

**ROCKGATE CAPITAL CORP.**

**Consolidated Financial Statements  
(Expressed in Canadian Dollars)**

**For the years ended June 30, 2013 and 2012**



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## INDEPENDENT AUDITORS REPORT

To the Shareholders of Rockgate Capital Corp.

We have audited the accompanying consolidated financial statements of Rockgate Capital Corp., which comprise the consolidated statements of financial position as at June 30, 2013 and 2012, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rockgate Capital Corp. as at June 30, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

**KPMG LLP (signed)**

Chartered Accountants

July 31, 2013  
Vancouver, Canada

**ROCKGATE CAPITAL CORP.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

		June 30,	
		2013	2012
		\$	\$
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,414,600	2,267,346
Exploration advances	12	52,656	529,350
Marketable securities	3	12,000	22,000
Accounts receivable and prepaids		21,356	427,319
Receivable from related party	8	543,718	346,078
Short term investments	3	14,500,000	19,494,310
<b>Total current assets</b>		<b>18,544,330</b>	<b>23,086,403</b>
<b>Non-current assets</b>			
Equipment	4	288,595	368,531
Exploration and evaluation assets	5	4,426,522	4,526,522
Long term investments	3	5,000,000	11,500,000
<b>Total non-current assets</b>		<b>9,715,117</b>	<b>16,395,053</b>
<b>Total assets</b>		<b>28,259,447</b>	<b>39,481,456</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		546,986	863,100
<b>Total liabilities</b>		<b>546,986</b>	<b>863,100</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	88,553,426	88,276,737
Share-based payment reserve	7	142,190	10,458,637
Accumulated other comprehensive loss		(103,000)	(93,000)
Deficit		(60,880,155)	(60,024,018)
<b>Total shareholders' equity</b>		<b>27,712,461</b>	<b>38,618,356</b>
<b>Total liabilities and equity</b>		<b>28,259,447</b>	<b>39,481,456</b>
Nature and Continuance of Operations	1		
Events After the Reporting Period	13		

Signed: "**Karl Kottmeier**"

Director

Signed: "**Douglas Ford**"

Director

*The accompanying notes form an integral part of these consolidated financial statements*

**ROCKGATE CAPITAL CORP.**  
**Consolidated Statements of Comprehensive Loss**  
**(Expressed in Canadian Dollars)**  
**For the years ended June 30, 2013 and 2012**

		<u>2013</u>	<u>2012</u>
		\$	\$
	<b>Notes</b>		
<b>Expenses</b>			
Depreciation		140,267	157,126
Directors' fees		98,000	98,000
Exploration expenses	<b>5, 8</b>	9,835,352	18,201,995
General, administrative and rent	<b>8</b>	210,203	259,217
Impairment	<b>5</b>	100,000	-
Insurance		27,140	26,882
Management fees	<b>8</b>	696,000	624,000
Professional fees		213,876	103,189
Share-based compensation	<b>7</b>	56,700	5,141,753
Transfer agent and regulatory fees		55,066	56,818
Travel		247,930	321,498
		<hr/>	<hr/>
<b>Loss from operating activities</b>		(11,680,534)	(24,990,478)
Exploration management fee income		17,803	31,122
Interest income		613,010	713,969
Gain (loss) on foreign exchange		9,626	(7,214)
		<hr/>	<hr/>
		640,439	737,877
		<hr/>	<hr/>
<b>Net loss for the year</b>		(11,040,095)	(24,252,601)
		<hr/>	<hr/>
<b>Loss per common share - basic and diluted</b>		(0.09)	(0.21)
		<hr/>	<hr/>
<b>Comprehensive loss</b>			
Net loss		(11,040,095)	(24,252,601)
Unrealized gain (loss) on available-for-sale investments, net of tax		(10,000)	(23,000)
		<hr/>	<hr/>
<b>Comprehensive loss for the year</b>		(11,050,095)	(24,275,601)
		<hr/>	<hr/>
<b>Weighted average number of common shares outstanding</b>			
- basic and diluted		116,770,073	114,955,150
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*The accompanying notes form an integral part of these consolidated financial statements*

**ROCKGATE CAPITAL CORP.**  
**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**For the years ended June 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
	\$	\$
<b>Notes</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(11,040,095)	(24,252,601)
Items not affecting cash		
Depreciation	140,267	157,126
Mineral property impairment	100,000	-
Share based compensation	56,700	5,141,753
	<u>(10,743,128)</u>	<u>(18,953,722)</u>
Changes in non-cash working capital items:		
Accounts receivable and prepaids	208,323	(410,865)
Accounts payable and accrued liabilities	(316,114)	(9,363)
Exploration advances	476,694	(4,162)
<b>Cash used in operating activities</b>	<u>368,903</u>	<u>(424,390)</u>
<b>Net cash used in operating activities</b>	<u>(10,374,225)</u>	<u>(19,378,112)</u>
<b>INVESTING ACTIVITIES</b>		
Equipment	(60,331)	-
Investments – proceeds	10,906,707	4,848,892
Investments – interest	587,603	595,793
<b>Cash used in investing activities</b>	<u>11,433,979</u>	<u>5,444,685</u>
<b>FINANCING ACTIVITIES</b>		
Common shares issued for cash	87,500	6,222,373
Share issuance costs	-	(1,077,358)
<b>Cash used in financing activities</b>	<u>87,500</u>	<u>5,145,015</u>
<b>Total increase (decrease) in cash during the year</b>	1,147,254	(8,788,412)
<b>Cash and cash equivalents, beginning of year</b>	<u>2,267,346</u>	<u>11,055,758</u>
<b>Cash and cash equivalents, end of year</b>	<u>3,414,600</u>	<u>2,267,346</u>

*The accompanying notes form an integral part of these consolidated financial statements*

**ROCKGATE CAPITAL CORP.**  
**Consolidated Statements of Changes in Equity**  
**(Expressed in Canadian Dollars)**  
**For the years ended June 30, 2013 and 2012**

	Notes	Number of shares	Share capital	Share-based payment reserve	Accumulated other comprehensive loss	Deficit	Total
			\$	\$	\$	\$	\$
Balance at June 30, 2011		108,665,170	82,054,364	6,776,179	(70,000)	(36,153,354)	52,607,189
Loss for the year		-	-	-	(23,000)	(24,252,601)	(24,275,601)
Shares issued for cash (warrant exercise)		6,532,300	4,612,515	-	-	-	4,612,515
Shares issued for cash (option exercise)		1,450,000	532,500	-	-	-	532,500
Share-based compensation (options)		-	-	5,141,753	-	-	5,141,753
Transferred from Share-based payment reserve upon cancellation of options		-	-	(381,937)	-	381,937	-
Transferred from Share-based payment reserve upon exercise of warrants		-	1,077,358	(1,077,358)	-	-	-
<b>Balance at June 30, 2012</b>		<b>116,647,470</b>	<b>88,276,737</b>	<b>10,458,637</b>	<b>(93,000)</b>	<b>(60,024,018)</b>	<b>38,618,356</b>
Loss for the year		-	-	-	(10,000)	(11,040,095)	(11,048,095)
Shares issued for cash (option exercise)		250,000	87,500	-	-	-	87,500
Share-based compensation (options)	<b>6</b>	-	-	56,700	-	-	56,700
Transferred from Share-based payment reserve upon cancellation of options		-	-	(10,183,958)	-	10,183,958	-
Transferred from Share-based payment reserve upon exercise of options		-	189,189	(189,189)	-	-	-
<b>Balance at June 30, 2013</b>		<b>116,897,470</b>	<b>88,553,426</b>	<b>142,190</b>	<b>(103,000)</b>	<b>(60,880,155)</b>	<b>27,712,461</b>

*The accompanying notes form an integral part of these consolidated financial statements*

**ROCKGATE CAPITAL CORP.**  
**(An Exploration Stage Company)**  
**Notes to the consolidated financial statements**  
For the years ended June 30, 2013 and 2012

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1. Nature and continuance of operations

Rockgate Capital Corp. (the "Company") was incorporated in the Province of British Columbia on November 23, 2004 under the Business Corporations Act of British Columbia. The Company is domiciled in Canada and its registered office is located at Suite 1450, 701 West Georgia Street, Vancouver, BC.

The Company is in the process of exploring and developing its exploration and evaluation assets and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The ability of the Company to continue to operate as a going concern is dependent on its ability to ultimately operate its business at a profit. To date, the Company has not generated any revenues from operations and will require additional funds to meet its obligations and fund its operations. As a result, further losses are anticipated prior to the generation of any profits. As at June 30, 2013, the Company had accumulated a deficit of \$60,880,155 since inception.

The Company's future capital requirements will depend on many factors, including the costs of exploring its exploration and evaluation assets, operating costs, competitive environment and global market conditions. The Company's anticipated operating losses and increasing working capital requirements will require that it obtain additional capital to continue operations.

The Company will depend almost exclusively on outside capital. Such outside capital will include the sale of additional shares. There can be no assurance that capital will be available as necessary to meet these continuing exploration and development costs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in significant dilution to the equity interests of its current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected. Management has forecast cash requirements for the next twelve months ending June 30, 2014 and concluded that the Company has sufficient cash resources to fund operations for at least the next twelve months. The financial statements do not reflect adjustments to the carrying values of assets, liabilities or reported results should the Company be unable to continue as a going concern.

2. Significant accounting policies

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied in these consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of July 31, 2013, the date the Board of Directors approved these consolidated financial statements.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 31, 2013.

b) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable.

c) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Minera Rockgate de México, S.A. de C.V., an inactive México company, Rockgate Mali SARL, and Societe Delta Exploration Mali SARL ("Delta Mali"). All significant intercompany transactions have been eliminated.

d) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

e) Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments, such as treasury bills, guaranteed investment certificates, and money market funds having a maturity of 3 months or less at inception of the investment

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2. Significant accounting policies – (cont'd)

f) Use of Estimates and Judgments

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The amount recorded for depreciation of equipment, stock-based compensation, marketable securities and valuation of exploration and evaluation assets are based on estimates of future costs, market conditions and other relevant assumptions. By their nature, these estimates are subject to uncertainty and the effect on the financial statements of changes in estimates in future years could be significant.

Significant judgments involved in the preparation of these consolidated financial statements include the application of the going concern assumption, assessment of the functional currency and the consideration whether the recognition criteria have been met for deferred tax assets.

g) Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated based on the declining balance method with the following rates:

Furniture & equipment	20%
Computer equipment	30%
Vehicles	30%
Field equipment	30%
Computer software	100%

Depreciation methods, useful lives and residual values are reviewed at the end of each year and adjusted if appropriate.

h) Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred.

For the year ended June 30, 2013, potentially dilutive common shares relating to options and warrants outstanding total nil (2012 – 10,311,360). Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

i) Exploration and evaluation assets

Exploration and evaluation expenditures relate to the initial search for a mineral deposit and the subsequent evaluation to determine the economic potential of the mineral deposit. The exploration and evaluation stage commences when the Company obtains the legal right or license to begin exploration. This stage ends when management determines there is sufficient evidence to support the probability of future mining operations of economically recoverable reserves, and requires significant judgment on the part of management.

The cost of acquiring and maintaining the Company's interest in its exploration and evaluation assets are capitalized on a property-by-property basis pending determination of the technical feasibility and the commercial viability of the project. The capitalized costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. When a license is relinquished or a project is abandoned, the related costs are recognized in profit and loss immediately.

Exploration and evaluation expenditures are recognized in earnings in the year in which they incurred.

Management reviews the carrying value of capitalized exploration and evaluation expenditures at least annually. The review is based on the Company's intentions for development of an undeveloped property. If a project does not prove viable, all unrecoverable costs associated with the project net of any previous impairment provisions are written off. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped property. Amounts shown for exploration and evaluation assets, net of write-downs and recoveries, are not intended to represent present or future values.

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**Notes to the consolidated financial statements**  
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2. Significant accounting policies – (cont'd)

i) Exploration and evaluation assets – (cont'd)

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties are in good standing.

j) Warrants

Warrants are classified as equity. Warrant consideration issued for assets acquired or expenses incurred is measured at fair value and recorded in Contributed Surplus.

Warrants are classified as liabilities when denominated in a currency other than functional currency of the Company and fair valued each period unless issued on pro rata to all existing shareholders, in which case they will be classified as equity.

k) Share issuance costs

All professional fees and commissions incurred directly with the issue of the Company's shares are charged directly to share capital.

l) Stock based compensation

The Company applies the fair value method of accounting for all stock option awards and equity settled restricted share units. Under this method, the Company recognizes a compensation expense for all stock options awarded to employees, based on the fair value of the options on the date of grant which is determined using the Black-Scholes option pricing model for stock option awards, and the quoted market value of the shares for restricted share units. The fair value of the options is expensed over the vesting period of the options. No expense is recognized for awards that do not ultimately vest. Consideration received on exercise of share options is recorded as share capital and the contributed surplus recognized initially as the options vested with the recipient, is transferred to share capital, as are contributed surplus applicable to warrants that are exercised.

Option valuation models such as Black-Scholes, require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

For those stock options that expire or are forfeited after vesting, the amount previously recorded in Share-based payment reserve is transferred to deficit.

m) Current and deferred income tax

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred tax assets and liabilities are determined based on differences between the tax and accounting basis of assets and liabilities. Deferred tax assets or liabilities are calculated using the substantially enacted tax rates for the year in which the differences are expected to be realized or settled. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized.

n) Flow-through shares

Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from qualifying expenditures that the company made with the proceeds. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds or "premium" are recorded as a deferred credit. When expenditures are renounced, a deferred tax liability is recognized and the deferred credit is reversed. The net amount is recognized as a deferred income tax recovery.

o) Foreign currency translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in statements of operations.

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2. Significant accounting policies – (cont'd)

p) Asset retirement obligation

The fair value of a liability for an asset retirement obligation, such as site reclamation costs, is recognized in the year in which it is incurred if a reasonable estimate of fair value can be made. The Company is required to record the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increase the carrying value of the related assets for that amount. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in the Statement of Comprehensive Loss. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and asset retirement obligations. As at June 30, 2013 and 2012, the Company has determined that there are no asset retirement obligations.

q) Impairment of non-financial assets

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the year in which determination of impairment is made by management and are measured at the difference between the fair value of the long-lived asset and its carrying amount.

r) Financial instruments

All financial instruments are measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held to maturity, loans and receivables, or other liabilities.

Financial assets and liabilities classified as fair value through profit or loss are measured at fair value, with gains and losses recognized in net earnings. Derivatives are classified as fair value through profit or loss and include warrants held as marketable securities and currency futures contracts.

Financial assets classified as held to maturity, loans and receivables and other financial liabilities (other than those held for trading) are measured at amortized cost using the effective interest method of amortization.

Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recognized in other comprehensive income.

The Company classified its financial instruments as follows:

- (i) Cash and cash equivalents are classified as loans and receivables
- (ii) Short-term and long-term investments (warrants) are classified as fair value through profit or loss
- (iii) Derivative assets and liabilities are classified as fair value through profit or loss
- (iv) Marketable securities (shares) are classified as available-for-sale
- (v) Loans receivable are classified as loans and receivables
- (vi) Accounts payable and accrued liabilities are classified as other liabilities

s) Comprehensive income (loss)

IFRS requires the presentation of a statement of comprehensive income and its components. Comprehensive income (loss) includes both net earnings (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized holding gains and losses on available-for-sale investments, which are not included in the calculation of net earnings (loss) until realized.

t) Accounting standards issued but not yet effective

The Company has not early adopted the following revised standards and is currently assessing the impact that these standards will have on its future financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

IFRS 9, Financial instruments

This new standard will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

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2. Significant accounting policies – (cont'd)

t) Accounting standards issued but not yet effective (cont'd)

IFRS 10, Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Implementation of IFRS 10 is not expected to have a material impact on the Company's financial statements. The Company intends to adopt the standard for the accounting period beginning on July 1, 2013.

IFRS 11, Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Implementation of IFRS 11 is not expected to have a material impact on the Company's financial statements. The Company intends to adopt the standard for the accounting period beginning on July 1, 2013.

IFRS 13, Fair value measurement

This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is applicable prospectively for annual periods beginning on or after January 1, 2013. The Company intends to adopt the standard for the accounting period beginning on July 1, 2013.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 includes requirements for all forms of interest in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and will adopt the standard for the accounting period beginning on July 1, 2013.

u) Change in accounting policy

During the year, the Company changed its accounting policy for stock options that are cancelled. For those stock options that expire or are forfeited after vesting, the amount previously recorded in Share-based payment reserve is transferred to deficit. The impact of this change results in a decrease to Share-based payment reserve of \$10,183,958 (2012: \$381,937) with corresponding offset to deficit.

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3. Investments and marketable securities

a) Short term investments

Short term investments are defined as investment instruments with principal maturities within twelve months of the Balance Sheet date. As at June 30, 2013, the Company recorded short term investments as follows:

Instrument	Maturity value \$	Market value \$
Guaranteed investment certificates Interest at 1.70% to 2.05% Maturing July 2013 – June 2014	14,500,000	14,500,000
Total short term investments	14,500,000	14,500,000

As at June 30, 2012, the Company recorded short term investments as follows:

Instrument	Maturity value \$	Market value \$
Guaranteed investment certificates Interest at 1.65% to 2.20% Maturing July 2012 – June 2013	17,500,000	17,500,000
Corporate and Government bonds Yield to maturity 0.91% to 1.08% Maturing July 2012 – June 2013	2,000,000	1,994,310
Total short term investments	19,500,000	19,494,310

As the Company classifies these investments as held-for-trading, they are measured at fair value, with gains and losses recognized in the Consolidated Statement of Operations and Comprehensive Loss.

b) Long term investments:

Long term investments are defined as investment instruments with principal maturities subsequent to twelve months from the Balance Sheet date. As at June 30, 2013, the Company recorded long term investments as follows:

Instrument	Maturity value \$	Market value \$
Guaranteed investment certificates Interest at 1.71% to 1.90% Maturing July 2014 – May 2015	5,000,000	5,000,000
Total long term investments	5,000,000	5,000,000

As at June 30, 2012, the Company recorded long term investments as follows:

Instrument	Maturity value \$	Market value \$
Guaranteed investment certificates Interest at 1.86% to 2.05% Maturing July 2013 – February 2014	11,500,000	11,500,000
Total long term investments	11,500,000	11,500,000

As the Company classifies these investments as held-for-trading, they are measured at fair value, with gains and losses recognized in the Consolidated Statement of Operations and Comprehensive Loss.

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3. Investments and marketable securities – (cont'd)

c) Marketable securities

As at June 30, 2013, the Company held 200,000 shares (2012: 200,000) and nil share purchase warrants (2012: 100,000) of Cornerstone Metals Inc. ("Cornerstone") formerly Appleton Exploration Inc. an unrelated company. The share purchase warrants entitled the Company to purchase one common share of Cornerstone at \$0.70 per warrant until expiry on March 18, 2013. Shares are designated as available-for-sale and the warrants represented a derivative and were designated as held-for-trading.

Shares received from Cornerstone in prior years were recorded at a fair value of \$0.35 and \$0.80; the fair value of the warrants was \$Nil. As at June 30, 2013 the closing price of Cornerstone shares was \$0.06 per share with a total fair value of \$12,000 (2012: \$22,000)

As the Company classifies marketable securities as available-for-sale, the unrealized loss on Cornerstone shares was recorded in other comprehensive income.

4. Equipment

	Year ended June 30, 2013		
	Cost \$	Accumulated Amortization \$	Net Carrying Value \$
Furniture & equipment	9,743	6,085	3,658
Computer equipment	34,556	28,831	5,725
Computer software	72,134	41,969	30,165
Field equipment	437,501	255,281	182,220
Vehicles	212,974	146,147	66,827
	<u>766,908</u>	<u>478,313</u>	<u>288,595</u>

	Year ended June 30, 2012		
	Cost \$	Accumulated Amortization \$	Net Carrying Value \$
Furniture & equipment	9,743	5,170	4,573
Computer equipment	34,556	26,378	8,178
Computer software	11,804	11,804	nil
Field equipment	437,501	177,188	260,313
Vehicles	212,974	117,507	95,467
	<u>706,578</u>	<u>338,047</u>	<u>368,531</u>

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5. Exploration and evaluation assets

Mineral Property acquisition costs are reflected on the consolidated balance sheets as follows:

	June 30, 2013 \$	Changes during the year \$	June 30, 2012 \$
<b>Falea Uranium-Silver-Copper Property, Mali</b>			
Acquisition costs - shares	552,000	-	552,000
Delta acquisition - allocation	3,771,112	-	3,771,112
	<b>4,323,112</b>	-	<b>4,323,112</b>
<b>Manalo and Mansaya, Mali</b>			
Delta acquisition - allocation	200,000	-	200,000
Option payments received from Cornerstone - cash	(57,792)	-	(57,792)
Option payments received from Cornerstone – units at carrying value	(142,208)	-	(142,208)
	-	-	-
<b>Koninko, Mali</b>			
Delta acquisition - allocation	60,000	-	60,000
Impairment	(60,000)	(60,000)	-
	-	<b>(60,000)</b>	<b>60,000</b>
<b>TelwaGada Project, Niger</b>			
Delta acquisition - allocation	100,000	-	100,000
	<b>100,000</b>	-	<b>100,000</b>
<b>Other Properties, Mali, Guinea &amp; Niger</b>			
Acquisition costs - cash	3,410	-	3,410
Delta acquisition - allocation	-	-	-
	<b>3,410</b>	-	<b>3,410</b>
<b>Ixtapan Gold Property, Mexico</b>			
Acquisition costs - shares	40,000	-	40,000
Impairment	(40,000)	(40,000)	-
	-	<b>(40,000)</b>	<b>40,000</b>
<b>Totals</b>	<b>4,426,522</b>	<b>(100,000)</b>	<b>4,526,522</b>

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5. Exploration and evaluation assets – (cont'd)

For the years ended June 30, 2013 and 2012, expenditures on exploration and drilling can be broken down as follows:

	Year ended June 30		By property					
			Falea		Telwa-Gada		Other	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$
Assays	491,636	596,331	491,636	524,538	-	22,472	-	49,321
Camp	1,345,637	2,157,470	1,264,566	1,999,801	81,071	157,669	-	-
Consultants	394,038	545,538	392,044	545,538	1,994	-	-	-
Drilling	4,576,104	12,678,066	4,576,104	12,621,014	-	6,104	-	50,948
Environmental	1,995	1,548	1,995	1,548	-	-	-	-
Technical	2,516,555	1,428,136	2,516,555	1,428,136	-	-	-	-
Geological	65,696	261,476	59,005	214,874	6,691	30,246	-	16,266
Gov't fees	96,979	102,573	70,822	1,629	26,157	94,417	-	6,527
Office	169,809	200,790	89,832	56,529	79,977	119,881	-	24,380
Travel	176,903	230,067	176,903	230,067	-	-	-	-
<b>Total for the year <sup>(1)</sup></b>	<b>9,835,352</b>	18,201,995	<b>9,639,462</b>	17,623,674	<b>195,890</b>	430,789	-	147,442

<sup>(1)</sup> Manalo/Mansaya expenditures are not recorded in this table as pursuant to the Option agreement they are the responsibility of Bama.

a) **Falea Uranium-Silver-Copper Property**

The Company owns a 100% interest in the Falea property.

In February 2007, the Government of Mali issued the Falea exploration permit to Delta Exploration Mali SARL ("Delta Mali"), valid for a period of three years, renewable twice. The original license area covered 150 square kilometres. On June 7, 2010, the Falea permit was renewed for a second 3-year term covering the northern 75 square kilometres following a 50% reduction as prescribed by the Malian Mining Code then in effect. The other 75 square kilometres of the original Falea permit reverted to the Government. This reverted portion of the property was amalgamated with a portion of an earlier application for the Falea Est permit. Delta Mali then applied for the new 125 square kilometre Bala permit and the 67 square kilometre Madini permit, the other portion of the Falea Est application. The Bala and Madini permits were issued on February 23, 2011 for 3 years, renewable twice. Collectively the additional properties increase the overall Falea project land package to approximately 225 square kilometres. On May 20, 2013 pursuant to Delta Mali's renewal application, a two-year exploration permit was issued effective February 19, 2013 for the entire Falea license. Recent changes to the Malian Mining Code no longer require a 50% reduction of the permit area.

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5. Exploration and evaluation assets – (cont'd)

**b) Manalo/Mansaya**

On December 31, 2008, Delta Mali was granted a new exploration permit as to 50% (75 sq km) of the original permit pursuant to the terms of the research license, and to Mali's mining code. Delta Mali reapplied for the other 50% of the area that would have otherwise been dropped ("Mansaya") on the Manalo mineral property interest located in southwestern Mali, West Africa. The license covers 75 square kilometers. Effective May 13, 2010 the Ministry issued the exploration permit for Mansaya.

In February 2009 the Company granted an option to Cornerstone Metals Inc. ("Optionee") whereby Optionee could earn up to a 100% interest, subject to a 2% Net Smelter Return retained by the Company, in the Manalo property (permitted and permit-pending) in two stages. Optionee could acquire an initial 65% interest by making cash payments of US\$25,000 on March 31, 2009 (received), US\$25,000 by September 30, 2009 (received); and by issuing 100,000 units of Optionee in April 2009 (received see Note 3(c)), 100,000 units of Optionee by March 31, 2010 (received) and 100,000 units of Optionee by March 2011 (received); and by completing US\$2,500,000 in exploration over the next three years. Delta Mali is the operator of the project and is entitled to charge an exploration management fee equivalent to 10% of the exploration expenditures on the project. For the year ended June 30, 2013, the Company recorded exploration management fee income of \$17,803 (2012: \$31,122).

In a previous year, Cornerstone assigned its interests as Optionee to Bama Gold Corp ("Bama"); a related party to Rockgate Capital. The Company consented to the assignment to Bama; and granted a one-year extension to Bama for completion of the required exploration expenditures, to April 1, 2013. Subsequently, Bama was granted an additional six-month extension to complete the work by October 1, 2013.

Bama may earn the remaining 35% interest by making a one-time cash payment of \$1,500,000 to the Company. At the Company's sole discretion, the Company may elect to receive the payment in the equivalent value of Bama units. Bama must also deliver an independent feasibility study or arrange for production financing prior to March 31, 2018. Bama also has the option to purchase one-half of the 2% net smelter return for \$1,000,000 within the first 12 months of production.

**c) Balandougou**

On January 18, 2006, a research license was granted to a third party, valid for a period of three years renewable twice on the Balandougou mineral property interest. The third party, EURL Diawara, dropped 50% of the exploration permit in accordance with Malian law and was re-issued the retained Balandougou exploration permit on September 14, 2009. On January 10, 2009 Delta Mali signed an agreement with EURL Diawara to have the exploration permit transferred to Delta Mali. On September 16, 2009, EURL Diawara requested that the permit be transferred to Delta Mali, which Delta Mali confirmed to the Ministry of Mines on February 25, 2010. The Balandougou exploration permit was transferred to Delta Mali on August 3, 2010.

Delta Mali applied for the forfeited half of the original Balandougou exploration permit now called "Balandougou Sud", the exploration permit was granted and issued on March 30, 2011. Due to its proximity to the Manalo/Mansaya property the Company has included Balandougou in the rights optioned to Bama. The Balandougou mineral property interest is located in southwestern Mali, West Africa.

**d) Koninko**

By agreement dated January 22, 2004, Delta Mali acquired a 100% interest in the Koninko mineral property interest located in southwestern Mali, West Africa.

In consideration, Delta Mali agreed to pay \$60,583 (US\$55,000) (paid); pay the sum of US\$0.50 per ounce of gold contained in reserves established in a feasibility study conforming to standards laid out in National Instrument 43-101; and upon production, to pay an additional US\$1.00 per ounce produced where the average official London gold price for the quarter is less than US\$300 per ounce. The royalty increases to US\$1.50 per ounce when the London gold price is between US\$300 and US\$450 per ounce and to US\$2.00 per ounce when the London gold price exceeds US\$450 per ounce.

The research license dated December 30, 2002 covering the Koninko mineral property interest was granted for a three year term, and could be renewed twice. The original license area covered 200 square kilometers. On July 28, 2008, the west half of the original permit, called Filamana, was assigned to Delta Mali. In April 2011 the Filamana permit expired. Subsequently, Delta Mali applied for a new exploration permit for the 100 square kilometer permit area, however, in 2013 the Company decided to discontinue the permit renewal application. The Company has recorded a \$60,000 property impairment expense reducing the carrying value of the Koninko property to nil (2012; \$60,000).

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5. Exploration and evaluation assets – (cont'd)

e) **Telwa Gada**

On August 9, 2007 the Company was granted four prospective uranium research licenses in Niger, West Africa. The licenses, Telwa 2, Telwa 3, Gada 3 and Gada 4 cover 1,941 square kilometres of the southern portion of the Tim Mersoï sedimentary basin. The research licenses are located near the city of Agadez approximately 800 kilometres northeast of Niamey, the capital of Niger. Each of the licenses is granted for a period of three years, and may be renewed twice for a three year period. In order to maintain the licenses the Company is required to spend US\$235,000 on exploration in the first year (completed), US\$590,000 in the second year, and US\$1,180,000 in the third year on each license and file appropriate quarterly and annual reports with Government of Niger. Management has been informed that the periods related to those obligations commenced January 1, 2009.

In response to a request by the Company to negotiate an extension to the four Telwa Gada permits due to political instability in the permit area, the Government of Niger entered into negotiations with the Company for a 27 month extension to the permits. On August 19, 2010, the Government of Niger issued exploration permits for each of the licenses extending the validity of the licenses for 27 months commencing on that date. Thus, the new expiry date was November 19, 2012. The Company is obligated to spend \$1,850,000 on each of the licenses over the 27 month period, beginning no later than October 19, 2010. As of June 30, 2013, exploration expenses of \$586,352 were incurred.

In a previous year, the Company applied to have the Telwa Gada licenses transferred from Delta to the parent corporation, Rockgate, for nominal consideration. On March 4, 2013, the Company received notice that the Telwa 2 and Telwa 3 exploration permits had been transferred from Delta Exploration Inc. to Rockgate Capital Corp. The Company has subsequently reapplied for both Telwa 2 and Telwa 3 permits, subject to a 50% reduction in the area of each, as prescribed in the Niger Mining Code. Those applications are currently under review by the Niger Ministry of Mines. The Company decided not to renew the Gada 3 and Gada 4 permits.

f) **Ixtapan Gold Property**

As at June 30, 2013, due to inactivity on the Ixtapan property the Company concurred with the operator of the property that the exploration permits should be relinquished. The Company has recorded a \$40,000 property impairment expense thus reducing the carrying value of the Ixtapan property to nil (2012: \$40,000).

6. Share capital

a) Authorized

Unlimited common shares without par value

b) Common shares

	Number	Amount \$
	<hr/>	<hr/>
Balance at June 30, 2011	108,665,170	82,054,364
Issued for cash pursuant to:		
Exercise of warrants	6,532,300	4,612,515
Exercise of stock options	1,450,000	532,500
Transferred from Contributed Surplus (Option exercise)	-	1,077,358
Balance at June 30, 2012	116,647,470	88,276,737
Issued for cash pursuant to:		
Exercise of stock options	250,000	87,500
Transferred from Contributed Surplus (Option exercise)	-	189,189
Balance at June 30, 2013	<hr/> 116,897,470	<hr/> 88,553,426

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6. Share capital – (cont'd)

c) Options

The Company has granted officers, directors and consultants share purchase options. These options are granted in accordance with the policies of the regulatory authorities and the Company's stock option plan.

	Options	Weighted Average Exercise Price
		\$
Total outstanding and exercisable at June 30, 2011	7,560,000	0.54
Granted	2,975,000	1.31
Exercised	(500,000)	0.40
Exercised	(950,000)	0.35
Granted	2,805,000	1.00
Cancelled	(825,000)	0.52
Total outstanding and exercisable at June 30, 2012	11,065,000	0.88
Exercised	(250,000)	0.35
Cancelled	(2,600,000)	0.35
Cancelled	(1,285,000)	0.55
Cancelled	(150,000)	0.66
Cancelled	(2,825,000)	1.31
Cancelled	(1,050,000)	1.28
Cancelled	(2,755,000)	1.00
Granted	150,000	0.46
Cancelled	(150,000)	0.46
Total outstanding and exercisable at June 30, 2013	150,000	1.21

As at June 30, 2013, the following stock options were outstanding and exercisable:

<u>Number</u>	<u>Exercise Price</u> \$	<u>Contract life Remaining</u>	<u>Expiry Date</u>
100,000	1.31	3.03	July 11, 2016
50,000	1.00	3.74	March 27, 2017
150,000		3.27	

These options entitle the holder thereof the right to acquire one common share for each option held. The weighted average remaining life of outstanding options is 3.27 years.

The options granted to directors and officers during the year vested on the grant date. The fair value of each option was estimated on the grant date using the Black-Scholes option valuation model with the following assumptions:

	2013	2012
Risk free interest rate	1.40%	1.59 - 2.14%
Expected life	5 years	5 years
Expected volatility	118.5%	108 - 118%
Expected dividend yield	Nil	Nil

For the year ended June 30, 2013, the Company recorded \$56,700 (2012: \$5,141,753) in share-based compensation relating to options granted.

For those options that expire or are forfeited after vesting, the amount previously recorded in Share-based payment reserve is transferred to deficit. In the year ended June 30, 2013, \$10,562,336 (2012: \$381,937) recorded in Share-based payment reserve was transferred to deficit to recognize the 10,815,000 (2012: 825,000) stock options cancelled in during the year.

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6. Share capital – (cont'd)

d) Warrants

	Warrants	Weighted Average Exercise Price
		\$
Number of warrants outstanding at June 30, 2011	9,128,660	0.90
Exercised	(2,453,300)	0.55
Exercised	(4,079,000)	0.80
Expired	(500,000)	0.55
Number of warrants outstanding at June 30, 2012	2,096,360	1.64
Expired	(736,000)	0.90
Expired	(681,860)	1.30
Expired	(678,500)	2.78
Number of warrants outstanding at June 30, 2013	-	-

e) Shareholder rights plan

During 2008, the Company received regulatory and shareholder approval for a shareholder rights plan (the Rights Plan). Under the terms of the Rights Plan, one right was issued and attached to each outstanding common share of the Company at the close of business on June 16, 2008, and one right will attach automatically to each common share issued thereafter (the "Rights").

The Rights separate from the shares to which they are attached and become exercisable at a time referred to in the Rights Plan as the "Separation Time". The Separation Time is defined as the close of business on the tenth trading day after the earliest of:

- (i) the first date of the public announcement that a person has become an Acquiring Person (as defined below); or,
- (ii) the date of the commencement or first public announcement in respect of a take over bid to acquire twenty (20%) percent or more of the common shares, other than by an acquisition pursuant to a Permitted Bid (as defined below).

The Rights Plan defines an Acquiring Person as one who, including others acting jointly or in concert, acquires twenty (20%) percent or more of the issued common shares, other than by way of a Permitted Bid or a competing Permitted Bid. Upon such acquisition or announcement of a take over bid (defined in the Rights Plan as "Flip-in Event"), the Rights held by the Acquiring Person become null and void. After the Separation Time, each Right (other than those held by the Acquiring Person or its transferees) will permit the holder thereof to purchase at the exercise price of the Rights that number of common shares having an aggregate Market Price equal to twice the exercise price of the Rights. The "Market Price" will be equal to the average twenty (20) trading day closing price preceding the date of the Flip-in Event. The reporting of earnings per share on a fully diluted or non-diluted basis will be affected by the exercise of the Rights. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

The Rights Plan has a term of eight (8) years.

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7. Share-based payment reserve

	<u>Amount</u>
Balance as of June 30, 2011	\$6,776,179
Fair value of stock based compensation (Note 6(d))	5,141,753
Transferred to share capital (Note 6(b)) – option exercise	(1,077,358)
Transferred to deficit upon option cancellation	<u>(381,937)</u>
Balance as of June 30, 2012	10,458,637
Fair value of stock based compensation (Note 6(d))	56,700
Transferred to share capital (Note 6(b)) – option exercise	(189,189)
Transferred to deficit upon option cancellation	<u>(10,183,958)</u>
Balance as of June 30, 2013	<u><u>142,190</u></u>

8. Related Party Transactions and Balances

Related party transactions were in the normal course of business and have been recorded at the exchange amount which is the fair value agreed to between the parties. Amounts due to related parties are unsecured, non-interest bearing and without specific terms of repayment.

During the years ended June 30, 2013 and 2012, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors as follows:

<u>Related party</u>	<u>Nature of transaction</u>
Pacific Equity Management Corp. (“PEMC”)	Management fees for services provided by CEO, CFO VP Corporate Development, VP Finance, Accountant, Secretary, Administrator and all support staff.
Mining Consultancy Services Limited (“MCS”)	Consulting fees for the services provided by Bryan Hyde as Technical Director.
Geocon Enterprises Inc. (“Geocon”)	Consulting fees for the services provided by Lorne Warner as VP Exploration.
Wildrock Resources (“Wildrock”)	Consulting fees for the services provided of Christopher Wild as VP Exploration.
Contact Financial Corp. (“CFC”)	Rent and shared office expenses.
Bama Gold Corp. (“Bama”)	A TSX-V listed company with common directors

For the year ended June 30, 2013, the Company paid \$54,000 (2012: \$54,000) for rent and office services to CFC, a company controlled by an officer of the Company and in which a second officer and director of the Company is a significant shareholder. Pursuant to an amended rental agreement, the Company is required to pay \$4,500 per month beginning July 1, 2011 and the agreement can be terminated by either party with six months’ notice.

For the year ended June 30, 2013, the Company paid a total of \$696,000 (2012: \$624,000) to PEMC, a company controlled by officers of the Company for management services. Pursuant to an amended Management Services Agreement, the Company is required to pay \$58,000 per month beginning April 1, 2012, and the agreement can be terminated by either party with twenty-four months’ notice.

Included in exploration and drilling expense is \$nil (2012: \$50,000) paid to Geocon, a company controlled by a former officer and director of the Company for geological services. During the previous year, the consulting agreement related to these services was terminated.

Included in exploration and drilling expense is \$120,000 (2012: \$120,000) paid to MCS, a company controlled by a director of the Company for geological and engineering services.

Included in exploration and drilling expense is \$128,400 (2012: \$15,750) paid to PEMC for geophysical consulting services provided by PEMC.

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8. Related Party Transactions and Balances – (cont'd)

Included in exploration and drilling expense is \$150,000 (2012: \$150,000) paid to Wildrock, a company controlled by an officer of the Company for geological and engineering services.

For the year ended June 30, 2013, the Company paid or accrued a total of \$98,000 (2012: \$98,000) to the independent directors of the Company as Directors' fees.

The Company has identified certain directors and certain senior officers as its key management personnel. In addition to the amounts detailed above, the compensation costs for key management personnel for the year ended June 30, 2013 and 2012 are as follows:

	2013	2012
Share-based compensation	\$ -	\$ 3,654,897
Management fees	696,000	624,000
Geological and engineering fees	398,400	320,000
Directors' fees	98,000	98,000
	<u>\$1,192,400</u>	<u>\$4,696,897</u>

For the year ended June 30, 2013, the Company recorded Exploration Management Fee income of \$17,803 (2012: \$31,122) from Bama related to the Manalo/Mansaya property. Additionally, as at June 30, 2013, Bama is indebted to the Company in the amount of \$543,718 (2012: \$346,078) for exploration work done at Manalo/Mansaya on behalf of Bama. No fixed terms for payment of the amounts has been negotiated.

9. Income taxes

a) The provision for income taxes reported differs from the amount computed by applying the applicable Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	<u>2013</u>	<u>2012</u>
Net income (loss)	\$ (11,040,095)	\$ (24,252,601)
Statutory tax rate	25.25%	25.75%
Recovery of income taxes computed at statutory rates	(2,787,600)	(6,245,045)
Difference in foreign tax rates	(945,700)	(1,691,400)
Changes in corporate income tax rates	(130,700)	(26,100)
Non-deductible stock compensation and other	155,700	2,437,145
Current and prior tax attributes not recognized (recognized)	<u>3,708,300</u>	<u>5,525,400</u>
Income tax expense (recovery)	<u>\$ 0</u>	<u>\$ 0</u>

b) The Company has not recognized any deferred tax assets or liabilities as of June 30, 2013 and 2012.

c) Deferred tax assets have not been recognized in respect of the following items:

	<u>2013</u>	<u>2012</u>
Net operating losses carried forward	\$ 2,049,600	\$ 1,693,900
Exploration and evaluation assets (resource properties)	15,210,000	11,612,500
Future tax deductions and other	651,800	896,700
	<u>\$ 17,911,400</u>	<u>\$ 14,203,100</u>

As at June 30, 2013 and 2012, the Company has deductible temporary differences for which deferred tax assets have not been recognized because it is currently not probable that future profit will be available against which the Company can utilize the benefits.

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9. Income taxes – (cont'd)

As of June 30, 2013, the Company has Canadian tax loss carryforwards of approximately \$7,883,100 (2012: \$6,775,900) and other future deductions of approximately \$6,152,700 available to reduce future years' taxable income.

The Company also has future deductions related to mineral properties of approximately \$40,785,300 (2012: \$31,085,900) available to reduce future years' taxable income in Mali.

The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income in the relevant jurisdictions.

The Company's tax loss carryforwards will expire, if not utilized, as follows:

June 30, 2027	\$ 530,400
June 30, 2028	305,000
June 30, 2029	28,700
June 30, 2030	1,466,200
June 30, 2031	2,635,800
June 30, 2032	1,596,700
June 30, 2033	1,320,300
	<hr/>
	\$ 7,883,100

d) As at June 30, 2013 there are no material taxable temporary differences associated with the Company's investments in subsidiaries.

10. Capital management

The Company defines capital as all 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 exploration and evaluation assets. 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 Company is not subject to any externally imposed capital requirements.

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 will spend its existing working capital and raise additional amounts as needed. The Company will continue 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.

11. Financial instruments, fair value measurements and financial risks

a) Financial instruments

As at June 30, 2013, the Company's financial instruments consist of cash and cash equivalents, investments, marketable securities, accounts receivable, accounts payable and accrued liabilities.

b) Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- foreign currency risk
- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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11. Financial instruments, fair value measurements and financial risks – (cont'd)

b) Financial Risk Management – (cont'd)

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and while retaining ultimate responsibility for them, it has delegated the authority for designing policies and systems that ensure the effective execution of the objectives and policies to the Company's finance function.

(i) Foreign Currency Risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates internationally, which gives rise to the risk that cash flows may be adversely impacted by exchange rate fluctuations. During the year ended June 30, 2013, no foreign currency contracts to hedge its risk against currency fluctuations particularly related to the exchange rate between the Canadian dollar and the Euro were entered into. In prior years, the Company entered into a series of foreign currency contracts to hedge its risk against currency fluctuations particularly related to the exchange rate between the Canadian dollar and the Euro. Amounts subject to currency risk are primarily those cash and cash equivalents and receivables and prepaids that are held in foreign currencies, offset by those accounts payable denominated in foreign currencies.

The Company raises funds in Canadian dollars and primarily spends funds in Canadian dollars, US dollars, Euros, and West African CFA Franc. The Company is exposed to currency risk primarily on settlements of purchases that were denominated in currencies other than the Canadian dollar. In order to reduce the Company's exposure to currency risk, the Company periodically increases or decreases the amount of funds held in foreign currencies.

(ii) Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum credit risk is \$23,538,937 consisting of cash and cash equivalents, investments, marketable securities, accounts receivable and exploration advances. The Company limits its exposure to credit loss for cash and cash equivalents, investments and restricted deposits by placing such instruments with high credit quality financial institutions. The values of these instruments may exceed amounts insured by an agency of the government of Canada. Accounts receivable include goods and services tax receivable from an agency of the government of Canada and amounts receivable by the Company for drilling services supplied to third parties. In management's opinion, the Company's credit risk related to cash and cash equivalents, investments, accounts receivable and exploration advances is minimal.

(iii) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at June 30, 2013, the Company had working capital of \$17,997,344. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at June 30, 2013 the Company has adequate working capital to discharge its existing financial obligations.

(iv) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company is exposed to interest risk arising primarily from its cash held mainly in short term and long term interest bearing accounts with Canadian chartered banks. The impact of a change in interest rate is not significant.

The Company is exposed to equity price risk as it holds marketable Canadian securities as investments that are classified as available-for-sale. The impact of a change in price risk is not significant.

c) Fair value measurements

IFRS 7 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three levels of the fair value hierarchy established by IFRS 7 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. Money market investments, marketable securities and notes receivable are determined based on a market approach reflecting the closing price of each particular security at the reporting date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security. As a result, these financial assets have been included in Level 1 of the fair value hierarchy.

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11. Financial instruments, fair value measurements and financial risks – (cont'd)

c) Fair value measurements – (cont'd)

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full contractual term. The Company determines the fair value of the embedded derivative related to its Canadian dollar denominated common share purchase warrants based on the closing price that is a quoted market price obtained from the exchange that is the principal active market for the warrants for publicly traded warrants. For the non-publicly traded warrants, the Company uses Black-Scholes option pricing model to determine the fair value therefore this financial liability has been included in Level 2 of the fair value hierarchy.

Level 3: Inputs for the asset are not based on observable market data.

The fair value of investments and marketable securities are determined based on “Level 1” inputs which consist of quoted prices in active markets for identical assets. As at June 30, 2013, the Company believes that the carrying values of amounts receivable and accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company’s statements of financial position as of June 30, 2013 as follows:

Fair Value Measurements Using				
	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Other Observable Inputs (Level 2) \$	Unobservable Inputs (Level 3) \$	June 30, 2013 \$
Assets:				
Investments	-	19,500,000	-	19,500,000
Marketable securities	12,000	-	-	12,000
	<u>12,000</u>	<u>19,500,000</u>	<u>-</u>	<u>19,512,000</u>

Assets measured at fair value on a recurring basis were presented on the Company’s statements of financial position as of June 30, 2012 as follows:

Fair Value Measurements Using				
	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Other Observable Inputs (Level 2) \$	Unobservable Inputs (Level 3) \$	June 30, 2012 \$
Assets:				
Investments	-	30,994,310	-	30,994,310
Marketable securities	22,000	-	-	22,000
	<u>22,000</u>	<u>30,994,310</u>	<u>-</u>	<u>31,016,310</u>

The Company has cash and cash equivalent financial instruments categorized as loans and loans receivables of \$3,414,600 (2012: \$2,267,346).

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12. Exploration advances

As of June 30, 2013, the company had a retainer fee of \$52,656 [Euro 40,000] (June 30, 2012: \$529,350 [Euro 375,000]) with a drilling company for drilling work at the Falea mineral property as exploration and drilling expenses.

13. Events after the reporting period

Effective June 6, 2013, the Company and Mega Uranium Ltd. entered into a binding letter of intent to combine the two companies and create a diversified uranium company with advanced uranium assets in Australia and Mali, a pro forma cash balance of approximately \$22-million, and a uranium-focused investment portfolio valued at approximately \$12-million. Completion of the merger is subject to the satisfaction of certain conditions including execution of a definitive agreement and, shareholder and regulatory approvals.

Under the terms of the merger, Rockgate shareholders will receive 2.2 Mega shares for each one common share of Rockgate held (subject to rounding and without giving effect to the proposed 10-old for one-new share consolidation of the Mega shares). Upon completion of the merger, Rockgate and Mega shareholders will own approximately 49 per cent and 51 per cent of the combined company, respectively.