# ENERGIZER RESOURCES INC.

**(An Exploration Stage Company)**

## Unaudited Condensed Consolidated Interim Financial Statements

### For the six month period ended December 31, 2013

**(Expressed in US Dollars)**

**Energizer Resources Inc.**
**(An Exploration Stage Company)**
**Unaudited Condensed Consolidated Interim Balance Sheets**
***(Expressed in US Dollars)***

| | December 31, 2013 (Unaudited) | June 30, 2013 (Audited) |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 1,294,151 | $ 825,100 |
| Amounts receivable and prepaid expenses (note 4) | 269,387 | 209,520 |
| Loan to related party (note 4) | 80,525 | 136,999 |
| Marketable securities (note 5) | 62,405 | 10,000 |
| Total current assets | 1,706,468 | 1,181,619 |
| Equipment (note 6) | 26,850 | 38,817 |
| Total assets | $ 1,733,318 | $ 1,220,436 |
| **Liabilities and Stockholders' Equity** | | |
| **Liabilities** | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | $ 718,306 | $ 803,130 |
| Deferred premium on flow-through shares (note 8) | 100,538 | - |
| Total liabilities | 818,844 | 803,130 |
| **Stockholders' Equity** | | |
| Common stock, 450,000,000 shares authorized, $0.001 par value, 203,743,536 issued and outstanding (June 30, 2013 - 175,604,320) (note 9) | 203,743 | 175,604 |
| Additional paid-in capital | 78,780,796 | 75,357,442 |
| Accumulated comprehensive loss | 5,066 | (62,849) |
| Donated capital | 20,750 | 20,750 |
| Accumulated deficit during exploration stage | (78,095,881) | (75,073,641) |
| Total stockholders' equity | 914,474 | 417,306 |
| Total liabilities and stockholders' equity | $ 1,733,318 | $ 1,220,436 |

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

Going concern (note 1)

Mineral Properties (note 7)

Commitments (note 13)

Subsequent Events (note 14)

**Energizer Resources Inc.**
**(An Exploration Stage Company)**
**Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**
***(Expressed in US Dollars)***

| | March 1, 2004 (date of inception) to December 31, | For the six months ended Dec 31, 2013 | 2012 | For the three months ended Dec 31, 2013 | 2012 |
|---|---|---|---|---|---|
| **Revenues** | $ - | $ - | $ - | $ - | $ - |
| **Expenses** | | | | | |
| Mineral exploration expense (note 7) | 28,512,726 | 1,584,290 | 2,288,357 | 547,556 | 319,770 |
| Stock-based compensation (notes 4, 9 & 10) | 24,417,363 | 241,819 | 411,038 | 27,550 | - |
| Impairment loss on mineral properties (note 7) | 11,358,637 | - | - | - | - |
| General and administrative (note 4) | 8,468,829 | 593,735 | 525,732 | 344,483 | 290,494 |
| Professional and consulting fees (note 4) | 7,788,369 | 624,550 | 1,075,827 | 330,694 | 673,755 |
| Depreciation (note 6) | 98,616 | 11,967 | 11,713 | 5,296 | 4,952 |
| Donated services and expenses | 18,750 | - | - | - | - |
| Foreign currency translation (gain)/loss | (1,091,460) | (90,570) | 9,129 | (40,807) | 68,056 |
| Total expenses | 79,571,830 | 2,965,791 | 4,321,796 | - | 1,357,027 |
| Net loss from operations | (79,571,830) | (2,965,791) | (4,321,796) | - | (1,357,027) |
| **Other Income** | | | | | |
| Investment income | 1,235,945 | 7,400 | 295,562 | 6,470 | 30,838 |
| Other income | 303,853 | - | - | - | - |
| Impairment of marketable securities (note 5) | (63,849) | (63,849) | - | - | - |
| **Net Loss** | (78,095,881) | (3,022,240) | (4,026,234) | 6,470 | (1,326,189) |
| Unrealized (loss)/gain from investments in marketable securities | (64,254) | 4,439 | (9,513) | 5,439 | (3,513) |
| Recognition of other than temporary loss (note 5) | 63,849 | 63,849 | - | - | - |
| **Comprehensive loss** | $(78,096,286) | $(2,953,952) | $(4,035,747) | $11,909 | $(1,329,702) |
| **Loss per share - basic and diluted** (note 12) | | $(0.02) | $(0.03) | $- | $(0.01) |
| Weighted average shares outstanding - basic and diluted | | 189,902,681 | 159,084,841 | 194,152,780 | 159,126,689 |

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

**Energizer Resources Inc.**
**(An Exploration Stage Company)**
**Unaudited Condensed Consolidated Interim Statements of Cash Flows**
***(Expressed in US Dollars)***

| | March 1, 2004 (date of inception) to December 31, 2013 | For the six months ended December 31, 2013 | 2012 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net loss | $ (78,095,881) | $ (3,022,240) | $ (4,026,234) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation | 98,616 | 11,967 | 11,713 |
| Gain on sale of marketable securities | (4,545) | (4,545) | - |
| Donated services and expenses | 20,750 | - | - |
| Non-cash proceeds received | (74,000) | - | - |
| Dual currency deposits | 71,680 | - | - |
| Impairment loss on mineral properties | 11,358,637 | - | - |
| Stock-based compensation | 24,417,363 | 241,819 | 411,038 |
| Issuance of shares and warrants for services rendered | 168,100 | - | - |
| Impairment of marketable securities | 63,849 | 63,849 | - |
| Change in operating assets and liabilities: | | | |
| Amounts receivable and prepaid expenses | (269,387) | (59,867) | 133,746 |
| Accounts payable and accrued liabilities | 719,132 | (84,824) | (772,194) |
| Tax credits recoverable | (245,186) | - | - |
| Non-cash portion of marketable securities | 366 | - | - |
| Net cash used in operating activities | (41,770,506) | (2,853,841) | (4,241,931) |
| **Financing Activities** | | | |
| Proceeds from issuance of common stock, net | 45,489,995 | 3,314,757 | 1,809,549 |
| Exercise of warrants and stock options | 1,075,500 | - | 105,000 |
| Government grants received | 245,186 | - | - |
| Net cash provided by financing activities | 46,810,681 | 3,314,757 | 1,914,549 |
| **Investing Activities** | | | |
| Mineral property acquisition costs | (3,419,973) | - | - |
| Purchase of property and equipment | (125,465) | - | (9,809) |
| Investment in dual currency deposits | (32,938,800) | - | - |
| Redemption of dual currency deposits | 32,867,078 | - | - |
| Loan to related party | (80,525) | 56,474 | 56,059 |
| Purchases of marketable securities, net of sales | (103,763) | (103,763) | - |
| Proceeds on sale of marketable securities | 55,424 | 55,424 | - |
| Net cash (used in) provided by investing activities | (3,746,024) | 8,135 | 46,250 |
| Increase (decrease) in cash and cash equivalents | 1,294,151 | 469,051 | (2,281,132) |
| Cash and cash equivalents - beginning of period | - | 825,100 | 3,479,484 |
| Cash and cash equivalents - end of period | $ 1,294,151 | $ 1,294,151 | $ 1,198,352 |
| **Non-cash investing and financing activities:** | | | |
| Issuance of common stock for mineral properties | $ 5,190,500 | $ - | $ - |
| Issuance of common stock and warrants for services | $ 5,811,125 | $ - | $ - |
| **Supplemental Disclosures:** | | | |
| Interest received | $ 817,422 | $ - | $ - |

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

## 1. Exploration Stage Company and Going Concern

Energizer Resources Inc. (the "Company") was incorporated in the State of Nevada, United States of America on March 1, 2004 and reincorporated in the State of Minnesota on May 14, 2008. The Company's fiscal year end is June 30. The Company is an Exploration Stage Company, as defined by ASC Topic - 915, "Development Stage Entities". The Company's principal business is the acquisition and exploration of mineral resources. During fiscal 2008, the Company incorporated Energizer Resources (Mauritius) Ltd., a Mauritius subsidiary and Energizer Resources Madagascar Sarl, a Madagascar subsidiary. During fiscal 2009, the Company incorporated THB Venture Ltd., a Mauritius subsidiary to hold the interest in Energizer Resources Minerals Sarl, a Madagascar subsidiary, which holds the Green Giant Property in Madagascar (see note 7). During fiscal 2012, the Company incorporated Madagascar-ERG Joint Venture (Mauritius) Ltd., a Mauritius subsidiary and ERG (Madagascar) Sarl, a Madagascar subsidiary. ERG (Madagascar) Sarl is 100% owned by Madagascar-ERG Joint Venture (Mauritius) Ltd. which is owned 75% by Energizer Resources (Mauritius) Ltd. ERG (Madagascar) Sarl holds the Malagasy Joint Venture Ground (see note 7). During fiscal 2014, the Company incorporated 2391938 Ontario Inc. an Ontario, Canada subsidiary. The Company has not yet fully determined whether its properties contain mineral reserves that are economically recoverable.

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has yet to generate revenue from mining operations or pay dividends and is unlikely to do so in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity or debt financing to continue operations, and the attainment of profitable operations. As of December 31, 2013, the Company has accumulated losses of $78,095,881. As such, there is substantial doubt regarding the Company's ability to continue as a going concern. These unaudited condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## 2. Significant Accounting Policies

**Principals of Consolidation and Basis of Presentation**
These unaudited condensed consolidated interim financial statements are presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), and are expressed in United States dollars. These unaudited condensed consolidated interim financial statements include the accounts of Energizer Resources Inc. and its wholly-owned subsidiaries, Energizer Resources (Mauritius) Ltd., THB Ventures Ltd., Energizer Resources Madagascar Sarl, Energizer Resources Minerals Sarl and 2391938 Ontario Inc. In addition, these consolidated financial statements include the Company's 75% interest in Madagascar-ERG Joint Venture (Mauritius) Ltd. and its 100% owned subsidiary ERG (Madagascar) Sarl. All inter-company balances and transactions have been eliminated on consolidation.

**Unaudited Condensed Consolidated Interim Financial Statements**
These unaudited condensed consolidated interim financial statements have been prepared on the same basis as the annual financial statements and should be read in conjunction with those annual financial statements filed on Form 10-K for the year ended June 30, 2013. In the opinion of management, these unaudited condensed consolidated interim financial statements reflect adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period.

## 3. Recent Accounting Pronouncements Affecting The Company

The following are recent FASB accounting pronouncements, which may have an impact on the Company's future consolidated financial statements.

- "Comprehensive Income (ASC Topic - 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income": ("ASU 2013-02") was issued during February 2013. FASB issued guidance which requires an entity to disclose in a single location the effects of the reclassification of amounts out of accumulated other comprehensive income ("AOCI"). The guidance is effective prospectively for reporting periods beginning after December 31, 2013.
- "Income Taxes (ASC Topic - 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11) was issued during July 2013. FASB issued guidance on how to present an unrecognized tax benefit. The guidance is effective for annual periods beginning after December 15, 2013.

The Company is currently evaluating the impact of ASC Topic - 740 and ASC Topic - 220.

## 4. Related Party Transactions and Balances

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

The following are the related party transactions as at December 31, 2013:

a) The Company incurred a total of $60,000 (December 31, 2012: $59,495) office administration and rent expense from a public company related by common management, Red Pine Exploration Inc (TSX.V: "RPX").

b) 1,870,000 (December 31, 2012: 1,650,000) stock options were issued to related parties during the period with exercise prices between $0.11 and $0.15 (December 31, 2012: $0.29). These stock options valued at $241,819 (December 31, 2012: $411,038) were issued to directors and officers of the Company.

c) The Company incurred $461,272 (December 31, 2013: $512,312) in administrative, management and consulting fees to directors and officers.

d) The Company incurred $7,760 (December 31, 2013: $406,700) in charges from a mining and engineering firm for which one of the Company's directors serves as a senior officer and a director.

The following are the related party balances as at December 31, 2013:

a) Related party balances of $55,264 (June 30, 2013: $42,908) in prepaid expenses.

b) The Company has advanced a short-term loan to RPX totaling $80,525 (June 30, 2013: $136,999). This loan is interest bearing at a rate of 3% and is expected to be paid back in full within the next 12 months. $300,000 was originally loaned during January 2012 and represents the highest outstanding balance. $225,000 has been paid back on the loan since inception up to December 31, 2013, all against the loan's principal balance. Accrued interest due totals $10,616 as at December 31, 2013.

***(Expressed in US Dollars)***

## 5. Marketable Securities

Marketable securities consist of available-for-sale securities over which the Company does not have significant influence or control. $62,405 (June 30, 2013: $10,000) is invested in TSX-Venture entities. During December 31, 2013, the Company determined that $63,849 of unrealized losses were other than temporary and as such were recognized as an "other expense" in net loss and removed from accumulated other comprehensive income.

## 6. Equipment

| | Cost | Accumulated Depreciation | December 31, 2013 Net Book Value | June 30, 2013 Net Book Value |
|---|---|---|---|---|
| Exploration equipment | $ 63,547 | $ 36,697 | $ 26,850 | $ 38,817 |

For the six month period ended December 31, 2013, depreciation expense totaled $11,967 (December 31, 2012: $11,713).

## 7. Mineral Properties

**Molo Graphite Project, Southern Madagascar, Africa**
On December 14, 2011, the Company entered into a Definitive Joint Venture Agreement ("JVA") with Malagasy Minerals Limited ("Malagasy"), a public company on the Australian Stock Exchange, to acquire a 75% interest to explore and develop a group of industrial minerals (including graphite, vanadium and approximately 25 other minerals). Malagasy retains a 25% interest. The land position covers 2,119 permits and 827.7 square kilometres and is mostly adjacent to the south and east of the Company's 100% owned Green Giant Property. The Company paid $2,261,690 and issued 7,500,000 common shares valued at $1,350,000. Malagasy has a carried interest until the Company delivers a Bankable Feasibility Study ("BFS"). Upon the delivery of a BFS, Malagasy is required to contribute its 25% interest in the development and mining operations. Should either party's interest fall below 10%, through not contributing their portion of costs post-BFS, their position will be diluted to a 2% Net Smelter Return ("NSR"). As it has not yet determined whether the property has probable or proven reserves, the Company recognized an impairment loss during fiscal 2012 totaling $3,770,129. This amount represents the cash paid, the value of common shares issued, and legal and other professional fees paid relating to the properties acquisition.

On October 24, 2013, the Company signed a Memorandum of Understanding ("MOU") with Malagasy to acquire the remaining 25% interest in the Molo Graphite Project. Upon execution of a signed purchase agreement, the share purchase agreement and joint venture agreement will be completed which will supercede the MOU. The Company agrees to make the following payments to Malagasy within 5 business days of TSX approval: cash payment of CAD$400,000; issue 2,500,000 common shares of the Company which will be subject to a 12 month voluntary vesting period; and issue of 3,500,000 common share purchase warrants with an expiration date of five years from the signing date of the agreement at a price to be determined by taking the volume weighted average closing price of the Company's common shares during the five days immediately preceding execution of the Agreement. In addition the Company will do the following: make a cash payment of CAD$700,000 and issue of 1,000,000 of the Company's common shares within five days of completion of a Bankable Feasibility Study (“BFS”) for the Molo Graphite Project or the formal announcement of a decision to mine; and a cash payment of CAD$1,000,000 within five days of the commencement of Molo mine commercial production. Malagasy will retain a 1.5% Net Smelter Return Royalty on all industrial minerals produced from the property. The Company also acquires a 100% interest in and to the industrial mineral rights on about 1-1/2 additional claim blocks comprising 10,811 hectares immediately to the east and adjoining the Molo Graphite Deposit claim blocks.

***(Expressed in US Dollars)***

## 7. Mineral Properties - continued

**Green Giant Property, Southern Madagascar, Africa**
During 2007, the Company paid $765,000, issued 2,500,0000 common shares and 1,000,000 now expired common share purchase warrants to enter into a joint venture agreement for the Green Giant Property with Madagascar Minerals and Resources Sarl ("MMR"). The Company owned a 75% interest and MMR owned a 25% interest.

On July 9, 2009, the Company acquired the remaining 25% interest for $100,000 and terminated the joint venture. MMR retains a 2% NSR. The NSR can be purchased, at the Company's option, for $500,000 in cash or common shares for the first 1% and at a price of $1,000,000 in cash or common shares for the second 1%.

In a parallel but separate transaction to the MOU with Malagasy, Malagasy acquires a 75% interest through a Joint Venture Agreement to be drafted for non-industrial minerals on Energizer's 100% owned Green Giant Property in Madagascar. Energizer will own the remaining 25% and have a free carried interest through to the BFS stage.

**Sagar Property - Romanet Horst, Labrador Trough, Quebec, Canada**
During 2006, the Company purchased from Virginia Mines Inc. ("Virginia") a 100% interest in 377 claims located in northern Quebec, Canada. Virginia retains a 2% NSR on this property with other unrelated vendors holding a 1% NSR on certain claims, and a 0.5% NSR on other claims. For the other vendor's NSR, the Company has the right to buy back half of the 1% NSR for $200,000 and half of the 0.5% NSR for $100,000.

## 8. Deferred Premium on Flow-Through Shares

The premium paid for flow-through shares in excess of the market value of the shares without a flow-through feature is initially recognized as a liability. The liability is subsequently reduced and recorded in the statement of comprehensive loss on a pro-rata basis based on the corresponding eligible flow-through expenditures that have been incurred. The following summarizes the deferred premium liability on flow-through transactions for the six month period ended December 31, 2013.

| | | For the six month period ended December 31, 2013 |
|---|---|---|
| Deferred premium on flow-through shares, beginning of period | $ | - |
| Recognized on issuance of flow-through shares | | 100,538 |
| Deferred premium on flow-through shares, end of period | $ | 100,538 |

## 9. Common Stock and Additional Paid-in Capital

a) During July 2012, the Company issued 700,000 shares of common stock for consideration of $105,000. The shares were issued pursuant to the exercise of stock options.

b) On July 13, 2012, the Company issued 1,695,000 stock options to directors, officers and consultants of the Company at an exercise price of $0.29. The stock options were valued at $411,038 using the Black-Scholes pricing model with the following assumptions: risk free interest rate – 1.25%; expected volatility – 138%; dividend yield – NIL; and expected life – 4 years. These stock options vested on the grant date.

c) During November 2012, the Company closed a brokered and non-brokered private placement raising a total of $2,032,500. The Company issued 5,807,142 common stock at $0.35 per share and 2,903,571 common share purchase warrants at an exercise of $0.50 and an expiry date 24 months from the date of issue. In addition, the Company paid a fee of $119,010 and issued 340,028 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at $0.35 and one half of one common share purchase warrant at an exercise price of $0.50.

d) On February 27, 2013, the Company issued 5,900,000 stock options to directors, officers and consultants at an exercise price of $0.21. The stock options were valued at $1,059,640 using the Black-Scholes pricing model with the following assumptions: risk free interest rate – 1.40%; expected volatility – 129%; dividend yield – NIL; and expected life – 5 years. These stock options vested on the grant date.

e) During March 2013, the Company closed a private placement raising a total of CAD$2,358,000 (USD$2,307,035). The Company issued 12,350,000 common stock at prices between $0.18 and $0.20 per share. In addition, the Company paid a fee of CAD$86,000 (USD$84,176) and issued 270,000 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at CAD$0.20.

f) On July 9, 2013, the Company issued 1,255,000 stock options to directors, officers and consultants at an exercise price of $0.11. The stock options were valued at $117,594 using the Black-Scholes pricing model with the following assumptions: risk free interest rate – 1.25%; expected volatility – 128%; dividend yield – NIL; and expected life – 5 years. These stock options vested on the grant date.

g) Between July 26, 2013 and August 1, 2013, the Company closed a private placement raising a total of $2,043,452. The Company issued 16,950,001 common stock at prices of CAD$0.125 and $0.12 per share. The Company paid a fee of $74,075 and issued 402,000 compensation warrants at an exercise price of CAD$0.125 and 150,000 compensation warrants at an exercise price of $0.12. Each compensation warrant expires one year from the date of issue.

h) On September 19, 2013, the Company issued 750,000 stock options to directors, officers and consultants at an exercise price of $0.15. The stock options were valued at $96,675 using the Black-Scholes pricing model with the following assumptions: risk free interest rate – 1.25%; expected volatility – 127%; dividend yield – NIL; and expected life – 5 years. These stock options vested on the grant date.

i) On October 9, 2013, the Company issued 250,000 stock options to directors and officers of the Company at an exercise of $0.13 and an expiry date of October 9, 2018. The stock options were valued at $27,550 using the Black-Scholes pricing model with the following assumptions: risk free interest rate – 1.25%; expected volatility – 126%; dividend yield – NIL; and expected life – 5 years. These stock options vested on the grant date.

j) On December 18, 2013 the Company closed a private placement raising a total of CAD$1,566,490 (USD$1,478,923). The Company issued 11,189,215 common shares at a price of CAD$0.14. The Company paid fees of CAD$103,989 (USD$98,176) and issued 671,353 compensation warrants at an exercise price of CAD$0.14. Each compensation warrant expires eighteen months from the date of issue.

***(Expressed in US Dollars)***

## 10. Stock Options

On March 9, 2006, the Company filed a Form S-8 registration statement in connection with its newly adopted 2006 Stock Option Plan (the "2006 Plan") allowing for the direct award of shares or granting of stock options to acquire up to a total of 2,000,000 common shares. On December 18, 2006, February 16, 2007, July 11, 2007, September 29, 2009, May 3, 2011, March 1, 2012, February 27, 2013, and December 23, 2013, the 2006 Plan was amended to increase the stock option pool by a total of 35,500,000 additional common shares.

The following is a continuity schedule of the Company's stock options, all of which vest on the grant date:

| | **Number of Stock Options** | **Weighted-Average Exercise Price ($)** |
|---|---|---|
| Outstanding and exercisable, June 30, 2012 | 23,690,000 | 0.29 |
| Issued | 7,595,000 | 0.23 |
| Exercised | (700,000) | 0.15 |
| Expired | (1,695,000) | 0.15 |
| Cancelled | (1,750,000) | 0.32 |
| Outstanding and exercisable, June 30, 2013 | 27,140,000 | 0.28 |
| Issued | 2,255,000 | 0.13 |
| Expired | (750,000) | 0.35 |
| Cancelled | (200,000) | 0.26 |
| Outstanding and exercisable, December 31, 2013 | 28,445,000 | 0.27 |

The following is a summary stock options outstanding as of December 31, 2013:

| **Exercise Price ($)** | **Number of Stock Options** | **Expiry Date** |
|---|---|---|
| 0.40 | 4,850,000 | May 11, 2014 |
| 0.30 | 3,700,000 | July 1, 2016 |
| 0.29 | 1,695,000 | July 13, 2016 |
| 0.20 | 1,800,000 | October 24, 2016 |
| 0.21 | 2,240,000 | December 1, 2016 |
| 0.28 | 5,850,000 | March 7, 2017 |
| 0.23 | 180,000 | May 23, 2017 |
| 0.21 | 5,875,000 | February 27, 2018 |
| 0.11 | 1,255,000 | July 9, 2018 |
| 0.15 | 750,000 | September 19, 2018 |
| 0.13 | 250,000 | October 9, 2018 |
| | 28,445,000 | |

***(Expressed in US Dollars)***

## 11. Warrants

The following is a continuity schedule of the Company's common share purchase warrants:

| | Number of Warrants | Exercise Price ($) |
|---|---|---|
| Outstanding and exercisable, June 30, 2012 | 43,619,695 | 0.55 |
| Issued | 3,513,599 | 0.46 |
| Expired | (43,619,695) | 0.55 |
| Outstanding and exercisable, June 30, 2013 | 3,513,599 | 0.46 |
| Issued | 1,223,353 | 0.12 |
| Outstanding and exercisable, December 31, 2013 | 4,736,952 | 0.21 |

The following is a summary common share purchase warrants outstanding as of December 31, 2013:

| Exercise Price ($) | Number of Warrants | Expiry Date |
|---|---|---|
| 0.19 * | 270,000 | March 22, 2014 |
| 0.12 ** | 402,000 | July 26, 2014 |
| 0.12 | 150,000 | August 1, 2014 |
| 0.35 | 340,028 | November 15, 2014 |
| 0.23 *** | 2,903,571 | November 15, 2015 |
| 0.13 **** | 671,353 | June 19, 2015 |
| | 4,736,952 | |

* The exercise price is CAD$0.20.
** The exercise price is CAD$0.125.
*** Subsequent to December 31, 2013, the Company re-priced and extended the term of the common share purchase warrants to an exercise price of $0.18 and an expiry date of November 15, 2016.
**** The exercise price is CAD$0.14.

## 12. Loss Per Share

Basic and diluted loss per share is computed using the weighted average number of common stock outstanding. Diluted loss per share and the weighted average number of shares of common stock exclude all potentially dilutive shares since their effect is anti-dilutive. As at December 31, 2013, there were a total of 33,181,952 (December 31, 2012: 69,853,294) potentially dilutive stock options and common share purchase warrants outstanding.

## 13. Commitments

The Company raised CAD$4,761,990 during 2013 on a Canadian flow-through basis. The Company is required to spend and renounce this amount on Canadian Exploration Expenditures before December 31, 2014. The Company expects to meet this commitment.

## 14. Subsequent Events

**Closing of Private Placement**

During January 2014, the Company raised CAD$7,486,088 (USD$6,720,378) by issuing 62,384,067 common shares and 31,192,033 common share purchase warrants. 27,017,033 common share purchase warrants entitle the holder to acquire one common share of the Company at CAD$0.18 with an expiry date of 36 months from the date of issue and 4,175,000 common share purchase warrants entitle the holder to acquire one common share of the Company at CAD$0.18 (USD$0.16) with an expiry date of 18 months from the date of issue.

In connection with the closing, the Company paid compensation consisting of a cash fee of CAD$407,609 (USD$368,097) and issued 3,396,744 broker warrants. Each broker warrant entitles the holder to acquire one common share at an exercise price of CAD$0.14 (USD$0.13) and expire 18 months from the date of issuance.

**Stock Option Issuance**

On January 10, 2014, the Company issued 4,625,000 stock options to directors and officers of the Company at an exercise of $0.18 and an expiry date of January 10, 2019. The stock options were valued at $413,475 using the Black-Scholes pricing model with the following assumptions: risk free interest rate – 1.50%; expected volatility – 110%; dividend yield – NIL; and expected life – 5 years. These stock options vested on the grant date.

**Warrant Re-Pricing**

Further to disclosure noted in Note 11 herein, on January 10, 2014, the Company re-priced and extended the term of 2,903,571 common share purchase warrants from an exercise price of $0.23 to $0.18 and an expiry date of November 15, 2015 to November 15, 2016.