

Condensed Interim Financial Statements of

VIKING GOLD EXPLORATION INC.

For the Three Months Ended March 31, 2014 and 2013
(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, 2014 and March 31, 2013 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 Company's significant accounting policies. 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, 2014 and March 31, 2013 have not been reviewed by the Company's auditors in accordance with standards established by CPA Canada 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)

	Notes	March 31, 2014	December 31, 2013
ASSETS			
Non-current assets			
Exploration and evaluation assets	3	\$ 1,706,868	\$ 1,705,233
Equipment	4	233	483
Investment	5	-	3,800
Total non-current assets		<u>1,707,101</u>	<u>1,709,516</u>
Current assets			
Amounts receivable and prepaid expenses	6	3,741	8,223
Cash		151	6,733
Total current assets		<u>3,892</u>	<u>14,956</u>
Total Assets		<u>\$ 1,710,993</u>	<u>\$ 1,724,472</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	7b	\$ 9,025,302	\$ 9,025,302
Equity-settled employee benefit reserve		779,901	779,901
Deficit		(8,812,744)	(8,747,768)
Total equity		<u>992,459</u>	<u>1,057,435</u>
Current liabilities			
Provision for indemnification of flow-through subscribers	9	400,000	400,000
Trade and other payables	10	318,534	267,037
Total current liabilities		<u>718,534</u>	<u>667,037</u>
Total Equity and Liabilities		<u>\$ 1,710,993</u>	<u>\$ 1,724,472</u>

Nature and continuance of operations (Note 1)

Commitments and contingencies (Notes 3 and 14)

The Board of Directors approved these condensed interim financial statements on May 30, 2014.

They are signed on the Company's behalf by:

/s/Mark Edwards
Director

/s/Simon Meredith
Director

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited – expressed in Canadian dollars)

	Notes	Three months ended March 31, 2014	Three months ended March 31, 2013
Expenses			
Management fees	11a	\$ 30,052	\$ 43,373
Share-based compensation		-	2,000
Professional and regulatory fees	11a	16,660	48,729
Investor relations		-	15,000
Office and administration		15,266	16,447
Depreciation		250	250
Claims management		1,050	1,050
Investigation of new properties		-	366
Total expenses		<u>63,278</u>	<u>127,215</u>
Operating loss		<u>(63,278)</u>	<u>(127,215)</u>
Other expense			
Write-off of exploration and evaluation assets	3	-	(6)
Unrealized loss on investment	5	-	(3,000)
Loss on sale of investment	5	(1,698)	-
Total other expense		<u>(1,698)</u>	<u>(3,006)</u>
Loss before income taxes		<u>(64,976)</u>	<u>(130,221)</u>
Deferred tax (recovery)	8	-	-
Net loss and comprehensive loss, attributable to common shareholders		<u>\$ (64,976)</u>	<u>\$ (130,221)</u>
Basic and diluted loss per common share		<u>\$ (0.001)</u>	<u>\$ (0.002)</u>
Weighted-average number of common shares			
Basic and diluted	7f	<u>79,778,229</u>	<u>77,433,369</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)

	Three months ended March 31, 2014	Three months ended March 31, 2013
Operating activities		
Net loss	\$ (64,976)	\$ (130,221)
Adjusted for		
Share-based compensation	-	2,000
Depreciation	250	250
Other expense	1,698	3,006
	<u>(63,028)</u>	<u>(124,965)</u>
Changes in non-cash working capital		
Decrease (increase) in prepaid expenses	5,145	(6,527)
(Increase) decrease in amounts receivable	(663)	85,264
Increase in trade and other payables, net of items (i)(iii) below	49,862	66,221
Net cash (used in) provided by operating activities	<u>(8,684)</u>	<u>19,993</u>
Investing activities		
Additions to exploration and evaluation assets, net of items (i)(ii) below	-	(357,567)
Proceeds on sale of investment	2,102	-
Net cash provided by (used in) investing activities	<u>2,102</u>	<u>(357,567)</u>
Financing activities		
Issue costs of private placement units, net of item (ii) below	-	(17,275)
Net cash (used in) financing activities	<u>-</u>	<u>(17,275)</u>
Net (decrease) in cash	(6,582)	(354,849)
Cash, beginning of period	6,733	500,124
Cash, end of period	\$ 151	\$ 145,275
Additional information:		
(i) Increase (decrease) in accrued E&E expenditures	\$ 1,635	\$ (337,747)
(ii) Shares issued to acquire E&E assets	-	18,000
(iii) (Decrease) in accrued issue costs of private placements	-	(17,275)

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
Three months ended March 31, 2014:						
Balance – January 1, 2014		79,778,229	\$ 9,025,302	\$ 779,901	\$ (8,747,768)	\$ 1,057,435
Comprehensive loss for period		-	-	-	(64,976)	(64,976)
Net change for period		-	-	-	(64,976)	(64,976)
Balance – March 31, 2014		79,778,229	\$ 9,025,302	\$ 779,901	\$ (8,812,744)	\$ 992,459
Three months ended March 31, 2013:						
Balance – January 1, 2013		77,384,369	\$ 9,043,120	\$ 873,720	\$ (7,586,074)	\$ 2,330,766
Shares issued as property option payment	3	400,000	18,000	-	-	18,000
Comprehensive loss for period		-	-	-	(130,221)	(130,221)
Share-based compensation	11a	-	-	2,000	-	2,000
Options expired		-	-	(5,000)	5,000	-
Net change for period		-	18,000	(3,000)	(125,221)	(110,221)
Balance – March 31, 2013		77,784,369	\$ 9,061,120	\$ 870,720	\$ (7,711,295)	\$ 2,220,545

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 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, 2014, the Company had a net loss of \$64,976 and an accumulated deficit of \$8,812,774 as at March 31, 2014, and to date, it has not generated positive cash flow from operations. As at March 31, 2014, the Company had a working capital deficiency of \$714,642. The Company also has a \$30,000 cash option payment due on June 1, 2014 on one of its properties (Note 3d), and approximately \$87,000 of short-term exploration commitments on three of its properties in order to keep the underlying mineral claims in good standing (Note 3e).

As explained in Note 16c, the Company was successful in closing a private placement of \$47,500 of convertible debentures after March 31, 2014. As at May 30, 2014, the Company’s working capital deficiency was approximately \$709,000.

Continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is hopeful that the Company’s working capital will be replenished by way of external financing, sale of assets and debt settlements, though there is a significant risk that additional working capital will 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, 2013.

The Company’s management has selected several of the Company’s significant accounting policies for disclosure in these condensed interim financial statements – see Notes 2b to 2f.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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; the valuation of deferred income tax assets; and the valuation of a flow-through subscriber indemnification accrual.

d) Common Share Purchase Warrants

The Company periodically issues 'units' to investors consisting of common shares and common share purchase warrants in private placements. Each whole warrant issued entitles the holder to acquire a common share of the Company at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Company's investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. "bifurcation") of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

e) Mineral Property Agreements With Other Parties

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 (i.e. unanimous consent is required to make decisions), the Company discloses this relationship as a joint arrangement. A joint arrangement may be either a joint operation or a joint venture. In a joint operation, the parties ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. As such, each joint operator records its share of any assets, liabilities, revenues and expenses of the joint operation. In a joint venture, the parties ("joint venturers") have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

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 related to the property.

In either case, costs incurred during earn-in periods remain capitalized and are added to amounts recorded thereafter, subject to any overriding impairment tests. The Company currently has no joint arrangements and one undivided working interest.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) New IFRS Accounting Standards

The Company has adopted three new IFRS accounting standards, including amendments and interpretations to existing standards, as of January 1, 2014. The adoption of these new accounting standards did not affect any of the amounts or disclosures presented in these financial statements. The newly adopted IFRS standards are described below, along with other proposed standards yet to be adopted. Each new standard applies to annual periods beginning on or after the stated effective date.

<u>New IFRS standard</u>	<u>Description</u>	<u>Effective date</u>
<ul style="list-style-type: none"> Amendments to IFRS 7 – Financial Instruments: Disclosures (December 2011 and November 2013) 	The 2011 amendments improve offsetting rules and related disclosures for financial instruments. The 2013 amendments result from the introduction of a hedge accounting chapter in IFRS 9.	January 1, 2018
<ul style="list-style-type: none"> Amendments to IFRS 9 – Financial Instruments (October 2010 and November 2013) 	The 2010 amendments provide guidance on the classification and measurement of financial liabilities. The 2013 amendments contain a hedge accounting chapter and permit the early application of presenting certain items in other comprehensive income.	January 1, 2018
<ul style="list-style-type: none"> Amendments to IFRS 11 – Joint Arrangements (May 2014) 	The amendments provide guidance on accounting for acquisitions of an interest in a joint operation.	January 1, 2016
<ul style="list-style-type: none"> Amendments to IFRS 13 – Fair Value Measurement (December 2013) 	The amendments provide guidance on measuring fair value when required by other IFRSs.	July 1, 2014
<ul style="list-style-type: none"> Amendments to IAS 16 – Property, Plant and Equipment (May 2014) 	The amendments clarify acceptable methods of depreciation and amortization.	January 1, 2016
<ul style="list-style-type: none"> Amendments to IAS 32 – Financial Instruments: Presentation (December 2011) 	The amendments improve offsetting rules and related disclosures for financial instruments (see IFRS 7 amendments above).	January 1, 2014 (adopted #1)
<ul style="list-style-type: none"> Amendments to IAS 36 – Impairment of Assets (May 2013) 	The amendments deal with recoverable amount disclosures for non-financial assets.	January 1, 2014 (adopted #2)
<ul style="list-style-type: none"> Amendments to IAS 38 – Intangible Assets (May 2014) 	The amendments clarify acceptable methods of depreciation and amortization.	January 1, 2016
<ul style="list-style-type: none"> Amendments to IAS 39 – Financial Instruments (June 2013) 	The amendments deal with the novation of derivatives and continuation of hedge accounting.	January 1, 2014 (adopted #3)

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) New IFRS Accounting Standards (Continued)

The new IFRS accounting standards listed above exclude those applicable to investment entities, since they do not apply to the Company. Management is currently assessing the impact of adopting the six remaining new IFRS accounting standards on the Company's financial reporting.

3. EXPLORATION AND EVALUATION ASSETS

During the three months ended March 31, 2014, the Company did not acquire or write-off any mineral property interests. Below is a summary of the Company's five unimpaired exploration properties as at March 31, 2014.

<u>Properties</u>	<u>Year Acquired</u>	<u>Notes</u>	<u>Current Mineral Tenure</u>	<u># of Claims/ Leases</u>
Larose, Ontario	2011	3b,16a	Claims; 100% interest (under option to a third party until April 2, 2014)	16
Total Ontario properties				<u>16</u>
Verneuil, Quebec				
Verneuil Central	2011	3b	Claims; 70% undivided working interest	22
Verneuil West	2011	3b	Claims; 100% interest	20
Verneuil East	2011	3b	Claims; 100% interest	9
				<u>51</u>
Vent d'Or, Quebec	2013	3d	Claims, under option to the Company which may earn a 100% interest	29
Total Quebec properties				<u>80</u>
Total properties				<u>96</u>

VIKING GOLD EXPLORATION INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(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, 2013 and the three months ended March 31, 2014 follows.

	<u>Balance,</u> <u>January 1,</u> <u>2013</u>	<u>Expenditures</u> <u>for</u> <u>year-ended</u> <u>December 31,</u> <u>2013</u>	<u>Write-offs</u> <u>for</u> <u>year-ended</u> <u>December 31,</u> <u>2013 *</u>	<u>Balance,</u> <u>December 31,</u> <u>2013</u>	<u>Expenditures</u> <u>for three</u> <u>months ended</u> <u>March 31,</u> <u>2014</u>	<u>Balance,</u> <u>March 31,</u> <u>2014</u>
Acquisition costs						
Venton Lake, ON	\$ 191,786	\$ -	\$ (191,786)	\$ -	\$ -	\$ -
Larose, ON	100,028	5,000	-	105,028	-	105,028
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)	-	-	-
Vent d'Or, QC	-	35,590	-	35,590	1,635	37,225
Morris Lake, NT	5	-	(5)	-	-	-
Total properties	651,407	40,590	(254,466)	437,531	1,635	439,166
Deferred exploration expenditures						
Venton Lake, ON	85,654	-	(85,654)	-	-	-
Larose, ON	179	-	-	179	-	179
Verneuil, QC						
Verneuil Central	732,840	2,349	-	735,189	-	735,189
Verneuil West	411,949	1,000	-	412,949	-	412,949
Verneuil East	118,456	-	-	118,456	-	118,456
Guyenne, QC	361,352	3,330	(364,682)	-	-	-
Vent d'Or, QC	-	929	-	929	-	929
Morris Lake, NT	1	-	(1)	-	-	-
Total properties	1,710,431	7,608	(450,337)	1,267,702	-	1,267,702
Total expenditures						
Venton Lake, ON	277,440	-	(277,440)	-	-	-
Larose, ON	100,207	5,000	-	105,207	-	105,207
Verneuil, QC						
Verneuil Central	870,212	2,349	-	872,561	-	872,561
Verneuil West	505,875	1,000	-	506,875	-	506,875
Verneuil East	184,071	-	-	184,071	-	184,071
Guyenne, QC	424,027	3,330	(427,357)	-	-	-
Vent d'Or, QC	-	36,519	-	36,519	1,635	38,154
Morris Lake, NT	6	-	(6)	-	-	-
Total properties	\$ 2,361,838	\$ 48,198	\$ (704,803)	\$ 1,705,233	\$ 1,635	\$ 1,706,868

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

* = due to impairment

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VIKING GOLD EXPLORATION INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(Unaudited – expressed in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS (Continued)

The carrying values of the Company's unimpaired E&E assets as at March 31, 2014 are comprised of the following amounts:

Composition of Carrying Value of E&E Assets	Larose, ON (Note 3b)	Verneuil Central, QC (Note 3b)	Verneuil West, QC (Note 3b)	Verneuil East, QC (Note 3b)	Vent D'Or QC (Note 3d)	Totals
Acquisition costs						
Option payments - cash	\$ -	\$ -	\$ 30,000	\$ 20,000	\$ 15,000	\$ 65,000
Option payments – shares (i)	80,000	120,000	60,000	43,000	18,000	321,000
Legal and other	11,528	17,372	3,926	2,615	4,225	39,666
Advance royalty payments (ii)	30,000	-	-	-	-	30,000
Option payments received	(16,500)	-	-	-	-	(16,500)
	<u>105,028</u>	<u>137,372</u>	<u>93,926</u>	<u>65,615</u>	<u>37,225</u>	<u>439,166</u>
Deferred exploration expenditures						
Geology and other fees	-	150,114	28,200	-	825	179,139
Management fees – related party	-	27,157	5,000	-	-	32,157
Line cutting	-	71,037	-	-	-	71,037
IP/mag survey	-	84,106	-	-	-	84,106
Prospecting and stripping	-	134,564	25,068	-	-	159,632
Field labour and supplies	-	14,852	256	-	-	15,108
Drilling	-	447,261	127,929	-	-	525,190
Rentals	-	26,027	-	-	-	26,027
Core storage and transport	-	17,464	-	-	-	17,464
Assays and samples	-	140,484	11,737	-	13	152,234
Miscellaneous	179	44,608	10,730	-	91	55,608
Allocations between properties	-	(322,485)	204,029	118,456	-	-
Recoveries from exploration partner	-	(100,000)	-	-	-	(100,000)
	<u>179</u>	<u>735,189</u>	<u>412,949</u>	<u>118,456</u>	<u>929</u>	<u>1,267,702</u>
Closing balance – March 31, 2014	\$ 105,207	\$ 872,561	\$ 506,875	\$ 184,071	\$ 38,154	\$ 1,706,868

Comments:

(i) = The values assigned to common shares issued by the Company were based on the closing share price on the respective dates of issuance, as follows:

	Larose, ON	Verneuil Central, QC	Verneuil West, QC	Verneuil East, QC	Vent D'Or QC	Total
Date of issuance	June 28, 2011	June 28, 2011	June 29, 2011	July 20, 2011	March 21, 2013	
Common shares issued	400,000	600,000	300,000	200,000	400,000	1,900,000
Price per share	\$0.20	\$0.20	\$0.20	\$0.215	\$0.045	

(ii) = Made pursuant to an existing 3% NSR.

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3. EXPLORATION AND EVALUATION ASSETS (Continued)

Information about the Company's individual properties follows. This includes five unimpaired and two impaired properties.

a) Venton Lake (Impaired)

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 provided that the Company (as optionee) would 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 was to be accompanied by the issuance of the Company's common shares to the optionor, as follows – 150,000 shares (initial), 50,000 shares (after the first year), 50,000 shares (after the second year) and 100,000 shares (after the third year), for a total of 350,000 shares.

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

The initial (2011) and first annual (2012) option payments of cash and shares were completed by the Company. In 2013, the Company did not make its second annual option payment and was unsuccessful in its attempts to renegotiate its option agreement under more favourable terms. On December 18, 2013, the optionor informed the Company that the option was being terminated.

Effective December 31, 2013, the Company recorded a \$277,440 write-off of the Venton Lake property.

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 (recorded at the \$200,000 fair value, allocated 60% to Verneuil Central and 40% to Larose) 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 recorded at the \$43,000 fair value) and a 2% NSR in perpetuity. The Company may re-purchase half of the 2% NSR for \$1,000,000 at any time.

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, 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.

3. EXPLORATION AND EVALUATION ASSETS (Continued)

b) Verneuil and Larose (Continued)

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 was 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 was 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, 2012). 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 (both completed), which the Company is responsible for.

See Note 16a for information about the termination of the Golden Share option after March 31, 2014.

c) Guyenne (Impaired)

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 agreed to 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 agreed 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.

After reviewing exploration results, the Company informed Globex on August 7, 2013 that it was terminating the option. Effective June 30, 2013, the Company recorded a \$427,357 write-off of the Guyenne property.

Continued...

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 consisted of 44 mineral claims (reduced to 29 claims as at December 31, 2013), 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 (paid) and 400,000 shares (issued and recorded at the \$18,000 fair value); (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) Exploration Commitments

The Company has \$87,181 of short-term exploration commitments in order to keep all of the underlying mineral claims in good standing with governmental authorities, as follows:

- Vent D'Or – a \$547 rental payment by June 22, 2014
 - a \$5,034 payment in lieu of work by July 12, 2014 (renewal of 5 claims)
 - a \$9,600 payment in lieu of work by August 22, 2014 (renewal of 10 claims)
- Verneuil – \$61,000 of qualifying work due on July 30, 2014 (renewal of 9 claims)
- Larose – \$11,000 of qualifying work or a payment in lieu by September 13, 2014 (renewal of 2 claims)

Management believes that the Company has conducted sufficient exploration work to cover the \$61,000 of work commitments on the Verneuil claims, however, the Company will likely need to apply for a filing extension and then prepare and file supporting documentation with governmental authorities. For any of the short-term commitments above, if the Company fails to make the necessary payments in lieu of work and file the appropriate documentation on a timely basis, it could lose the legal right to explore the underlying claims.

4. EQUIPMENT

A continuity schedule of the Company's computer and office equipment for the three months ended March 31, 2014 follows.

Cost	
As at January 1, 2014	\$ 2,585
Change for period	-
As at March 31, 2014	<u>2,585</u>
Accumulated Depreciation	
As at January 1, 2014	2,102
Depreciation for period	<u>250</u>
As at March 31, 2014	<u>2,352</u>
Net Book Value	
As at January 1, 2014	<u>\$ 483</u>
As at March 31, 2014	<u>\$ 233</u>

Continued...

VIKING GOLD EXPLORATION INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013
 (Unaudited – expressed in Canadian dollars)

5. INVESTMENT

	<u>March 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Held-For-Trading Investment		
Investment in Golden Share Mining Corporation		
Nil (December 31, 2013 – 40,000) common shares	\$ -	\$ 3,800

Golden Share Mining Corporation (“Golden Share”) 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). These common shares were issued to the Company as two property option payments – 100,000 shares received on December 8, 2011 (\$8,500 fair value) and 100,000 shares received on December 13, 2012 (\$3,000 fair value).

Effective July 30, 2013, the Company’s original 200,000 shares were replaced by Golden Share on a 5:1 basis, due to a corporate merger.

As at December 31, 2013, the investment of 40,000 common shares was carried at a total quoted fair value of \$3,800. An unrealized loss on investment of \$3,000 for the three months ended March 31, 2013 was reported as other expense. On March 14, 2014, the Company sold its investment in Golden Share for net cash proceeds of \$2,102, at which time it recorded a final loss on sale of investment of \$1,698.

6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	<u>March 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Amounts receivable		
Sales tax refundable (HST/QST)	\$ 2,468	\$ 1,806
Prepaid expenses	1,273	6,417
Total amounts receivable and prepaid expenses	<u>\$ 3,741</u>	<u>\$ 8,223</u>

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, 2014, the Company's fully paid and issued and outstanding share capital is 79,778,229 (December 31, 2013 – 79,778,229) common shares with a stated value of \$9,025,302 (December 31, 2013 - \$9,025,302). 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 either the three months ended March 31, 2014 or the year ended December 31, 2013. See Note 16c for information about a non-brokered private placement of convertible debentures after March 31, 2014.

d) Common Share Purchase Warrants

A continuity of the Company's outstanding common share purchase warrants for the three months ended March 31, 2014 follows:

<u>Expiry date(s)</u>	<u>Term (yrs)</u>	<u>Exercise price</u>	<u>January 1, 2014</u>	<u>Issued 2014</u>	<u>Exercised 2014</u>	<u>Expired 2014</u>	<u>March 31, 2014</u>
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
July 5, 2015	2 ***	\$0.15	996,930	-	-	-	996,930
Total warrants			4,845,280	-	-	-	4,845,280
Weighted-average exercise price			\$0.149	\$ -	\$ -	\$ -	\$0.149

* = investor warrants

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

*** = issued in 2013 debt settlements

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

(Unaudited – expressed in Canadian dollars)

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, 2014 is as follows:

<u>Expiry date</u>	<u>Exercise price</u>	<u>January 1, 2014</u>	<u>Granted 2014</u>	<u>Exercised 2014</u>	<u>Expired 2014</u>	<u>December 31, 2014</u>
February 4, 2015	\$0.11	650,000	-	-	-	650,000
October 6, 2015	\$0.125	1,000,000	-	-	-	1,000,000
November 15, 2015	\$0.17	700,000	-	-	-	700,000
May 17, 2016	\$0.24	300,000	-	-	-	300,000
September 12, 2016	\$0.17	1,525,000	-	-	-	1,525,000
December 8, 2016	\$0.20	1,375,000	-	-	-	1,375,000
February 9, 2017	\$0.175	150,000	-	-	-	150,000
February 7, 2018	\$0.12	50,000	-	-	-	50,000
May 1, 2018	\$0.10	900,000	-	-	-	900,000
Total options		6,650,000	-	-	-	6,650,000
Weighted-average exercise price		\$0.157	\$ -	\$ -	\$ -	\$0.157

See also Note 16b concerning certain options expiring early in 2014.

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, 2014, which was 79,778,229 (2013 – 77,433,369). 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, 2014 – 4,845,280, March 31, 2013 – 28,549,851) and options (March 31, 2014 – 6,650,000, March 31, 2013 – 6,850,000), as they are anti-dilutive.

Continued...

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, 2014, a net deferred tax asset of approximately \$800,000 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, 2013 annual audited financial statements.

9. PROVISION FOR INDEMNIFICATION OF FLOW-THROUGH SUBSCRIBERS

As at December 31, 2012, the Company was committed to incur \$566,880 in qualifying Canadian exploration expenditures prior to January 1, 2014, pursuant to two 2012 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Quebec subscribers effective December 31, 2012.

The Company incurred actual qualifying expenditures of \$6,444 in 2012 and \$7,608 in 2013, leaving a shortfall of \$552,828 as at December 31, 2013. Accordingly, effective December 31, 2013, the Company recorded (in other expense and current liabilities) a \$400,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency and Revenu Québec, attributable to each subscriber's proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. The governmental audit/reassessment process may be lengthy; therefore, it may be several months or longer before the Company's final liability is exigible.

The Company made the following assumptions in estimating its subscriber indemnification provision:

- Ontario subscribers have a combined personal income tax rate of 47.97% and are eligible for both the federal 15% and provincial 5% investment tax credits;
- Quebec subscribers have a combined personal income tax rate of 48.22% and are eligible for the federal 15% investment tax credit and the 150% CEE "super-allowance";
- Of the \$552,828 shortfall, \$73,329 applies to Ontario subscribers and \$479,499 applies to Quebec subscribers; and
- Subscribers will be assessed one year's interest on reassessed amounts.

The Company has also accrued in trade and other payables (see Note 10), the estimated Federal Part XII.6 tax and similar Quebec tax for 2013 and prior years.

Additional contingent liabilities with respect to the Company's flow-through share commitments for 2011 and prior years are discussed in Note 14a.

10. TRADE AND OTHER PAYABLES

	<u>March 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Trade payables	\$ 69,648	\$ 59,269
Accrued expenses	28,000	18,460
Accrued Part XII.6 tax and related amounts (Note 9)	100,627	100,627
Due to related parties (Note 11b)	120,259	88,681
	<u>\$ 318,534</u>	<u>\$ 267,037</u>

11. RELATED PARTY TRANSACTIONS

The Company considers its related parties to consist of: i) the Company's key management personnel (namely officers and directors) and those companies subject to their control or significant influence; and ii) advisory committee members and consultants providing services to the Company on a basis similar to employees.

a) Summary of Related Party Transactions

Details of the Company's transactions with related parties for the three months ended March 31, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Statements of Financial Position		
Evaluation and exploration assets – capitalized during year		
Legal fees – officer's law firm, capitalized as acquisition costs	\$ -	\$ 2,590
Geology fees – advisory committee members, capitalized to deferred exploration expenditures	-	2,000
Total capitalized	<u>\$ -</u>	<u>\$ 4,590</u>
Statements of Loss and Comprehensive Loss		
Management fees – officers' companies	\$ 30,250	\$ 43,373
Office and administration		
Rent – officers' and directors' companies	2,250	5,250
Professional and regulatory fees – fees from officer's law firm	5,000	21,417
	<u>37,500</u>	<u>70,040</u>
Share-based compensation		
Common share purchase options granted to an Officer	-	2,000
Total expense	<u>\$ 37,500</u>	<u>\$ 72,040</u>

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 the share-based compensation.

b) Related Party Balances

Trade and other payables as at March 31, 2014 includes amounts due to related parties of \$120,259 (December 31, 2013 – \$88,681) consisting of amounts owed to officers and their companies/law firm (see Note 10). This includes \$48,000 (December 31, 2013 – \$24,000) for management fees accrued to the CEO's company.

These related party liabilities are unsecured, non-interest bearing and due within 30 days.

Continued...

12. 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>2014</u>	<u>December 31,</u> <u>2013</u>
<u>Statements of Financial Position</u>		
Financial assets		
FVTPL – Held for trading		
Investment (Note 5)	\$ -	\$ 3,800
Loans and receivables		
Amounts receivable (Note 6)	2,468	1,806
Cash	151	6,733
	<u>2,619</u>	<u>8,539</u>
Total financial assets	<u>\$ 2,619</u>	<u>\$ 12,339</u>
Financial liabilities		
Other financial liabilities		
Provision for indemnification of		
flow-through subscribers (Note 9)	\$ 400,000	\$ 400,000
Trade and other payables (Note 10)	318,534	267,037
Total financial liabilities	<u>718,534</u>	<u>667,037</u>
(Deficiency) of financial assets over financial liabilities	<u>\$ (715,915)</u>	<u>\$ (654,698)</u>

FVTPL = "Fair Value Through Profit or Loss"

As at March 31, 2014, the carrying values and fair values of the Company's financial instruments are approximately the same because of the limited term of these investments. 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. The Company does not use derivatives to manage credit risk.

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, 2014, the Company has a substantial deficiency of financial liabilities over financial assets of \$715,915; accordingly, liquidity risk is assessed as critical.

As at March 31, 2014, the Company's trade and other payables have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's provision for indemnification of flow-through subscribers is recorded as a current liability though there is uncertainty regarding the actual amount and timing of the realization of this liability. The Company may potentially reduce its liquidity risk through additional private placements and debt settlements with creditors.

Continued...

12. 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 temporary cash surpluses 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.

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.

13. 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.

14. COMMITMENTS AND CONTINGENCIES

a) Flow-through Shares

The Company believes that it has incurred sufficient qualifying expenditures to satisfy its December 31, 2011 and prior flow-through share commitments in respect of Ontario and Quebec subscribers, though such expenditures and the Company's related tax returns are subject to potential audit and reassessment by Canada Revenue Agency and Revenu Québec. The Company has agreed to indemnify the subscribers of those flow-through shares for tax-related amounts that become payable by them, if the Company fails to meet its expenditure commitments.

The Company's original December 31, 2012 flow-through share commitment is discussed in Note 9.

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.

15. SEGMENTED INFORMATION

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

16. EVENTS OCCURRING AFTER THE REPORTING PERIOD

a) Property Option Termination

On April 2, 2014, Golden Share informed the Company that it was terminating the Larose option (see Note 3b) that the Company had granted to it.

b) Change in Directors

On April 4, 2014, the Company announced the resignation of three existing directors and the appointment of three new directors. The outgoing directors hold an aggregate total of 1,675,000 of the Company's common share purchase options. These options, which are presently out-of-the-money, will expire on July 4, 2014 and have an aggregate grant date fair value of \$171,122.

The Company also agreed to conditionally issue each new director 250,000 common shares of the Company, for a total of 750,000 common shares. The issuance of these common shares is subject to the approval of the TSX-V.

On May 29, 2014, the Company's Board of Directors cancelled the proposed issuance of a total of 750,000 common shares to the new directors.

16. EVENTS OCCURRING AFTER THE REPORTING PERIOD (Continued)

c) Private Placement of Convertible Debentures

On April 15, 2014, the Company commenced a private placement for a maximum of \$150,000 of 10% unsecured convertible debentures (the “Debentures”). The Debentures bear interest at the rate of 10% per annum which interest will accrue and be paid on the June 30, 2015 maturity date. The Debentures will be issued with principal in denominations of \$1,000 and multiples thereof.

The Debentures (plus any unpaid and accrued interest) are convertible, at the option of the holder, into units (each a “Unit”) at a conversion price (the “Conversion Price”) of \$0.01 per Unit over the term of the Debenture, subject to the TSX-V minimum pricing requirement of \$0.05 for the first 12 months and \$0.10 thereafter until maturity. In the event of a share consolidation by the Company, the Conversion Price will be adjusted proportionately, though it will still be subject to the same \$0.05 and \$0.10 TSX-V minimum pricing requirements on a post-consolidation basis.

Each Unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at the Conversion Price for a period of 36 months from the date of issuance of the warrant.

Assuming that: i) the Company closes \$150,000 of the Debentures, ii) this amount is subsequently converted by the holders at a \$0.05 conversion price, and iii) there is no share consolidation, this would result in the issuance of 3,000,000 Units, representing the equivalent of 3,000,000 common shares and 3,000,000 warrants (or a combined potential 6,000,000 common shares if all the warrants were subsequently exercised).

The TSX-V conditionally approved this transaction on April 16, 2014. The TSX-V’s final approval is subject to the Company meeting its documentation filing requirements on or before May 19, 2014 (extended to June 26, 2014). The TSX-V, in its discretion, may refuse to provide final acceptance in regard to the subscription of one or more subscribers.

As at May 30, 2014, the Company had closed a total of \$47,500 of the Debentures, including \$10,000 with a related party. The Company is continuing its efforts to close additional debentures through this private placement.