

Condensed Interim Financial Statements of

## VIKING GOLD EXPLORATION INC.

For the Three Months Ended March 31, 2013 and 2012  
(Unaudited – expressed in Canadian dollars)

### **Responsibility for the Financial Statements**

The accompanying Condensed Interim Financial Statements of Viking Gold Exploration Inc. (the "Company" or "Viking Gold") for the three-month periods ended March 31, 2013 and March 31, 2012 are unaudited and are the responsibility of the management, and the Board of Directors of the Company. The Condensed Interim Financial Statements have been prepared by management, and approved by the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited Condensed Interim Financial Statements. Where necessary, management has made informed judgments and estimates in accounting for transactions that were not complete as at the reporting date.

In the opinion of management, the Condensed Interim Financial Statements have been prepared within the acceptable limits of materiality and are in accordance with International Accounting Standard 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") appropriate in the circumstances.

### **Auditors' Involvement**

In accordance with National Instrument 51-102, Part 4, sub-section 4.3(3)(a), notice is hereby given that the accompanying Condensed Interim Financial Statements of the Company for the three-month periods ended March 31, 2013 and March 31, 2012 have not been reviewed by the Company's auditors in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by the Company's auditors.

# VIKING GOLD EXPLORATION INC.

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**VIKING GOLD EXPLORATION INC.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – expressed in Canadian dollars)

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	Notes	March 31, 2013	December 31, 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	3	\$ 2,399,652	\$ 2,361,838
Equipment	4	1,233	1,483
Investment	5	5,000	8,000
Total non-current assets		<u>2,405,885</u>	<u>2,371,321</u>
<b>Current assets</b>			
Amounts receivable and prepaid expenses	6	33,111	111,848
Cash		145,275	500,124
Total current assets		<u>178,386</u>	<u>611,972</u>
<b>Total Assets</b>		<u>\$ 2,584,271</u>	<u>\$ 2,983,293</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	\$ 9,061,120	\$ 9,043,120
Equity-settled employee benefit reserve		870,720	873,720
Deficit		(7,711,295)	(7,586,074)
Total equity		<u>2,220,545</u>	<u>2,330,766</u>
<b>Current liabilities</b>			
Liability for flow-through share premium	8	69,000	69,000
Trade and other payables	9	294,726	583,527
Total current liabilities		<u>363,726</u>	<u>652,527</u>
<b>Total Equity and Liabilities</b>		<u>\$ 2,584,271</u>	<u>\$ 2,983,293</u>

**Nature and continuance of operations** (Note 1)  
**Commitments and contingencies** (Notes 3 and 13)

The Board of Directors approved these condensed interim financial statements on May 23, 2013.  
They are signed on the Company's behalf by:

/s/Mark Edwards  
Director

/s/John Hansuld  
Director

See accompanying notes to the condensed interim financial statements.

## CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited – expressed in Canadian dollars)

	Notes	Three months ended March 31, 2013	Three months ended March 31, 2012
<b>Expenses</b>			
Management fees	10	\$ 43,373	\$ 39,989
Share-based compensation		2,000	-
Professional and regulatory fees	10a, 15c	48,729	28,414
Office and administration		31,447	25,114
Depreciation		250	400
Claims management		1,050	1,050
Investigation of new properties		366	5,000
Total expenses		<u>127,215</u>	<u>99,967</u>
<b>Operating loss</b>		<u>(127,215)</u>	<u>(99,967)</u>
<b>Other income (expense)</b>			
Interest income		-	408
Write-off of exploration and evaluation assets	3	(6)	-
Unrealized loss on investment	5	(3,000)	(1,000)
Gain on sale of investment		-	18,750
Total other income (expense)		<u>(3,006)</u>	<u>18,158</u>
<b>Loss before income taxes</b>		<u>(130,221)</u>	<u>(81,809)</u>
Deferred tax (recovery)	8	-	-
<b>Net loss and comprehensive loss, attributable to common shareholders</b>		<u>\$ (130,221)</u>	<u>\$ (81,809)</u>
<b>Basic and diluted loss per common share</b>		<u>\$ (0.002)</u>	<u>\$ (0.001)</u>
<b>Weighted-average number of common shares</b>			
Basic and diluted	7f	<u>77,384,369</u>	<u>70,569,369</u>

See accompanying notes to the condensed interim financial statements.

**VIKING GOLD EXPLORATION INC.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited – expressed in Canadian dollars)

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	Three months ended March 31, 2013	Three months ended March 31, 2012
<b>Operating activities</b>		
Net loss	\$ (130,221)	\$ (81,809)
Adjusted for		
Share-based compensation	2,000	-
Depreciation	250	400
Other expense (income), net	3,006	(18,158)
	<u>(124,965)</u>	<u>(99,567)</u>
Changes in non-cash working capital		
(Increase) in prepaid expenses	(6,527)	(2,892)
Decrease (increase) in amounts receivable	85,264	(44,576)
Increase (decrease) in trade and other payables, net of items (i)(iii) below	66,221	(11,630)
Net cash provided by (used in) operating activities	<u>19,993</u>	<u>(158,665)</u>
<b>Investing activities</b>		
Interest received	-	408
Additions to exploration and evaluation assets, net of items (i)(ii) below	(357,567)	(494,226)
Proceeds on sale of investment	-	20,000
Net cash (used in) investing activities	<u>(357,567)</u>	<u>(473,818)</u>
<b>Financing activities</b>		
Issue costs of private placement units, net of item (ii) below	(17,275)	(29,862)
Net cash (used in) financing activities	<u>(17,275)</u>	<u>(29,862)</u>
<b>Net (decrease) in cash and cash equivalents</b>	(354,849)	(662,345)
<b>Cash and cash equivalents, beginning of period</b>	500,124	1,008,105
<b>Cash and cash equivalents, end of period</b>	<u>\$ 145,275</u>	<u>\$ 345,760</u>
As at March 31, cash and cash equivalents is comprised of:		
Cash	\$ 145,275	\$ 95,760
GIC bearing interest at 0.9%, cashable at any time without penalty	-	250,000
	<u>\$ 145,275</u>	<u>\$ 345,760</u>
<b>Additional information:</b>		
(i) (Decrease) in accrued E&E expenditures	\$ (337,747)	\$ (392,316)
(ii) Shares issued to acquire E&E assets	18,000	-
(iii) (Decrease) in accrued issue costs of private placements	(17,275)	(29,862)

See accompanying notes to the condensed interim financial statements.

**VIKING GOLD EXPLORATION INC.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited – expressed in Canadian dollars)

	Notes	# of Issued and fully paid common shares	Share capital	Equity-settled employee benefit reserve	Deficit	Total equity
<b>Three months ended March 31, 2013:</b>						
<b>Balance – January 1, 2013</b>		77,384,369	\$ 9,043,120	\$ 873,720	\$ (7,586,074)	\$ 2,330,766
Shares issued as property option payment		400,000	18,000	-	-	18,000
Comprehensive loss for period		-	-	-	(130,221)	(130,221)
Share-based compensation	7e	-	-	2,000	-	2,000
Options expired	7e	-	-	(5,000)	5,000	-
Net change for period		-	18,000	(3,000)	(125,221)	(110,221)
<b>Balance – March 31, 2013</b>		77,784,369	\$ 9,061,120	\$ 870,720	\$ (7,711,295)	\$ 2,220,545
<b>Three months ended March 31, 2012:</b>						
<b>Balance – January 1, 2012</b>		70,569,369	\$ 8,383,653	\$ 911,055	\$ (7,229,646)	\$ 2,065,062
Comprehensive loss for period		-	-	-	(81,809)	(81,809)
Options expired		-	-	(14,857)	14,857	-
Net change for period		-	-	(14,857)	(66,952)	(81,809)
<b>Balance – March 31, 2012</b>		70,569,369	\$ 8,383,653	\$ 896,198	\$ (7,296,598)	\$ 1,983,253

See accompanying notes to the condensed interim financial statements.

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Viking Gold Exploration Inc. (the “Company”) is a Canadian mineral exploration company with interests in active projects located in Ontario and Quebec. The Company’s shares are publicly traded on the TSX Venture Exchange (“TSX-V”) under the trading symbol “VGC”. The Company currently has no subsidiaries.

The Company’s exploration projects are described in Note 3. There has been no determination whether the Company’s properties contain mineral reserves that are economically recoverable. Since its reorganization in 2004, the Company has not earned significant revenue and is considered to be an exploration stage entity.

During the three months ended March 31, 2013, the Company had an operating loss of \$130,221 and an accumulated deficit of \$7,711,295 as at March 31, 2013, and it has not generated positive cash flow from operations. As at March 31, 2013, the Company also had a working capital deficiency of \$185,340 and an estimated flow-through expenditure obligation of approximately \$558,000. Accordingly, continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management believes that sufficient working capital will be obtained from external financing to meet the Company’s current and future liabilities and commitments as they become due, though there is a significant risk that additional financing may not be available on a timely basis or on terms acceptable to the Company.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material. As a result of the financial matters discussed in the preceding paragraph, there is significant doubt regarding the ultimate applicability of the Company’s going concern assumption.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

The address of the Company’s registered office is #2B – 2900 John Street, Markham, Ontario, Canada, L3R 5G3.

**2. SIGNIFICANT ACCOUNTING POLICIES**

a) Basis of Preparation

These Condensed Interim Financial Statements are prepared using accounting policies that comply with International Financial Reporting Standards (“IFRS”) in accordance with IAS 34, (“Interim Financial Reporting”). These financial statements should be read in conjunction with the Company’s annual audited IFRS financial statements for the year ended December 31, 2012.

b) Basis of Measurement

These financial statements are prepared on the historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements are prepared using the accrual basis of accounting except for cash flow information. The Company uses the Canadian dollar for both its functional and presentation currencies.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

c) Use of Judgments, Estimates and Assumptions

The preparation of Condensed Interim Financial Statements using accounting policies that comply with IFRS, requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The estimates and underlying assumptions are based on historical experience and other factors believed to be reasonable under the circumstances. Accounting estimates are reviewed on an ongoing basis and revisions are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Significant items in these Condensed Interim Financial Statements that involve the use of estimates include the valuation of exploration and evaluation assets, other warrants and share-based compensation, decommissioning, restoration and similar obligations, and the valuation of deferred income tax assets.

d) New IFRS Standards

The Company has adopted eight (8) new IFRS standards, amendments and interpretations to existing standards as of January 1, 2013. In addition, the Company plans to adopt two (2) other new IFRS standards on their official effective dates. Details of the ten (10) new IFRS standards are outlined below.

<u>New IFRS standard</u>	<u>Description</u>	<u>Status</u>
<ul style="list-style-type: none"> <li>Amendments to IFRS 7 – Disclosures of Offsetting Financial Assets and Liabilities (issued December 2011)</li> </ul>	The standard was amended to improve offsetting rules and related disclosures for financial instruments	Adopted on January 1, 2013
<ul style="list-style-type: none"> <li>IFRS 10 – Consolidated Financial Statements (issued May 2011)</li> </ul>	The standard provides a new definition of control, which is intended to provide more consistent guidance in the determination of whether control exists to justify consolidation of investees.	Adopted on January 1, 2013
<ul style="list-style-type: none"> <li>IFRS 11 – Joint Arrangements (issued May 2011)</li> </ul>	The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.	Adopted on January 1, 2013
<ul style="list-style-type: none"> <li>IFRS 12 – Disclosure of Interests in Other Entities (issued May 2011)</li> </ul>	The standard sets out disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles.	Adopted on January 1, 2013
<ul style="list-style-type: none"> <li>IFRS 13 – Fair Value Measurement (issued May 2011)</li> </ul>	The standard provides guidance on measuring fair value when required by other IFRS's.	Adopted on January 1, 2013
<ul style="list-style-type: none"> <li>Amendments to IAS 1 – Presentation of Financial Statements (issued June 2011)</li> </ul>	The standard was amended to align the presentation of items in other comprehensive income with U.S. standards.	Adopted on January 1, 2013

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

d) New IFRS Standards (Continued)

<u>New IFRS standard</u>	<u>Description</u>	<u>Status</u>
<ul style="list-style-type: none"> <li>Amendments to IAS 27 – Separate Financial Statements (issued May 2011)</li> </ul>	The standard addresses accounting and disclosure for investments in subsidiaries, joint ventures and associates in separate financial statements.	Adopted on January 1, 2013
<ul style="list-style-type: none"> <li>Amendments to IAS 28 – Investments in Associates and Joint Ventures (issued May 2011)</li> </ul>	The standard establishes accounting principles for investments in associates under significant influence. It sets out the equity method of accounting for investments in associates and joint ventures.	Adopted on January 1, 2013
<ul style="list-style-type: none"> <li>Amendments to IFRS 7 – Related amendments to IAS 32 (issued December 2011)</li> </ul>	The standards were amended to improve offsetting rules and related disclosures for financial instruments	To be adopted on January 1, 2014
<ul style="list-style-type: none"> <li>IFRS 9 – Financial Instruments (issued November 2009 and revised October 2010)</li> </ul>	The existing standard was expanded in 2010 to include guidance on the classification and measurement of financial liabilities.	To be adopted on January 1, 2015 (extended from January 1, 2013)

The adoption of the eight (8) new IFRS accounting standards did not result in any material changes in the Company's Condensed Interim Financial Statements for the three months ended March 31, 2013 as compared to previous IFRS interim periods. However, in recognition of the importance of IFRS 11 and 12 to the Company's IFRS disclosures, the following additional significant accounting policy is presented in these Condensed Interim Financial Statements.

**Joint Arrangements**

A portion of the Company's activities is conducted jointly with other parties wherein the Company enters into agreements that provide for specified percentage interests in mineral properties. Once the parties have earned their respective interests and undertake to conduct further acquisition, exploration or development through a joint venture or other legal arrangement, the Company determines the proper accounting treatment for its continued interest in the mineral property. Where the property is subject to the shared joint control of the parties, the Company discloses this relationship as "a joint venture" and applies proportionate consolidation accounting. Under this method of accounting, the Company's share of assets, liabilities, revenue and expenses are grouped with similar items in the Company's financial statements. Where shared joint control is not present, the Company discloses this relationship as being one of "undivided working interests" and instead recognizes its assets, liabilities, revenue and expenses and/or its relative shares thereof. In either case, costs incurred during earn-in periods remain capitalized and are added to amounts recorded under the new arrangement, subject to any overriding impairment tests.

Management is currently assessing the impact of adopting the final two proposed new standards on the Company's financial reporting.

**3. EXPLORATION AND EVALUATION ASSETS**

During the three months ended March 31, 2013, the Company acquired one (1) mineral property interest in Quebec.

Below is a summary of the Company's seven (7) active properties.

<u>Properties</u>	<u>Year acquired</u>	<u>Notes</u>	<u>Current mineral tenure</u>	<u># of claims *</u>
Venton Lake, ON	2011	3a	Claims, under option to the Company which may earn a 100% interest	13
Larose, ON	2011	3b	Claims, under option by the Company to a third party which may earn up to a 50% interest	16
Total ON				<u>29</u>
Verneuil, QC				
Verneuil Central	2011	3b	Claims; 70% undivided working interest **	22
Verneuil West	2011	3b	Claims	20
Verneuil East	2011	3b	Claims	9
				<u>51</u>
Guyenne, QC	2012	3c	Claims, under option to the Company which may earn a 50% interest	7
Vent d'Or, QC	2013	3d	Claims, under option to the Company which may earn a 100% interest	44
Total QC				<u>102</u>
Total active properties				<u>131</u>

Legend:

ON = Ontario; QC = Quebec; NT = Northwest Territories

\* The claim quantities for the QC properties have been updated, where necessary, to reflect the conversion in 2012 from "ground staking" to "map staking".

\*\* Prior to December 31, 2011, the mineral tenure was disclosed as a joint venture; it is now disclosed as an undivided working interest.

In 2011, the Company recorded write-downs totaling \$3,635,489 in respect of its six (6) inactive Morris Lake, NT properties. A full description of these properties can be found in the Company's annual audited IFRS financial statements for 2011. On March 31, 2013, the Company wrote off the remaining \$6 nominal carrying value of these inactive properties.

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**VIKING GOLD EXPLORATION INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012  
(Unaudited – expressed in Canadian dollars)

**3. EXPLORATION AND EVALUATION ASSETS (Continued)**

A continuity schedule of the Company's exploration and evaluation (E&E) assets for the year ended December 31, 2012 and the three months ended March 31, 2013 follows.

	<u>Balance,</u> <u>January 1,</u> <u>2012</u>	<u>Expenditures</u> <u>for</u> <u>2012</u>	<u>Balance,</u> <u>December 31,</u> <u>2012</u>	<u>Expenditures</u> <u>for three</u> <u>months ended</u> <u>March 31,</u> <u>2013</u>	<u>Write-offs</u> <u>for three</u> <u>months ended</u> <u>March 31,</u> <u>2013</u>	<u>Balance,</u> <u>March 31,</u> <u>2013</u>
<b>Acquisition costs</b>						
Venton Lake, ON	\$ 112,536	\$ 79,250	\$ 191,786	\$ -	\$ -	\$ 191,786
Larose, ON	93,028	7,000	100,028	-	-	100,028
Verneuil, QC						
Verneuil Central	137,372	-	137,372	-	-	137,372
Verneuil West	93,926	-	93,926	-	-	93,926
Verneuil East	65,615	-	65,615	-	-	65,615
Guyenne, QC	-	62,675	62,675	-	-	62,675
Vent d'Or, QC	-	-	-	35,590	-	35,590
Active properties	502,477	148,925	651,402	35,590	-	686,992
Inactive properties						
Morris Lake, NT	5	-	5	-	(5)	-
Total properties	502,482	148,925	651,407	35,590	(5)	686,992
<b>Deferred expl'n expenditures</b>						
Venton Lake, ON	-	85,654	85,654	-	-	85,654
Larose, ON	179	-	179	-	-	179
Verneuil, QC						
Verneuil Central	718,829	14,011	732,840	-	-	732,840
Verneuil West	164,214	247,735	411,949	1,000	-	412,949
Verneuil East	98,177	20,279	118,456	-	-	118,456
Guyenne, QC	-	361,352	361,352	1,230	-	362,582
Vent d'Or, QC	-	-	-	-	-	-
Active properties	981,399	729,031	1,710,430	2,230	-	1,712,660
Inactive properties						
Morris Lake, NT	1	-	1	-	(1)	-
Total properties	981,400	729,031	1,710,431	2,230	(1)	1,712,660
<b>Total expenditures</b>						
Venton Lake, ON	112,536	164,904	277,440	-	-	277,440
Larose, ON	93,207	7,000	100,207	-	-	100,207
Verneuil, QC						
Verneuil Central	856,201	14,011	870,212	-	-	870,212
Verneuil West	258,140	247,735	505,875	1,000	-	506,875
Verneuil East	163,792	20,279	184,071	-	-	184,071
Guyenne, QC	-	424,027	424,027	1,230	-	425,257
Vent d'Or, QC	-	-	-	33,000	-	33,000
Active properties	1,483,876	877,956	2,361,832	37,820	-	2,399,652
Inactive properties						
Morris Lake, NT	6	-	6	-	(6)	-
Total properties	\$ 1,483,882	\$ 877,956	\$ 2,361,838	\$ 37,820	\$ (6)	\$ 2,399,652

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**3. EXPLORATION AND EVALUATION ASSETS (Continued)**

a) Venton Lake

On April 12, 2011, the Company signed a letter agreement in which it was granted an option to earn a 100% undivided interest in 13 mining claims located near Thunder Bay, Ontario known as “Venton Lake”. The agreement provides that the Company (as optionee) will earn a 100% interest in the property by making an initial \$75,000 cash payment followed by three additional annual cash payments of \$75,000 each from the “Effective Date” (of the transaction) which is defined as the date the TSX-V approves the transaction plus 10 days. Each respective cash payment is also to be accompanied by the issuance of the Company’s common shares to the optionor, as follows – 150,000 shares (initial – completed), 50,000 shares (after the first year – completed), 50,000 shares (after the second year) and 100,000 shares (after the third year), for a total of 350,000 shares.

Upon the exercise of the option, the optionor will retain a 2.5% net smelter return royalty (“NSR”) on output from the properties following the commencement of commercial production. For the period commencing on the date that is 60 months following the Effective Date and ending on the commencement of commercial production, the Company is required to pay an advance minimum royalty of \$15,000 per year to the optionor within 30 days of the start of each year, which aggregate amounts shall be deducted from the subsequent 2.5% NSR payments. The Company may buy back up to one-fifth of the 2.5% NSR at a price of \$500,000, for a period of 20 years from the Effective Date. The Company may abandon the option granted to it by giving 30 days notice prior to abandonment, provided that the mineral rights will be in good standing for at least six months following the date of abandonment.

The TSX-V approved the Venton Lake transaction on April 26, 2011 and the transaction closed on September 19, 2011.

On April 26, 2012, the Company issued 50,000 common shares as a share-based option payment for the Venton Lake property. The fair value of the shares issued was \$4,250. On May 24, 2012, the Company also paid \$30,000 towards its first annual \$75,000 cash option payment, and was granted an extension by the optionor to pay the \$45,000 balance by August 31, 2012. On August 27, 2012, the Company completed the necessary payment.

b) Verneuil and Larose

On May 10, 2011, the Company signed a property sale agreement with Freewest Resources Canada Inc. (“Freewest”), a wholly owned subsidiary of Cliffs Natural Resources Inc. (NYSE: CLF), in which it agreed to acquire a 70% undivided working interest in the Verneuil property (“Verneuil Central”) and a 100% undivided interest in the Larose property (“Larose”), in exchange for a combined share-based payment of 1,000,000 common shares (valued at the \$200,000 fair value of the shares issued) and a 0.5% NSR on each property.

Verneuil Central is comprised of 22 claims in Verneuil Township in the Abitibi region of Quebec. The other 30% interest in Verneuil Central is held by Golden Tag Resources Ltd. (“Golden Tag”). Larose is comprised of 16 claims in Moss Township in Northwestern Ontario. Verneuil Central is subject to an existing 1% NSR and Larose to an existing 3% NSR. The NSR’s described herein apply to all minerals in perpetuity.

On June 7, 2011, the Company signed a letter agreement with other parties in which it agreed to acquire “Verneuil East”, a 100% undivided interest in 9 mining claims located immediately east of Verneuil Central, in exchange for cash of \$20,000 (paid), a share-based payment of 200,000 common shares (issued) and a 2% NSR in perpetuity. The Company may re-purchase half of the 2% NSR for \$1,000,000 at any time.

**3. EXPLORATION AND EVALUATION ASSETS (Continued)**

b) Verneuil and Larose (Continued)

On June 13, 2011, the Company signed a letter agreement with other parties in which it agreed to acquire “Verneuil West”, a 100% undivided interest in 20 mining claims located immediately west of Verneuil Central, in exchange for cash of \$30,000 (paid), a share-based payment of 300,000 common shares (issued) and 150,000 warrants (issued and exercisable at a price of \$0.30 for 2 years), and a 2% NSR in perpetuity. The Company may re-purchase half of the 2% NSR for \$1,000,000 at any time.

The TSX-V approved the Verneuil/Larose transaction on May 27, 2011 and the Verneuil East and West transactions on June 21, 2011. These three transactions closed on June 28, July 20 and June 29, 2011, respectively.

The Company and Golden Tag agreed that Golden Tag is not required to contribute financially towards deferred exploration expenditures incurred on the Verneuil Central property prior to January 1, 2012. For the year ended December 31, 2012, the parties further agreed that Golden Tag’s share of the Verneuil Central exploration expenditures was \$100,000. As at December 31, 2012, this amount had been received and is therefore recorded as a reduction of deferred exploration expenditures (i.e. included in the \$14,011 net deferred exploration expenditure for Verneuil Central in the continuity schedule for 2012).

On December 8, 2011, the Company entered into an option agreement with Golden Share Mining Corporation (“Golden Share”) whereby Golden Share may earn up to a 50% interest in the Larose property. Under the terms of the agreement, Golden Share agreed to issue: (i) 100,000 shares to the Company on the later of execution of the agreement and TSX-V approval (received with an assigned value of \$8,500) and (ii) an additional 100,000 shares on the first anniversary date of the agreement (received with an assigned value of \$3,000 on December 13, 2013). Golden Share also agreed to spend \$200,000 in the first year of the agreement on exploration of the property (completed) plus another \$150,000 in each of years two and three of the agreement. The parties agreed that at the time they become 50/50 owners in the property, they would enter into a joint venture agreement with Golden Share as the operator.

On December 18, 2012, the parties amended the December 8, 2011 option agreement to allow Golden Share to extend the second year commitment by one year (i.e. to December 8, 2014), and move the third year commitment into a fourth year (i.e. which ends on December 8, 2015). Golden Share also agreed to pay \$5,000 of a June 2013 \$10,000 advance royalty payment, which the Company is responsible for. Golden Share has agreed to keep the property in good standing while the option agreement, as amended, is in effect.

c) Guyenne

On August 29, 2012, the Company entered into an option agreement with Globex Mining Enterprises Inc. (TSX:GMX, hereafter “Globex”) to earn a 50% interest in the 7 claims known as the Guyenne Property. The claims are situated approximately 40 kilometres northwest of Amos, Quebec, which is northwest of Val-d’Or in the Abitibi Mining District.

Under the terms of the option agreement, the Company will pay a total of \$105,000 cash and issue 550,000 common shares to Globex as follows – (i) an initial payment of \$20,000 and 150,000 shares, representing the minimum commitment (completed); (ii) \$25,000 and 150,000 shares on or before the first anniversary date; and (iii) \$60,000 and 250,000 shares on or before the second anniversary date. In addition, the Company is required to spend a minimum of \$1,500,000 exploring the claims, as follows – \$250,000 in the first year (completed); \$250,000 in the second year; and \$1,000,000 in the third year.

The TSX-V approved the Guyenne transaction on September 18, 2012. The transaction closed on September 19, 2012. The Company also agreed to issue 100,000 common shares as a finder’s fee on the closing of the option agreement. These shares were issued on October 3, 2012 at an assigned value of \$10,500.

Continued...

**VIKING GOLD EXPLORATION INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**3. EXPLORATION AND EVALUATION ASSETS (Continued)**

d) Vent d'Or

On March 4, 2013, the Company entered into an option agreement to earn a 100% undivided interest in the Vent d'Or Property. Vent d'Or, which consists of 44 mineral claims, is located southwest of the town of Chibougamau in the Druillettes and Hazur Townships in Central Quebec.

Under the terms of the option agreement, the Company will pay a total of \$90,000 cash and issue 1,000,000 common shares to the optionor as follows – (i) an initial payment of \$15,000 and 400,000 shares (completed on March 4 and 21, 2013, respectively); (ii) \$30,000 and 300,000 common shares on or before June 1, 2014; and (iii) \$45,000 and 300,000 common shares on or before June 1, 2015. In addition, the Company has agreed to grant a 2% NSR royalty to the optionor. The Company may acquire 50% of the NSR by making a payment of \$1,000,000.

The TSX-V approved the Vent d'Or transaction on March 18, 2013 and the transaction closed on March 25, 2013.

e) Acquisition Costs Summary

Acquisition costs of exploration and evaluation assets for the year ended December 31, 2012 and the three months ended March 31, 2013 are summarized below. The values assigned to the common shares issued by the Company were based on the closing share price on the respective dates of issuance.

<u>Properties</u>	<u># of common shares issued</u>	<u>Value of common shares Issued</u>	<u>Cash payments due</u>	<u>Option payments rec'd</u>	<u>Legal and other</u>	<u>Totals</u>
Year ended						
December 31, 2012:						
Venton Lake, ON	50,000	\$ 4,250	\$ 75,000	\$ -	\$ -	\$ 79,250
Larose, ON	-	-	(1) 10,000	(2) (3,000)	-	7,000
Guyenne, QC	(3) 250,000	30,000	20,000	-	12,675	62,675
Acquisition costs for year	300,000	\$ 34,250	\$ 105,000	\$ (3,000)	\$ 12,675	\$ 148,925
Three months ended						
March 31, 2013:						
Vent d'Or, QC	400,000	\$ 18,000	\$ 15,000	\$ -	\$ 2,590	\$ 35,590

Comments:

- (1) = advance royalty payment made pursuant to an existing 3% NSR
- (2) = issue date fair value of shares of Golden Share received as option payments (see Notes 3b and 5)
- (3) = includes finder's fee of 100,000 common shares (see Note 3c)

**VIKING GOLD EXPLORATION INC.**  
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**4. EQUIPMENT**

A continuity schedule of the Company's computer and office equipment for the three months ended March 31, 2013 follows.

Cost	
As at January 1, 2013	\$ 2,585
Change for period	-
As at March 31, 2013	<u>2,585</u>
Accumulated Depreciation	
As at January 1, 2013	1,102
Depreciation for period	250
As at March 31, 2013	<u>1,352</u>
Net Book Value	
As at January 1, 2013	<u>\$ 1,483</u>
As at March 31, 2013	<u>\$ 1,233</u>

**5. INVESTMENT**

	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Held-For-Trading Investment		
Investment in Golden Share Mining Corporation		
200,000 common shares, recorded at a quoted fair value of \$0.025 (2012 – \$0.045) per share	<u>\$ 5,000</u>	<u>\$ 8,000</u>

Golden Share Mining Corporation is a publicly traded company listed on the TSX-V under the trading symbol "GSH" (see Note 3b, Exploration and Evaluation Assets – Verneuil and Larose Properties).

On December 8, 2011, the Company received 100,000 common shares of Golden Share as the first scheduled option payment. The issue date total fair value of these shares was \$8,500. On December 13, 2012, the Company received an additional 100,000 common shares of Golden Share as the second scheduled option payment. The issue date total fair value of these shares was \$3,000.

As at March 31, 2013, the investment of 200,000 shares is carried at a total quoted fair value of \$5,000 (December 31, 2012 – \$8,000). An unrealized loss on investment of \$3,000 for the three months ended March 31, 2013 (year ended December 31, 2012 – \$3,500) is reported in other expense.

**6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES**

	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Amounts receivable		
Sales tax refundable (HST/QST)	\$ 12,146	\$ 97,410
Due from related party (Note 10)	10,000	10,000
Total amounts receivable	<u>22,146</u>	<u>107,410</u>
Prepaid expenses	<u>10,965</u>	<u>4,438</u>
Total amounts receivable and prepaid expenses	<u>\$ 33,111</u>	<u>\$ 111,848</u>

Continued...

**7. SHARE CAPITAL**

a) Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of voting common shares without nominal or par value.

b) Issued Share Capital

As at March 31, 2013, the Company's issued share capital is 77,784,369 (December 31, 2012 – 77,384,369) common shares with a stated value of \$9,061,120 (December 31, 2012 - \$9,043,120). A continuity of the Company's share capital is disclosed in the Statements of Changes in Equity.

c) Non-Brokered Private Placements

There were no private placements during the three months ended March 31, 2013.

d) Common Share Purchase Warrants

A continuity of the Company's outstanding common share purchase warrants for the three months ended March 31, 2013 follows:

<u>Expiry date(s)</u>	<u>Term (yrs)</u>	<u>Exercise price</u>	<u>January 1, 2013</u>	<u>Issued 2013</u>	<u>Exercised 2013</u>	<u>Expired 2013</u>	<u>March 31, 2013</u>
May 2, 2013 (E1)	2.5 *	\$0.15	3,750,000	-	-	-	3,750,000
June 30, 2013 (E2)	3.5 *	\$0.20	3,000,000	-	-	-	3,000,000
July 27, 2013 (E3)	3.5 *	\$0.20	13,654,000	-	-	-	13,654,000
June 29, 2013	2 **	\$0.30	150,000	-	-	-	150,000
Nov./Dec. 2013	2 *	\$0.20	3,495,834	-	-	-	3,495,834
Nov./Dec. 2013	2 **	\$0.20	651,667	-	-	-	651,667
October 2014	2 *	\$0.17	1,640,000	-	-	-	1,640,000
October 2014	2 **	\$0.12	212,100	-	-	-	212,100
December 31, 2014	2 *	\$0.17	1,312,500	-	-	-	1,312,500
December 31, 2014	2 **	\$0.12	183,750	-	-	-	183,750
December 31, 2014	2 *	\$0.15	500,000	-	-	-	500,000
Total warrants			28,549,851	-	-	-	28,549,851
Weighted-average exercise price			\$0.189	\$ -	\$ -	\$ -	\$0.189

\* = investor warrants

\*\* = other warrants (i.e. issued to non-investors)

**Investor Warrant Extensions and Acceleration**

In October 2012, the Company applied for and received TSX-V approval for the six-month extension of 3,750,000 warrants from November 2, 2012 to May 2, 2013 ("E1"). In December 2012, the Company applied for and received TSX-V approval for the six-month extension of 3,000,000 warrants from December 31, 2012 to June 30, 2013 ("E2"), and 13,654,000 warrants from January 25, 2013 to July 27, 2013 ("E3").

The Company has the right to accelerate the expiry of the unexercised 13,654,000 investor warrants, which otherwise expire on July 27, 2013, if the Company's stock trades over \$0.30 for 30 consecutive days.

See Note 15c for information concerning common share purchase warrants that expired after the March 31, 2013 reporting date.

Continued...



**7. SHARE CAPITAL (Continued)**

e) Common Share Purchase Options

Under the Company's stock option plan, common share purchase options may be granted to employees for up to 10% of the issued and outstanding common shares. The exercise price of these options is not less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the TSX-V, and will not otherwise be less than \$0.10 per share. The maximum exercise period after the grant of the option is 5 years.

All of the Company's outstanding and exercisable options have a 5-year term and vested at their respective grant dates.

A continuity schedule of the Company's outstanding and exercisable common share purchase options for the three months ended March 31, 2013 is as follows:

<u>Expiry date</u>	<u>Exercise price</u>	<u>January 1, 2013</u>	<u>Granted 2013</u>	<u>Exercised 2013</u>	<u>Expired 2013</u>	<u>March 31, 2013</u>
January 8, 2013	\$0.135	50,000	-	-	(50,000)	-
April 9, 2013	\$0.16	550,000	-	-	-	550,000
September 12, 2013	\$0.115	100,000	-	-	-	100,000
February 4, 2015	\$0.11	650,000	-	-	-	650,000
October 6, 2015	\$0.125	1,200,000	-	-	-	1,200,000
November 15, 2015	\$0.17	700,000	-	-	-	700,000
May 17, 2016	\$0.24	300,000	-	-	-	300,000
September 12, 2016	\$0.17	1,675,000	-	-	-	1,675,000
December 8, 2016	\$0.20	1,475,000	-	-	-	1,475,000
February 9, 2017	\$0.175	150,000	-	-	-	150,000
February 7, 2018	\$0.12	-	50,000	-	-	50,000
Total options		6,850,000	50,000	-	(50,000)	6,850,000
Weighted-average exercise price		\$0.164	\$0.120	\$ -	(\$0.135)	\$0.152

On January 8, 2013, 50,000 options, held by an officer, expired unexercised. The grant date fair value of these options was \$5,000.

On February 7, 2013, the Company granted 50,000 new options to the same officer. The new options, which vested immediately, have a five-year term and an exercise price of \$0.12 each. The grant date fair value of these options was \$2,000 (see Note 10). Weighted-average Black-Scholes Model assumptions used for valuing these options were as follows: expected dividend yield – 0%; expected volatility – 153%; risk-free interest rate – 1.15%; expected life – 5 years. No options were granted during the three months ended March 31, 2012.

See Note 15a for information concerning common share purchase options that were granted, or that expired, after the March 31, 2013 reporting date.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

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**7. SHARE CAPITAL (Continued)**

## f) Diluted Loss Per Share

Loss per share is calculated using the basic and diluted weighted-average number of common shares outstanding during the three months ended March 31, 2013, which was 77,433,257 (2012 – 70,569,369). The determination of the weighted-average number of shares outstanding for the calculation of diluted loss per share does not include the potential effect of outstanding warrants (March 31, 2013 – 28,549,851, March 31, 2012 – 28,903,001) and options (March 31, 2013 – 6,850,000, March 31, 2012 – 6,900,000), as they are anti-dilutive.

**8. INCOME TAXES**

No current tax expense (recovery) is recorded in these Condensed Interim Financial Statements for the periods presented due to the Company's taxable loss position.

No net deferred tax expense (recovery) is recorded in these Condensed Interim Financial Statements for the periods presented, due to the Company's existing unrecorded income tax asset. As at March 31, 2013, a net deferred tax asset of approximately \$417,000 has not been recorded by the Company on the basis that it is not probable that the Company will generate future taxable income to utilize it.

Additional details of the Company's tax carry-forward balances consisting of available operating and capital loss-carry forwards, resource expenditure tax pools, and unclaimed share issue costs, are reported in its December 31, 2012 annual audited financial statements.

The Company's flow-through share premium liability of \$69,000 will be proportionately reduced and thereby reflected as a deferred tax recovery in future periods, as the Company satisfies its remaining \$558,000 flow-through share expenditure commitment.

**9. TRADE AND OTHER PAYABLES**

	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Trade payables	\$ 125,175	\$ 358,133
Accrued expenses	98,362	183,038
Amounts due to related parties (Note 10)	71,189	42,356
	<u>\$ 294,726</u>	<u>\$ 583,527</u>

Continued...

**10. RELATED PARTY TRANSACTIONS**

The Company considers its related parties to consist of the Company's key management personnel (e.g. officers, directors and advisory committee members) and companies related to such individuals.

a) Summary of Related Party Transactions

Details of the Company's transactions with key management personnel and their related companies, for the three months ended March 31, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Statements of Financial Position		
Evaluation and exploration assets – capitalized during period		
Legal fees – officer's law firm, capitalized to acquisition costs	\$ 2,590	\$ -
Geology fees – advisory committee members, capitalized to deferred exploration expenditures	2,000	-
	<u>\$ 4,590</u>	<u>\$ -</u>
Statements of Loss and Comprehensive Loss		
Management fees – officers' companies	\$ 43,373	\$ 39,989
Website development fees – officer's company	-	3,995
Rent – officer/director	5,250	6,330
Legal fees – officer's law firm	21,417	8,814
	<u>70,040</u>	<u>59,128</u>
Share-based compensation – officer (Note 7e)	2,000	-
	<u>\$ 72,040</u>	<u>\$ 59,128</u>
Total expense		

The Company's officers receive fees through their companies pursuant to fee-for-service arrangements in lieu of salaries. The Company's board of directors approves these fees and all share-based compensation.

b) Related Party Balances

Amounts receivable as at March 31, 2013 (see Note 6) includes \$10,000 (December 31, 2012 – \$10,000) due from the President's company. This amount is non-interest bearing and without fixed terms of repayment. See also Note 15b.

Trade and other payables as at March 31, 2013 includes amounts due to related parties of \$71,189 (December 31, 2012 – \$42,356) consisting of amounts owed to officers and their companies/law firm (see Note 9) and advisory committee members. These related party liabilities are unsecured, non-interest bearing and due within 30 days.

**11. FINANCIAL RISK FACTORS**

a) Financial Instruments

The Company's financial instruments consist of financial assets and liabilities as outlined below.

	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
<u>Statements of Financial Position</u>		
Financial assets		
FVTPL – Held for trading		
Investment (Note 5)	\$ 5,000	\$ 8,000
Loans and receivables		
Amounts receivable (Note 6)	22,146	107,410
Cash	145,275	500,124
	<u>167,421</u>	<u>607,534</u>
Total financial assets	<u>\$ 172,421</u>	<u>\$ 615,534</u>
Financial liabilities		
Other financial liabilities		
Trade and other payables (Note 9)	\$ 294,726	\$ 583,527
(Deficiency) excess of financial assets over financial liabilities	<u>\$ (122,305)</u>	<u>\$ 32,007</u>

As at March 31, 2013, the carrying values and fair values of the Company's financial instruments are approximately the same. In addition, the Company's financial instruments that are carried at fair value consist of a FVTPL investment, classified as "Level 1", within the fair value hierarchy.

b) Financial Risks

Risk exposures and the impact on its financial instruments are summarized below.

Credit Risk

The Company's financial assets are exposed to some credit risk. The Company has no significant concentration of credit risk arising from operations.

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 has a cash balance of \$145,275 (December 31, 2012 – \$500,124) to settle trade and other payables of \$294,726 (December 31, 2012 – \$583,527).

All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company is also committed to spending an additional \$558,000 (December 31, 2012 – \$560,000) on qualifying Canadian exploration expenditures prior to January 1, 2014 (December 31, 2012 – January 1, 2013).

Based on the information contained in the two preceding paragraphs, the Company presently assesses its liquidity risk as "significant."

**11. FINANCIAL RISK FACTORS (Continued)**

b) Financial Risks (Continued)

Market Risk

The Company's market risk has three components – interest rate risk, foreign currency risk and price risk.

(i) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to periodically invest excess cash in guaranteed investment certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

(ii) Foreign currency risk

The Company's functional currency is the Canadian dollar and all purchases are transacted in Canadian dollars. The Company has no foreign operations and thus has no foreign exchange risk derived from either currency conversions or from holding foreign currencies. The Company does not speculate in the foreign currency market nor does it have any need to acquire foreign currency hedges.

(iii) Price risk

The Company is exposed to some price risk with respect to commodity prices; however, this is limited since the Company is not a producing entity. The Company closely monitors commodity prices to determine its appropriate course of action.

Derivatives Risk

The Company's investor warrants are equity instruments and not financial liabilities or financial derivatives. The Company has not used any hedging or financial derivatives.

c) Sensitivity Analysis

Management believes that sensitivity analysis on the Company's financial instruments is presently unnecessary, since any changes in interest rates and commodity prices are unlikely to have a material effect on the Company's financial instruments.

**12. CAPITAL MANAGEMENT**

The Company considers its capital structure to consist of components of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties, in which the Company currently has an interest, are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company spends its existing working capital and raises additional amounts as needed. The Company continues to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

**13. COMMITMENTS AND CONTINGENCIES**

a) Flow-through Shares

As at March 31, 2013, the Company is committed to incur, on a best efforts basis, \$566,880 in qualifying Canadian exploration expenditures pursuant to two 2012 private placements for which flow-through share proceeds had been received and renounced to investors with an effective date of December 31, 2012. As at March 31, 2013, the Company had incurred qualifying expenditures of approximately \$9,000; accordingly, the Company must incur approximately \$558,000 of qualifying expenditures prior to January 1, 2014.

The Company believes that it has incurred sufficient qualifying expenditures to satisfy its December 31, 2011 and prior flow-through share commitments.

The Company has agreed to indemnify the subscribers of its flow-through shares for tax-related amounts that become payable by them, if the Company fails to meet its expenditure commitments.

b) Environmental Contingencies

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations and has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

**14. SEGMENTED INFORMATION**

The Company's operations comprise a single operating segment engaged in the acquisition, exploration and development of mineral properties in Canada.

**15. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

a) Common Share Purchase Options

On April 9, 2013, an aggregate total of 550,000 options, held by directors, officers and consultants, expired unexercised (see Note 7e). The grant date fair value of these options was \$45,833.

On May 1, 2013, the Company granted an aggregate total of 900,000 options to directors, officers and a consultant of the Company. These options have a five-year term and are exercisable at \$0.10 each. The grant date fair value of these options was \$15,000.

b) Debt Repayment by Related Party

On April 30, 2013, the Company received a \$4,000 repayment of debt owed by a related party (see Notes 6 and 10b).

c) Common Share Purchase Warrants

On May 2, 2013, 3,750,000 investor warrants expired unexercised (see Note 7d).

**15. EVENTS OCCURRING AFTER THE REPORTING PERIOD (Continued)**

d) Letter of Intent

On November 15, 2012, the Company signed a non-binding letter of intent to acquire Trilogy Mining Corporation (“Trilogy”), a privately owned Canadian mineral explorer active in Uruguay.

Trilogy, through its wholly owned subsidiaries, owned the “Ecovent Projects”, a mineral exploration property located in the Florida Greenstone belt in southwestern Uruguay. Trilogy held a 51% interest in an adjacent property, “Chamizo Project”, with the right to increase its ownership to 80% by investing \$350,000 on the property prior to September 30, 2015. Two other permits, Rincon and El Cuervo, were to be granted by the Uruguayan authorities and added to Trilogy’s portfolio.

The Company proposed a share-for-share exchange with the shareholders of Trilogy, whereby the Company would issue 15,000,000 common shares from treasury in exchange for 100% of the shares of Trilogy. The Company’s shares would be placed in escrow and released in three tranches – the first tranche of 5,000,000 shares on closing, the second tranche of 5,000,000 shares two months after closing, and the final tranche of 5,000,000 shares within ten days of the Trilogy subsidiary receiving a “prospecting permit” for the Ecovent Projects. The completion of the acquisition was conditional on the Company completing a private placement for a minimum of \$300,000. The Company was also required to replace an existing \$50,000 Cash Guarantee Environmental Bond within 12 months from the date of closing.

The parties intended to execute a definitive agreement after the completion of all necessary due diligence. The agreements and transactions contemplated were subject to the final approval of the TSX-V. The transaction was originally scheduled to close on January 31, 2013 assuming all conditions in the agreement were satisfied. Thereafter, the parties extended the planned closing date to April 30, 2013.

On May 2, 2013, the Company announced that the parties had jointly agreed to allow their non-binding letter of intent to lapse. Legal fees expense for the three months ended March 31, 2013 includes approximately \$15,000 attributable to the cancelled Trilogy transaction. Subsequent to March 31, 2013, an additional \$10,000 of legal fees expense attributable to Trilogy was recorded by the Company.