



PACIFIC WILDCAT RESOURCES CORP.

advanced and strategic minerals and metals

Unaudited condensed consolidated Interim Financial Statements of

PACIFIC WILDCAT RESOURCES CORP.

(An Exploration Stage Company)

March 31, 2014

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Pacific Wildcat Resources Corp.
March 31, 2014
(Expressed in Canadian Dollars)

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NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2014 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim financial reporting.

The Company's independent auditor has not audited or performed a review of these financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountant for a review of unaudited condensed consolidated interim financial statements by an entity's auditor.

PACIFIC WILDCAT RESOURCES CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (unaudited)

Expressed in Canadian Dollars

As at March 31, 2014 and December 31, 2013

	Note	March 31 2014	December 31 2013
ASSETS			
Current			
Cash and restricted cash	5	\$ 57,495	\$ 89,737
Receivables	6	1,097	11,738
Prepays		34,807	20,790
		93,399	122,265
Non-Current			
Property, plant and equipment	7	2,432,019	2,437,440
Exploration and evaluation assets	8	1,593,605	1,593,605
		\$ 4,119,023	\$ 4,153,310
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	9	\$ 2,019,834	\$ 1,858,048
Loan payable	10	150,533	150,533
Note payable	11	2,105,000	2,105,000
		4,275,367	4,113,581
Loans payable to related parties		2,402,153	2,315,501
Total liabilities		6,677,520	6,429,082
Shareholders' equity			
Share capital	12	50,352,376	50,352,376
Contributed surplus	12	6,360,352	6,356,622
Subscriptions received in advance	12	29,357	29,357
Accumulated other comprehensive income		(38,185)	(64,792)
Non-controlling interest		(1,333,745)	(1,333,745)
Deficit		(57,928,652)	(57,615,590)
Total shareholders' equity		(2,558,497)	(2,275,772)
		\$ 4,119,023	\$ 4,153,310

They are signed on the Company's behalf by:

"Don O'Sullivan"Don O'Sullivan
Director"Chris Lalor"Chris Lalor
Director

PACIFIC WILDCAT RESOURCES CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (unaudited)

Expressed in Canadian Dollars

For the three months ended March 31, 2014 and March 31, 2013

	Note	March 31 2014	March 31 2013
Expenses			
Administrative and general	14,15	\$ 25,253	\$ 192,480
Depreciation	7	5,421	6,331
Foreign exchange		139,935	34,439
Share-based payments	13	3,730	—
Pre-exploration expenditures		53,996	—
Total expenses		(228,335)	(233,250)
Other Income (expenses)			
Interest expense on convertible notes payable	11	(73,423)	(60,783)
Interest expense	10	(11,304)	(30,090)
Net loss		(313,062)	(324,123)
Other comprehensive loss:			
(Loss) q gain on reporting currency translation		(38,185)	75,686
Total other comprehensive loss for the period		\$ (38,185)	\$ 75,686
Total comprehensive loss for the period		\$ (351,247)	\$ (248,437)
Net loss attributed to:			
Shareholders of the Company		(262,166)	(324,123)
Non-controlling interest		(50,896)	—
		(313,062)	(324,123)
Total other comprehensive loss attributed to:			
Shareholders of the Company		(223,981)	(248,437)
Non-controlling interest		(50,896)	—
		(351,247)	(248,437)
Loss per common share basic and diluted	17	\$ (0.00)	\$ (0.00)

The accompanying notes are an integral part of these financial statements.

PACIFIC WILDCAT RESOURCES CORP.

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (unaudited)

Expressed in Canadian Dollars

For the three months ended March 31, 2014 and March 31, 2013

	Note	Common Shares Amount	Subscriptions Received	Contributed Surplus	Accumulated Deficit	Accumulated Other Income	Non Controlling Interest	Total
Balance, December 31, 2012		\$ 48,139,317	\$ -	\$ 6,022,079	\$ (14,430,392)	\$ 23,930	\$ 16,036,636	\$ 55,791,570
Loss for the period		-	-	-	(324,123)	-	-	(324,123)
Subscriptions received	12	-	500,000	-	-	-	-	500,000
Foreign exchange translation		-	-	-	-	75,686	-	75,686
Balance, March 31, 2013		\$ 48,139,317	\$ —	\$ 6,022,079	\$ (14,754,515)	\$ 99,616	\$ 16,036,636	\$ 56,043,133
Balance, December 31, 2013		\$ 50,352,376	29,357	6,356,622	(57,615,590)	(64,792)	(1,333,745)	(2,275,772)
Loss for the period		-	-	-	(313,062)	-	-	(313,062)
Share-based payments	13	-	-	3,730	-	-	-	3,730
Foreign exchange translation		-	-	-	-	26,607	-	26,607
Balance, March 31, 2014		\$ 50,352,376	\$ 29,357	\$ 6,360,352	\$ (57,928,652)	\$ (38,185)	\$ (1,333,745)	\$ (2,558,497)

The accompanying notes are an integral part of these financial statements.

PACIFIC WILDCAT RESOURCES CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (unaudited)

Expressed in Canadian Dollars

For the three months ended March 31, 2014 and March 31, 2013

	Note	March 31 2014	March 31 2013
Cash flows from operating activities			
Loss for the period		\$ (313,062)	\$ (324,123)
Adjustments to reconcile loss to net cash used in operating activities:			
Depreciation	7	5,421	6,331
Interest on convertible notes payable	11	73,423	60,783
Interest on loans payable	10	11,304	30,090
Foreign exchange		(54,388)	—
Changes in non-cash working capital balances:			
Trade and other receivables		10,641	32,767
Trade and other payables		161,784	120,819
Prepaid expenses		(14,017)	(855)
Total cash outflows from operating activities		(118,894)	(74,188)
Cash Flows From Investing Activities			
Investment in exploration and evaluation assets	8	—	(137,516)
Total cash outflows from investing activities		—	(137,516)
Cash Flows From Financing Activities			
Proceeds from loans payable	10	—	121,636
Proceeds from related parties		—	25,559
Subscriptions received in advance	12	—	500,000
Due to related party	15	86,652	—
Net cash provided by financing activities		86,652	647,195
Increase(decrease) in cash		(32,242)	435,491
Cash and equivalents, beginning of period		89,737	124,775
Cash and equivalents, end of year		\$ 57,495	\$ 560,267

See Note 16 for Non-Cash Transactions

The accompanying notes are an integral part of these financial statements.

PACIFIC WILDCAT RESOURCES CORP

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIMA FINANCIAL STATEMENTS (un-audited)

THREE MONTHS ENDED MARCH 31, 2014 AND MARCH 31, 2013

(Expressed in Canadian Dollars)

1. CORPORATION INFORMATION

Pacific Wildcat Resources Corp. (“PAW” or the “Company”) is incorporated under the Business Corporations Act (British Columbia) and is primarily engaged in the acquisition and development of mineral properties located in Africa. The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company’s principal asset is the TML Licenses located in Mozambique and its ownership of 100% of Stirling Capital Limited and Cortec (Pty) Ltd., owners of a 70% interest Cortec Mining Kenya Limited, holder of the exploration rights to the Mrima Hill Niobium and Rare Earth Property, located in Kenya.

The Company is listed on the TSX Venture Exchange, having the symbol PAW.V as a Tier 2 issuer and its corporate office and principal place of business is located at 110 – 2300 Carrington Road, West Kelowna, B.C. Canada, V4T 1G3.

2. BASIS OF PREPARATION AND GOING CONCERN

These condensed interim consolidated financial statements for the three month period ended March 31, 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company’s 2013 annual financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company’s 2013 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from January 1, 2014 and income tax expense which is expected for the full financial year.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on September 11, 2014.

The preparation of condensed interim consolidated financial statements in compliance with IAS 34 requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements are presented in Canadian Dollars (“CDN”), which is also the Company’s functional currency.

The Company has not generated revenue from operations. The Company incurred a net loss of \$351,247 during the period ended March 31, 2014, and as at March 31, 2014 had a working capital deficiency of \$4,181,968, has an accumulated deficit of \$57,928,652 and is expected to continue to incur losses. The Company’s current legal dispute with the Kenya Minister of Mines in relation to its Mrima Hill Project as described in Note 8 herein below has resulted in the Company significantly reducing its exploration activities and future planned exploration activities at Mrima Hill, until this dispute has been resolved. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis which may differ materially from the going concern basis.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIMA FINANCIAL STATEMENTS (un-audited)

THREE MONTHS ENDED MARCH 31, 2014 AND MARCH 31, 2013

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These consolidated financial statements include the accounts of:

	<u>% of ownership</u>	<u>Jurisdiction</u>	<u>Principal Activity</u>
Tantalum Mineracao e Prespeccao Limitada ("TML")	100	Mozambique	Exploration
Stirling Capital Limited ("Stirling")	100	United Kingdom	Holding
Cortec (Pty) Ltd. ("Cortec UK")	100	United Kingdom	Holding
Cortec Mining Kenya Limited ("CMK")	70	Kenya	Exploration

All subsidiaries are entities that we control, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This control is evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing consolidated financial statements. For subsidiaries that we control, but do not own 100% of, the net assets and net profit (loss) attributable to outside shareholders are presented as amounts attributable to non-controlling interests in the consolidated statements of financial position and consolidated statements of comprehensive loss.

Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2014 or later years.

(i) Effective for annual periods beginning on or after January 1, 2014 IAS 32 Financial Instruments: Presentation

The amendments to IAS 32 pertain to the application guidance on the offsetting of financial assets and financial liabilities, focused on four main areas: the meaning of "currently has a legally enforceable right of set-off", the application of simultaneous realization and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. The application of this IFRS is not expected to have a material impact on the amounts to be reported but may affect the accounting for future transactions or arrangements.

(ii) Effective for annual periods beginning on or after January 1, 2015

IFRS 7 Financial Instruments Disclosures

Amended standard IFRS 7 Financial Instruments: The amendments outline the disclosures required when initially applying IFRS 9 Financial Instruments.

IFRIC 21 Levies

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIMA FINANCIAL STATEMENTS (un-audited)

THREE MONTHS ENDED MARCH 31, 2014 AND MARCH 31, 2013

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standards, Amendments and Interpretations Not Yet Effective (cont'd)

IFRS 9 Financial Instruments

The standard is the first step in the process to replace IAS 39 Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 Financial instruments: recognition and measurement, derecognition of financial assets and financial liabilities. This standard is not applicable until January 1, 2015 but is available for early adoption. The Company is currently assessing the impact that the adoption of IFRS 9 may have on its consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

There have been no material revisions to the nature of judgements and amount of changes in estimates of amount reported in the Company's 2013 annual financial statements.

5. CASH AND CASH EQUIVALENTS

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

6. RECEIVABLES

	March 31		December 31
	2014		2013
Sales taxes receivable	\$ 904	\$	1,203
Other receivables	193		10,535
	<u>1,097</u>		<u>11,738</u>

Sales taxes receivable represent input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada and Kenya.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIMA FINANCIAL STATEMENTS (un-audited)

THREE MONTHS ENDED MARCH 31, 2014 AND MARCH 31, 2013

(Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT

	Assets under Construction	Plant & Field Equipment	Furniture & Equipment	Office Equipment	Vehicles	Total
Cost						
Balance January 1, 2013	\$ 1,452,991	\$ 1,132,458	\$ 17,083	\$ 72,880	\$ 23,829	\$ 2,699,241
Assets acquired	—	53,835	—	—	—	53,835
Effect of foreign currency translation	—	18,978	—	—	—	18,978
Balance December 31, 2013	\$ 1,452,991	\$ 1,205,271	\$ 17,083	\$ 72,880	\$ 23,829	\$ 2,772,054
Assets acquired	—	—	—	—	—	—
Effect of foreign currency translation	—	(45,206)	—	—	—	(45,206)
Balance March 31, 2014	\$ 1,452,991	\$ 1,160,065	\$ 17,083	\$ 72,880	\$ 23,829	\$ 2,726,848
Depreciation						
Balance January 1, 2013	\$ —	\$ 213,226	\$ 6,214	\$ 8,244	\$ 13,825	\$ 241,509
Depreciation for the period	—	18,982	3,387	19,978	2,859	45,206
Balance December 31, 2013	\$ —	\$ 229,765	\$ 10,817	\$ 28,998	\$ 19,828	\$ 289,408
Depreciation for the period	—	—	345	5,076	—	5,421
Balance March 31, 2014	\$ —	\$ 229,765	\$ 11,162	\$ 34,074	\$ 19,828	\$ 294,829
Carrying amounts						
Carrying value at December 31, 2013	\$ 1,452,991	\$ 975,506	\$ 6,266	\$ 43,882	\$ 4,001	\$ 2,482,646
Carrying value at March 31, 2014	\$ 1,452,991	\$ 930,300	\$ 5,921	\$ 38,806	\$ 4,001	\$ 2,432,019

8. EXPLORATION AND EVALUATION ASSETS

	TMP Licenses	Mrima Hill	Total
Costs			
Balance at December 31, 2012	\$ 1,624,396	\$ 56,528,643	\$58,153,039
Exploration costs	1,076,670	1,150,208	2,226,878
Foreign exchange movement	16,217	—	16,217
Impairment	(1,123,679)	(57,678,850)	(58,802,529)
Balance at December 31, 2013 and March 31, 2014	\$1,593,604	\$1	\$1,593,605

TMP Licenses – Mozambique

PAW entered into a definitive agreement dated April 7, 2009 and under the terms of the agreement PAW acquired 100% of the issued capital in TML (“TML Shares”) from Bolan (the “Acquisition”). As a result of the Acquisition the Company has five licenses (the “TMP Licenses”) on the Alto Lingon ha belt of the Zambezi province in Mozambique which are all five year exploration licenses. For the mining of Tantalum, a royalty of 3% of sales revenue will be payable to the Mozambique Government. As consideration PAW issued to Bolan’s designates 22,510,000 common shares of PAW of which 18,008,000 were subject to an escrow agreement (the “Escrowed Shares”). The Escrowed Shares were subject to a three year staged release escrow commenced August 7, 2009 and released in stages with 10% of Escrowed Shares being released from escrow immediately and the balance being released in six equal instalments every six months thereafter. All shares as at December 31, 2012 had been released from escrow.

PAW also granted Bolan (or such parties as assigned by Bolan) the right to explore and mine Gemstones on the TMP Licenses as defined by the Gemstone Right in the Definitive Agreement.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIMA FINANCIAL STATEMENTS (un-audited)

THREE MONTHS ENDED MARCH 31, 2014 AND MARCH 31, 2013

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd)

During the year ended December 31, 2013, the Company completed an updated assessment on the TMP licenses and determined that the carrying amount exceeded the recoverable value, and wrote down the carrying the carrying value to its estimated fair value of \$1,593,604 and recorded an impairment charge of \$1,123,679 in the year. The aggregate carrying value of the TMP operations at December 31, 2013 was \$4,012,435 which includes the licenses, and plant and mining equipment as described in Note 7 hereinabove under Assets under Construction and Plant and Field Equipment. As at March 31, 2014 the carrying value of \$3,976,895 is the estimated fair value and no further impairments have been made.

Mrima Hill Project, Kenya

As described in the Company's 2013 Annual Statements, the Company holds a 100% interest in the UK Subsidiaries which collectively have a 70% interest in CMK a private Kenyan company that held three prospecting licences in Kenya referred to as the Mrima Hill Property. In March 2013 the Republic of Kenya, Mines and Geology department issued a Special Mining Lease 351 ("**SML351**") to CMK with a term of 21 years for the development and mining of Niobium and Rare Earth elements at Mrima Hill.

On August 7, 2013 the Company became aware of press statement made on August 5, 2013 by the Honorable Najib Balala, Cabinet Secretary of Mining in Kenya (the "Kenyan Ministry Cabinet Secretary"), on the purported revocation of all licenses (Prospecting, Exploration and Mining), issued in Kenya between 14th January 2013 and 15th May 2013.

Subsequent to this announcement, CMK filed an application in the High Court in Kenya to quash the purported revocation of CMK's 21 year Special Mining Lease 351 ("**SML351**") and to prohibit the Kenyan Ministry of Mining from taking any further action detrimental to CMK's interests.

On September 3, 2013 the Company was granted leave for its application to be heard in the High Court in Kenya to prohibit the Kenyan Ministry of Mining from taking any further action detrimental to CMK's interests. The judge granted an injunction restraining the Ministry of Mining from issuing any license for the area affected by the CMK's existing license at Mrima Hill to any other party whilst the matter is before the Court.

On November 12, 2013, CMK's application to the Kenyan High Court was placed before a judge for directions. The Court directed that submissions would be highlighted on December 17, 2013.

The application to the Kenyan High Court was heard on February 18, 2014 for the delivery of the Ruling on the application by the National Environmental Management Authority ("**NEMA**"), seeking to strike out this suit on the claim that it ought to have been filed in Environment and Land Court and the Attorney General's application seeking the appointment of a bench of three judges to hear the matter. The Court dismissed the application by NEMA, holding that the suit was rightfully instituted before the Judicial Review Division of the High Court.

The Judge directed that in the interests of justice, the suit be referred to the Environment and Land Division for determination. He further directed that the suit be mentioned before a judge in the said division on March 4, 2014 in order that directions on the highlighting of submissions may be taken.

The Judge held that he will not rule on the Attorney General's application, in view of his decision referring the suit to the Environment and Land Division. He directed that the application be held in abeyance pending the directions to be given on March 4, 2014.

On March 20, 2014, an application from the County Government of Kwale (the "**County**") to be enjoined was allowed by consent of all the parties represented in Court. The County was directed to file and serve its Replying Affidavit and submissions for Judicial Review.

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THREE MONTHS ENDED MARCH 31, 2014 AND MARCH 31, 2013

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd)

Mrima Hill Project, Kenya (cont'd)

The Replying Affidavit was heard on 25th June, 2014 wherein the Advocate for the County applied for an adjournment of the hearing for the reason that the Ex-parte Applicant's submissions named the County as an Interested Party and that he therefore, required time to seek instructions and file a Replying Affidavit and Submissions. The hearing of the matter was adjourned to September 16 -18, 2014.

CMK, who began its special mining license application process in early 2012 is confident it has complied with all applicable rules and regulations and went through a thorough process in support of its application.

Impairment

The Company considers both quantitative and qualitative factors to assess impairment. As described and set out in chronological order hereinabove, the Company is currently involved in a legal dispute with the Kenyan Ministry of Mining regarding the purported revocation of all licenses (Prospecting, Exploration and Mining), issued in Kenya between January 14, 2013 and May 15, 2013 in Kenya, which includes the Company's SML351.

Due to the described legal matters, curtailing the Company's ability to mine and develop Mrima Hill, the Company has determined there were indicators of impairment for this project. As a result, in accordance with IAS 36, Impairment of Assets, for the year ended December 31, 2013, an impairment charge of \$57,678,850 was recognized in respect of the Mrima Hill Project with a nominal value of \$1 remaining, recognizing that the Company's 70% interest in the project is uncertain until the legal disputes are settled. The Company is continuing to address the mining license issue with the Kenya Government, however there is no assurance it will be successful in this legal dispute.

Should the Company be successful in resolving the issues on its Mining Licenses, the Company may be able to reverse the impairment charged on its Mrima Hill Project back to the lesser of the original carrying amount or recoverable value.

9. TRADE AND OTHER PAYABLES

		March 31	December 31
		2014	2013
Trade payables	\$	1,592,983	\$ 319,689
Interest payable on notes payable	\$	33,796	\$ 51,627
Interest payable on convertible notes payable	\$	375,415	\$ 53,412
Due to related parties	\$	17,641	\$ 36,408
Total	\$	2,019,834	\$ 461,136

10. LOANS PAYABLE

As of March 31, 2014 the Company has loans owing of \$91,000 (2013 - \$91,000) to unrelated parties and \$59,533 (2013 - \$59,533) to related parties.

i) Unrelated parties

- The Company on July 23, 2013 entered into an unsecured loan with a private investor for \$50,000. The principal plus interest of 12% per annum was due within three months from the date of the loan agreement. The extension of this loan is currently being negotiated.
- The Company on July 24, 2013 and August 29, 2013 entered into unsecured loans with a private investor for an aggregate \$41,000. The principal plus interest of 12% per annum was due within three months from the date of the loan agreement. The extension of this loan is currently being negotiated.

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THREE MONTHS ENDED MARCH 31, 2014 AND MARCH 31, 2013

(Expressed in Canadian Dollars)

10. LOANS PAYABLE (cont'd)

ii) Related parties

- a) During the months of September and October, 2012, the Company obtained several unsecured loans totalling \$59,362 (AUS\$61,813) from DJCA Pty, a company owned by Darren Townsend, the former CEO of the Company. The loans bear interest at 12% per annum compounded monthly and were due 6 months from the date of the loan agreement. A partial principal payment of \$49,830 was made during the year ended December 31, 2013 with a remaining balance of \$9,533 owing. The Company intends to pay the remaining principal plus interest payable when available funds are available.
- b) On July 17, 2013 the Company obtained an unsecured loan of \$50,000 from Terry Lyons a director of the Company. The loan bears interest of 12% compounded monthly and is due within three months from the date of the loan agreement. An extension of this loan is currently being negotiated.

11. CONVERTIBLE NOTES PAYABLE

a) Credit Facility

The Company has arranged financing by way of a non-revolving secured credit facility (the "Facility") in the aggregate amount of \$2,100,000. Under the terms of the Facility, an aggregate of \$2,100,000 can be drawn down by the Company in 3 tranches of \$500,000 each and a final tranche of \$600,000 at specific drawdown dates over a period of nine months as follows:

- (i) September 12, 2012 (drawn down on September 12, 2012);
- (ii) December 31, 2012 (drawn down on November 26, 2012) or such earlier pursuant to the terms of the Facility;
- (iii) March 31, 2013; and
- (iv) June 12, 2013;

Each drawdown under the Facility plus accrued interest at 15% per annum will mature on the earlier of 12 months from the date of such drawdown and the date that the Company completes the sale of assets at a deemed value of not less than \$3,000,000. Any amounts not drawn down on a drawdown date will bear a standby fee equal to 3% of the undrawn portion of drawdown amount is payable to the Lender on such applicable drawdown date. The Facility is secured by a charge on the physical assets of TMP and by a pledge of 100% of the shares in TMP.

The amounts drawn down under the Facility plus unpaid accrued interest are convertible into units of the Company at the option of the Lender, at any time prior to their respective maturity date. The conversion rate is fixed on the day immediately preceding the drawdown date, at the greater of \$0.11 per unit and the closing market price of the common shares of the Company.

Each unit will consist of one common share of the Company and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a purchase price equal to the greater of \$0.11 per unit and the closing market price of the common shares of the Company on the Exchange as of the date immediately preceding the date of issuance of such warrant, for a period of 12 months from the date of the issuance of the warrants.

The Company has agreed to pay to a finder (the "Finder") at arm's length to the Company and the Lender, a finder's fee on the date of each drawdown in cash equal to 10% of each respective amount drawdown, and will issue to the Finder such number of finder's options which entitle the Finder to purchase such number of common shares of the Company as is equal to 25% of the number of common shares that may be issued on conversion of each amount drawdown at an exercise price equal to the greater of \$0.11 per share and the market price of the common shares of the Company on the Exchange as at the closing on the day immediately preceding the date of the drawdown, exercisable for a period of five years from the date of the respective drawdown. Upon the First Drawdown, the Company will pay to the Finder \$50,000 in cash (paid) and issue to the Finder an aggregate of 1,136,363 finder's warrants (issued) exercisable at \$0.11 per unit until September 12, 2017. The fair value of the finder's warrants was \$78,234 and was estimated using Black-Scholes pricing model with the following assumptions:

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11. CONVERTIBLE NOTES PAYABLE (cont'd)**a) Credit Facility (cont'd)**

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
9/12/2012	9/12/2017	\$0.09	\$0.11	2.68%	5	108%	0%

Upon the Second Drawdown, the Company will pay to the Finder \$50,000 in cash (paid) and issue to the Finder an aggregate of 1,136,363 finder's warrants (issued) exercisable at \$0.11 per unit until November 26, 2017. The fair value of the warrants was \$67,674 and was estimated using Black-Scholes pricing model with the following assumptions:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
11/26/2012	11/26/2017	\$0.08	\$0.11	2.30%	5	107%	0%

On November 26, 2012 the Company executed an amendment to the non-revolving credit facility agreement ("Amended and Restated Credit Agreement"). Under the terms of the Amended and Restated Credit Agreement PAW received the second drawdown amount of \$500,000.

The total cash payments of \$100,000 and the fair values of the finder's warrants of \$145,908 was recorded as financing charges and included in the general and administrative costs. The Company has credited the fair values of the finder's warrants to contributed surplus.

The key terms of the Amended and Restated Credit Agreement are:

1. The requirement to repay the convertible note by the December 17, 2012 if PAW's Tantalum Assets in Mozambique are sold prior to this date.
2. If the Tantalum Asset sale does not close by December 17, 2012 then PAW shall release the convertible note provider from any further obligations with respect to the outstanding instalments (Tranche 3 and 4) of the convertible note, and
3. If the Tantalum Asset sale does not close by December 17, 2012 then PAW and its subsidiaries shall, within a period no later than 3 weeks after the December 17, 2012, provide the convertible note provider and holder with security and charge over the Mozambican Tantalum Assets.

The Company did not complete the sale the Tantalum Assets in accordance with the Agreement; as such Tranche 3 and 4 of the convertible note are not available to the Company. The Company and the provider will look to complete the security charge over the Mozambican Tantalum Assets.

On September 11, 2013 the Company and the Lender entered into an extension agreement extending the repayment date to October 3, 2013.

On October 3, 2013, November 6, 2013 and December 2, 2013 the Company and the Lender entered into extension agreements extending the repayment dates to January 10, 2014.

On January 2, 2014 the Company and the Lender entered into an amending agreement extending the repayment dates to July 1, 2014 and reducing the conversion price from \$0.11 per Unit to \$0.05 per Unit. Additionally, the warrants issuable upon exercise of the Unit will be exercisable at \$0.05 per share until July 1, 2015. The Company received Exchange approval on January 8, 2014. The Company has not made any payments on the credit facility. An extension of this loan is currently being negotiated.

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11. CONVERTIBLE NOTES PAYABLE (cont'd)

b) Vendors Convertible Note

On September 12, 2012 the Company issued to the Vendors convertible promissory notes in the aggregate amount of \$775,000 (the "Vendors Loan").

The notes bear interest at 1% per month, compounded monthly and the principal and the interest is convertible at any time by the Vendors into common shares of PAW at a price of \$0.11 per share. If the Vendors do not elect to convert the Vendors Loans into common shares, then the principal and interest becomes due in cash on September 12, 2013. The notes are repayable at the Company's election at any time up to September 12, 2013 in cash.

On September 11, 2013 the Company and the Vendors entered into an extension agreement extending the repayment date to January 20, 2014 and amended the conversion price from \$0.11 per share to \$0.07 per share. The Company received Exchange approval on September 23, 2013.

On January 2, 2014 the Company and the Vendors entered into an amending agreements extending the repayment dates to July 1, 2014 and reducing the conversion price from \$0.07 per Unit to \$0.05 per Unit. The Company received Exchange approval on January 6, 2014. The Company has not made any payments on the convertible notes. An extension of these loans is currently being negotiated.

c) October 2013 Notes

On October 22, 2013 the Company entered into an unsecured Convertible Promissory Notes (the "Notes") with private investors (\$150,000) and related parties (\$80,000) (the "Holders") for an aggregate \$230,000 at an interest rate of 15% per annum compounded monthly (the "Interest"). Related parties amounts include:

- i) \$30,000 from the Townsend Superfund, owned by the former CEO of the Company;
- ii) \$12,000 from the O'Sullivan Fund; and
- iii) \$38,000 from Dunross.

The Holders will have the right at any time prior to the maturity date, subject to the approval of the Exchange, to convert the Notes into units at a conversion price of \$0.05 (a "Unit"). Each Unit will consist of one common share and one share purchase warrant (a "Warrant"). Each Warrant will entitle the Holder to acquire one additional common share at a price of \$0.05 per share for a period of 2 years from the date of issuance. On October 24, 2013 the Company received Exchange approval on the transaction.

d) December 2013 Notes

On December 5, 2013 the Company entered into an unsecured Convertible Promissory Notes (the "Notes") with private investors (\$50,000) and related parties (\$50,000) (the "Holders") for an aggregate \$100,000 at an interest rate of 15% per annum compounded monthly (the "Interest"). Related parties amounts include:

- i) \$10,000 from the Townsend Superfund, owned by the former CEO of the Company;
- ii) \$25,000 from Terry Lyons, a former director; and
- iii) \$15,000 from the O'Sullivan Fund.

The Holders will have the right at any time prior to the maturity date, subject to the approval of the Exchange, to convert the Notes into units at a conversion price of \$0.05 (a "Unit"). Each Unit will consist of one common share and one share purchase warrant (a "Warrant"). Each Warrant will entitle the Holder to acquire one additional common share at a price of \$0.05 per share for a period of 2 years from the date of issuance. On December 10, 2013 the Company received Exchange approval on the transaction.

On January 2, 2014 the Company and the holders entered into amending agreements extending the repayment date of the October 2013 Notes and December 2013 Notes to July 1, 2014. The Company received Exchange approval on January 6, 2014. The Company has not made any payments on the convertible notes. An extension of these loans is currently being negotiated.

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11. CONVERTIBLE NOTES PAYABLE (cont'd)

As of March 31, 2014 the Company has \$2,105,000 convertible notes payable (2013 - \$2,105,000) as follows:

	March 31 2014	December 31 2013
Credit facility:		
Principal, due on September 12, 2013 plus interest at 15% per annum	\$ 500,000	\$ 500,000
Principal, due on November 26, 2013, plus interest at 15% per annum	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>
Vendors convertible notes:		
Due on September 12, 2013 plus interest at 12.68% per annum	\$ 387,500	\$ 387,500
Due on September 12, 2013 plus interest at 12.68% per annum	387,500	387,500
	<u>775,000</u>	<u>775,000</u>
October 2013 convertibles notes:		
Due on February 11, 2014 plus interest at 15% per annum	\$ 230,000	\$ 230,000
December 2013 convertible notes		
Due on February 11, 2014 plus interest at 15% per annum	\$ 100,000	\$ 100,000
Balance, at the end of the period	<u>\$ 2,105,000</u>	<u>\$ 2,105,000</u>

The Company has estimated the fair values of the credit facility and Vendors convertible note using a valuation model with a discount rate of 20% for which the equity component was immaterial.

12. SHARE CAPITAL AND RESERVES**a. Authorized Share Capital**

The Company's authorized share capital consists of:

- i) An unlimited number of common shares with no par value.
- ii) An unlimited preferred shares "Class A" with a par value of \$1.00 each
- iii) An unlimited preferred shares "Class B" without par value

There are no preferred shares outstanding as at March 31, 2014 and December 31, 2013. The holders of common shares are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

b. Common Shares

The following is a summary of changes in common share capital from January 1, 2012 to March 31, 2014:

	Number of Shares	Issue Price	Amount
Balance, December 31, 2012	262,377,408	—	\$48,139,317
Shares issued on debt settlement	11,921,956	\$0.075	894,147
Private placement	19,983,332	\$0.06	1,199,000
Private placement	1,849,285	\$0.07	129,450
Share issue costs	-	-	(9,538)
Shares returned to treasury	(1,000,000)	-	-
Balance, December 31, 2013 and March 31, 2014	<u>295,131,981</u>		<u>\$50,352,376</u>

There were no shares issuances during the period January 1, 2014 and March 31, 2014

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12. SHARE CAPITAL AND RESERVES (Cont'd)

b. Common Shares (cont'd)

Issued January 1, 2013 to December 31, 2013:

On April 23, 2013 the Company completed a non-brokered private placement (the "Financing") which resulted in the issuance of 19,983,332 units at a purchase price of \$0.06 per unit for gross proceeds of \$1,199,000. Each unit is comprised of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.10 per share for a period of 12 months from the closing date of the private placement.

On April 26, 2013 the Company issued 11,921,956 common shares and 5,593,393 warrants exercisable for one year at a price of \$0.10 per common share to settle outstanding loans payable for an aggregate amount of \$894,147. See Note 10 Loans Payable.

On April 25, 2013 the Company announced subject to Exchange approval, that it will conduct a non-brokered private placement financing to raise aggregate gross proceeds of up to \$1,500,000 through the issuance of up to 21,428,572 units at a price of \$0.07 per unit. Each unit will consist of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.10 per share for a period of 12 months from the closing date of the private placement.

On August 12, 2013 the Company closed the first tranche (the "First Tranche") of the private placement (the "Private Placement") of up to 21,428,572 units (each a "Unit") to raise aggregate gross proceeds to the Company of up to \$1,500,000, which was originally announced in the Company's news release dated April 25, 2013. A total of 1,849,285 Units were issued in closing of the First Tranche, for gross proceeds to the Company of \$129,450.

Each Unit consists of one common share (a "Share") in the capital of the Company and one-half of one non-transferable common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to purchase one additional common share (a "Warrant Share") of the Company at an exercise price of \$0.10 per Warrant Share for a period of 12 months from the closing date of the First Tranche.

As at March 31, 2014 the Company had received \$29,357 in subscriptions for tranche two of the Private Placement as described hereinabove.

On December 11, 2013 1,000,000 common shares were returned to treasury. The 1,000,000 common shares were issued in connection with bonus shares granted in 2010 and issued to Darren Townsend in 2012 and were returned as a result of not meeting performance milestone.

c. Contributed Surplus:

Contributed surplus consists of the fair value of stock options and warrants granted since inception, less amounts transferred to share capital for exercised stock options and warrants. If granted options vest and then subsequently expire or are forfeited, no reversal of contributed surplus is recognized.

d. Share Purchase Warrants:

The following is a summary of changes in share purchase from January 1, 2013 to March 31, 2014:

Share Purchase Warrants	Number	Weighted Average Share Price
Balance, December 31, 2012	27,675,542	\$0.61
Expired	(27,675,542)	\$0.61
Issued	16,509,704	\$0.10
Balance, December 31, 2013 and March 31, 2014	16,509,704	\$0.10

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12. SHARE CAPITAL AND RESERVES (cont'd)**e. Share Purchase Warrants:(cont'd)**

At March 31, 2014, 16,509,704 share purchase warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Number	Exercise Price	Expiry Date
4,166,667 ¹	\$0.10	April 1, 2014
5,825,001 ¹	\$0.10	April 23, 2014
5,593,393 ¹	\$0.10	April 26, 2014
924,643 ¹	\$0.10	July 29, 2014
16,509,704		

¹See Note 18 for subsequent events.

f. Agents Warrants

The following is a summary of changes in Agents Warrants from January 1, 2013 to March 31, 2014

Agents Warrants	Number	Weighted Average Share Price
Balance, December 31, 2012	3,691,616	\$0.33
Expired	(1,418,890)	\$0.67
Balance, December 31, 2013 and March 31, 2014	2,272,726	\$0.11

At March 31, 2014, 2,272,726 Agents Warrants were outstanding. Each Agent Warrant entitles the holder thereof the right to purchase one common share as follows:

Number	Exercise Price	Expiry Date
1,136,363	\$0.11	September 12, 2017
1,136,363	\$0.11	November 26, 2017
2,272,726		

g. Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's consolidated Statements of Financial Position include 'Contributed Surplus', 'Shares Reserved to be Issued', 'Subscriptions received in advance', 'Accumulated Other Comprehensive Income', 'Accumulated Deficit' and 'Non-controlling interest'.

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

'Shares Reserved to be Issued' is used to record the obligation for issuance of common shares with no consideration received.

'Subscriptions received in advance' is used to record the proceeds received in advance of the issuance of common shares.

'Accumulated Other Comprehensive Income' is used to record the cumulative translation adjustment includes foreign exchange losses/gains on translating subsidiaries with a different functional currency than the reporting entity.

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

'Non-controlling Interest' is used to record the percentage interests in the net assets acquired and net profit (loss) subsequent to acquisition attributable to non-controlling interests in a subsidiary.

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13. SHARE BASED PAYMENTS

a) Option Plan Details

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. Vesting is determined by the Board of Directors. The following is a summary of changes in options from January 1, 2012 to March 31, 2014.

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the period ended March 31, 2014				Closing Balance	Vested and Exercisable	Unvested
				Granted	Exercised	Expired	Forfeited			
07/08/2009	07/08/2014	\$0.12	1,610,000	—	—	—	1,610,000	1,610,000	—	
28/07/2010	28/07/2015	\$0.19	800,000	—	—	—	800,000	800,000	—	
26/08/2011	26/08/2016	\$0.65	2,350,000	—	—	—	2,350,000	2,350,000	—	
01/09/2011	01/09/2016	\$0.63	100,000	—	—	—	100,000	100,000	—	
22/02/2012	22/02/2017	\$0.405	2,500,000	—	—	—	2,500,000	2,500,000	—	
05/01/2013	01/08/2014	\$0.15	400,000	—	—	—	400,000	300,000	100,000	
			7,760,000	—	—	—	7,760,000	7,660,000	100,000	
Weighted Average Exercise Price			\$0.39				\$0.39	\$0.39	\$0.15	

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the year ended December 31, 2013				Closing Balance	Vested and Exercisable	Unvested
				Granted	Exercised	Expired	Forfeited			
07/08/2009	07/08/2014	\$0.12	1,810,000	—	—	—	(200,000)	1,610,000	1,610,000	—
13/04/2010	13/04/2015	\$0.19	75,000	—	—	—	(75,000)	—	—	—
28/07/2010	28/07/2015	\$0.19	1,200,000	—	—	—	(400,000)	800,000	800,000	—
26/08/2011	26/08/2016	\$0.65	2,950,000	—	—	—	(600,000)	2,350,000	2,350,000	—
26/08/2011	26/08/2013	\$0.65	500,000	—	—	—	(500,000)	—	—	—
01/09/2011	01/09/2016	\$0.63	300,000	—	—	—	(200,000)	100,000	100,000	—
22/02/2012	22/02/2017	\$0.405	2,500,000	—	—	—	—	2,500,000	2,500,000	—
05/01/2013	01/08/2014	\$0.15	—	400,000	—	—	—	400,000	200,000	200,000
			9,335,000	400,000	—	—	(1,975,000)	7,760,000	7,560,000	200,000
Weighted Average Exercise Price			\$0.42	\$0.15	\$0.00	\$0.00	\$0.48	\$0.39	\$0.39	\$0.15

b) Fair Value of Options Issued During the Period

There were no options granted during the period ended March 31, 2014 and March 31, 2013.

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14. ADMINISTRATIVE AND GENERAL EXPENSES

	March 31 2014	March 2013
General and Administrative		
Consulting fees	\$ 4,470	\$ 16,750
Corporate relations	22	2,400
Filing fees	8,400	6,670
Office	5,688	43,086
Professional fees	2,727	27,309
Transfer agent fees	1,690	1,124
Travel	2,255	2,425
Wages	—	92,715
	<u>\$ 25,253</u>	<u>\$ 192,480</u>

15. RELATED PARTY TRANSACTIONS

Transactions with related parties were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	March 2014	March 2013
Key management personnel compensation comprised :		
Consulting fees	\$—	\$11,250
Wages	\$—	\$92,715
	<u>\$—</u>	<u>\$103,965</u>

a) Key Management Compensation

- i) Wages of \$Nil (2013 - \$92,715 consulting fees) were paid to Darren Townsend, the former President and Chief Executive Officer;
- ii) Consulting fees of \$Nil (2013 - \$11,250) were paid to a Minco Corporate Management Inc. ("Minco") a company controlled by Terese Gieselman, the former Chief Financial Officer ("CFO") and Secretary of the Company, providing accounting services, administration staff, corporate compliance services and CFO consulting fees;

b) Related party liabilities:

Amounts due to:	Service For	March 31 2014	December 31 2013
Darren Townsend	Salaries	\$ 221,910	\$ 208,344
Darren Townsend	Expenses	\$ 6,702	\$ 6,645
Minco Corporate Management Inc.	Consulting fees	\$ 34,319	\$ 34,319
David Anderson	Consulting fees	\$ 95,860	\$ 90,544
David Anderson	Expenses	\$ 62,854	\$ 62,738
Don O'Sullivan	Expenses	\$ 174,581	\$ 168,544

The related party liabilities are unsecured, non-interest bearing and due on demand.

c) Non-current loans payable

The non-current loans payable to related parties includes loans of \$2,402,153 (2013 - \$2,315,501 to CMK due to directors or companies controlled by directors of CMK). The advances are unsecured non-interest bearing wherein the lenders have agreed such loans will be not called for repayment before January 1, 2015.

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16. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

	March 31 2014	March 31 2013
Loss attributable to ordinary shareholders	(\$351,247)	(\$248,437)
Weighted average number of common shares	295,131,981	262,377,408
Basic and diluted loss per share	\$0.00	(\$0.00)

17. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the period ended March 31, 2014 and March 31, 2013, the Company did not have any non-cash transactions.

18. EVENTS AFTER REPORTING DATE

a) Warrants

- On April 1, 2014 4,166,667 warrants at an exercise price of \$0.10 expired without exercise;
- On April 23, 2014 5,825,001 warrants at an exercise price of \$0.10 expired without exercise;
- On April 26, 2014 5,593,393 warrants at an exercise price of \$0.10 expired without exercise; and
- On July 29, 2014, 166,667 warrants at an exercise price of \$0.10 expired without exercise;

b) Stock Options

- On August 1, 2014, 400,000 stock options at an exercise price of \$0.15 expired without exercise; and
- On August 7, 2014 1,610,000 stock options at an exercise price of \$0.12 expired without exercise.