terms.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

8. Financial Instruments

Categories of financial assets and liabilities

The fair value of the Company's cash and cash equivalents, other receivables, HST recoverable and accounts payable and accrued liabilities approximate carrying value which is the amount recorded on the statement of financial position due to their short term nature.

8. Financial Instruments - *Continued*

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, other receivables and HST recoverable. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents, other receivables and HST recoverable is remote as they relate to deposits and interest receivable from major financial institutions, related party balances, HST recoverable from the Government of Canada, and other balances which have been subsequently collected. The maximum credit risk as at March 31, 2013 was $5,512,284 (September 30, 2012 - $7,130,903).

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2013, the Company had a cash and cash equivalents balance of $5,384,203 (September 30, 2012 - $6,663,542) to settle accounts payable and accrued liabilities of $927,564 (September 30, 2012 – $1,013,653). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management believes that the Company has sufficient funds to meet its obligations as they become due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of March 31, 2013, the Company had $2,602,761 (September 30, 2012 – $5,044,541) in term deposits.

(b) Foreign currency risk

The Company operates predominately in Canada and is not exposed to any significant foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. 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 of resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(Expressed in Canadian Dollars)

9. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain flexible capital structure for its projects for the benefit of its stakeholders.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. There were no changes in the Company's approach to capital management during the six month period ended March 31, 2013. The Company is not subject to externally imposed capital requirements.

10. Commitments

The Company has entered into agreements for the rental of office space that require minimum payments in the aggregate as follows:

Fiscal 2013	17,873
Fiscal 2014	35,747
Fiscal 2015	35,747
Fiscal 2016	20,852
Total Commitments	**$ 110,219**

11. Segment Information

The Company operates in one reportable segment, being the acquisition, exploration and evaluation of mineral resources. All of the Company's equipment and exploration and evaluation assets are located in Canada.

12. Subsequent Event

On April 4, 2013, the Company closed non-brokered private placement financing of 15,149,333 units at a price of $0.30 per unit for gross proceeds of $4,544,800. Each unit will consist of one common share and one whole warrant. Each whole warrant will allow the holder to acquire an additional common share of the Company at a price of $0.50 per share for a period of two years following the date of closing. All securities issued in the private placement will be subject to a four-month hold period from the closing date of the private placement. In connection with this private placement the Company paid the following finders' fees: $165,270 cash commission and 550,900 finders warrants with a strike price of $0.50.