(formerly Alexis Minerals Corporation)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the nine months ended
September 30, 2013 and 2012
(expressed in Canadian dollars)

QMX GOLD CORPORATION (formerly Alexis Minerals Corporation)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

QMX GOLD CORPORATION (formerly Alexis Minerals Corporation)

Condensed Interim Consolidated Statements of Financial Position

UNAUDITED

in Canadian dollars

	Notes	September 30, 2013	December 31, 2012
ASSETS			
Current assets:			
Cash and cash equivalents		$ 1,099,915	$ 1,035,587
Amounts receivable	7	560,027	914,544
Tax credit receivable	8	233,261	1,552,475
Inventories	9	2,611,343	2,938,031
Prepaid expenses	10	1,307,158	1,872,951
Investments	11	10,160	8,460
Total current assets		5,821,864	8,322,048
Non-current assets:			
Shares on hand or in escrow to be received	11	2,744,439	4,200,000
Restricted cash equivalents	13, 18	5,767,000	5,767,000
Property, plant and equipment	12	13,622,646	14,116,424
Mineral properties and deferred exploration expenditures	13	42,318,972	73,449,980
TOTAL ASSETS		$ 70,274,921	$ 105,855,452
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	14, 27	$ 13,681,808	$ 11,113,676
Current portion of finance lease obligations	15	23,999	6,287
Short term loan	16	17,556,103	14,126,430
Liability component of convertible debentures	17, 25	4,228,156	-
Total current liabilites		35,490,066	25,246,393
Non-current liabilities :			
Liability component of convertible debenture	17	-	4,171,819
Provision for closure and reclamation	18	6,405,500	6,336,000
Total liabilities		41,895,566	35,754,212
Equity:			
Share capital	1, 19	133,365,726	132,943,573
Commitment to issue shares	21	148,150	148,150
Equity component of convertible debenture	1, 17	1,512,541	1,512,541
Share-based payments reserve	1, 20	2,055,337	4,383,150
Transaction with owners	21	100,845	100,845
Accumulated deficit		(108,803,244)	(68,987,019)
Total equity		28,379,355	70,101,240
TOTAL LIABILITIES AND EQUITY		$ 70,274,921	$ 105,855,452
Nature of operations and going concern	1		
Commitments and contingencies	28		
Subsequent events	29		

Approved on behalf of the Directors:

"David Rigg"	*"Maurice Colson"*
Director	Director

QMX GOLD CORPORATION (formerly Alexis Minerals Corporation)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss/(Income)

UNAUDITED

in Canadian dollars

	Notes	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Revenue		**$ 8,112,863**	$ 8,297,466	**$ 21,888,099**	$ 24,549,084
Cost of sales					
Mine operating expenses		**(5,757,086)**	(7,220,635)	**(19,071,702)**	(22,439,536)
Depletion and depreciation		**(1,721,900)**	(800,051)	**(4,210,038)**	(4,339,656)
Cost of sales		**(7,478,986)**	(8,020,686)	**(23,281,740)**	(26,779,192)
Gross income/(loss)		**633,877**	276,780	**(1,393,641)**	(2,230,108)
Other income and expenses					
Professional, consulting and management	20	**(715,241)**	(397,295)	**(1,828,947)**	(1,609,141)
Other general and administrative expenses		**(126,335)**	(197,692)	**(506,896)**	(579,349)
Other gains and (losses)	22	**1,677,543**	2,182,918	**(2,181,077)**	2,058,482
Finance income		**19,375**	14,417	**61,799**	44,504
Finance costs	23	**(1,798,831)**	(1,240,665)	**(4,879,373)**	(3,236,760)
Loss on disposal of mineral properties		**-**	(761,493)	**-**	(761,493)
(Impairment charge)/reversal of impairment on mineral properties	13	**(31,743,865)**	4,600,000	**(31,743,865)**	(5,658,375)
(Loss)/income before income tax		**(32,053,477)**	4,476,970	**(42,472,000)**	(11,972,240)
Deferred income tax recovery	20	**201,395**	-	**201,395**	-
Net (loss)/income and comprehensive (loss)/income for the period		**$ (31,852,082)**	$ 4,476,970	**$ (42,270,605)**	$ (11,972,240)
Net (loss)/income per share					
Basic	1, 24	**$ (0.98)**	$ 0.15	**$ (1.34)**	$ (0.40)
Diluted	1, 24	**$ (0.98)**	$ 0.15	**$ (1.34)**	$ (0.40)
Weighted average number of shares outstanding:					
Basic	1, 24	**32,542,650**	30,079,987	**31,564,931**	29,904,537
Diluted	1, 24	**32,542,650**	30,098,069	**31,564,931**	29,904,537

-See accompanying notes to the condensed interim consolidated financial statements -

QMX GOLD CORPORATION (formerly Alexis Minerals Corporation)

Condensed Interim Consolidated Statements of Cash Flows

UNAUDITED

in Canadian dollars

	Notes	Nine months ended September 30, 2013	2012
Cash provided by (used in) operating activities:			
Net (loss)		**$ (42,270,605)**	$ (11,972,240)
Items not involving cash:			
Stock-based compensation	20	**280,733**	18,909
Depletion and depreciation		**4,210,038**	4,339,656
Non-cash losses on marketable securities	22	**1,535,861**	(1,719,520)
Accretion and financing costs	23	**4,742,324**	3,010,766
Unrealized foreign exchange loss		**647,386**	(294,810)
Deferred income tax recovery		**(201,395)**	-
Impairment charge on mineral properties	13	**31,743,865**	5,658,375
Settlement of rental income with shares	11	**(82,000)**	761,493
Non-cash gain on sale of asset		**(35,639)**	-
Working capital adjustments:			
Change in receivables		**354,517**	59,293
Change in prepaid expenses		**565,793**	(164,828)
Change in inventories		**269,632**	(495,557)
Change in payables and provisions		**3,809,061**	(434,273)
Net cash provided by/(used in) operating activities		**5,569,571**	(1,232,736)
Investing activities			
Investment in mineral properties and deferred exploration expenditures		**(3,919,270)**	(4,912,257)
Property, plant and equipment expenditures		**(414,494)**	(2,130,396)
Working capital adjustments related to investing activities		**(1,313,240)**	(3,501,640)
Exploration tax credits received		**1,387,314**	629,622
Cash proceeds from sale mineral property		**-**	5,000,000
Cash proceeds from sale of asset		**100,000**	-
Net cash (used in) investing activities		**(4,159,690)**	(4,914,671)
Financing activities			
Short-term loans	16	**-**	10,875,000
Financing costs and interest on short-term loans	16	**(1,298,345)**	(2,662,385)
Repayment of short-term loans		**-**	(725,000)
Payment of convertible debenture and accrued interest		**-**	(2,230,901)
Finance lease payments		**(47,208)**	(80,419)
Net cash (used in)/provided by financing activities		**(1,345,553)**	5,176,295
Change in cash and cash equivalents		**64,328**	(971,112)
Cash and cash equivalents, beginning of the period		**1,035,587**	1,615,261
Cash and cash equivalents, end of the period		**$ 1,099,915**	$ 644,149
Cash and cash equivalents are comprised of:			
Cash in bank		**$ 1,069,312**	$ 614,149
Cash equivalents		**30,603**	30,000
Non-cash investing and financing transactions			
Common shares issued for interest payment	17	**$ 422,153**	$ 422,153
Accretion of convertible debentures charged to mineral properties		**-**	152,115
Depreciation charged to mineral properties		**157,081**	241,920
Equipment acquired under capital leases		**64,920**	-
Stock-based compensation charged to mineral properties		**47,229**	9,989
Interest paid		**95,870**	1,137,669

-See accompanying notes to the condensed interim consolidated financial statements -

QMX GOLD CORPORATION (formerly Alexis Minerals Corporation)

Condensed Interim Consolidated Statements of Changes in Equity

UNAUDITED

in Canadian dollars

	Share capital		Commitment to issue shares	Equity Component of Convertible debenture	Share-based payments reserve	Transaction with owners	Accumulated Deficit	Total equity
	No.	$	$	$	$	$	$	$
Balance, December 31, 2012	30,080,004	132,943,573	148,150	1,512,541	4,383,150	100,845	(68,987,019)	70,101,240
Stock-based compensation	-	-	-	-	327,962	-	-	327,962
Expiry of stock options and warrants	-	-	-	-	(2,655,775)	-	2,454,380	(201,395)
Shares issued in lieu of interest payment	2,462,646	422,153	-	-	-	-	-	422,153
Loss for the period	-	-	-	-	-	-	(42,270,605)	(42,270,605)
Balance, September 30, 2013	**32,542,650**	**133,365,726**	**148,150**	**1,512,541**	**2,055,337**	**100,845**	**(108,803,244)**	**28,379,355**
Balance, December 31, 2011 (Note 1)	29,682,284	132,521,420	148,150	1,698,516	6,413,218	100,845	(55,477,790)	85,404,359
Stock-based compensation	-	-	-	-	28,898	-	-	28,898
Change in value of warrants on re-pricing	-	-	-	-	19,580	-	-	19,580
Expiry of stock options	-	-	-	-	(3,764,445)	-	3,764,445	-
Shares issued in lieu of interest payment	397,716	422,153	-	-	-	-	-	422,153
Equity component of convertible debenture paid	-	-	-	(185,975)	-	-	185,975	-
Loss for the period	-	-	-	-	-	-	(11,972,240)	(11,972,240)
Balance, September 30, 2012	**30,080,000**	**132,943,573**	**148,150**	**1,512,541**	**2,697,251**	**100,845**	**(63,499,610)**	**73,902,750**

-See accompanying notes to the condensed interim consolidated financial statements -

1. Nature of operations and going concern

Alexis Minerals Corporation changed its name to QMX Gold Corporation ("QMX" or the "Company") after receiving shareholder approval at its annual general meeting on June 13, 2012. QMX currently has interests in mineral exploration and evaluation properties in the province of Québec and, through its wholly-owned subsidiary, Garson Gold Corp. ("Garson"), in the province of Manitoba. The Company is in commercial production at the Lac Herbin deposit and is also continuing to focus on the exploration and evaluation of its other gold and base metal projects within these regions. The registered head office of the Company is located at 65 Queen Street West, Suite 815, Toronto, Ontario, Canada.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

The Company's shares are listed on the Toronto Stock Exchange ("TSX"). They began trading under the new trading symbol "QMX-TO" on July 3, 2012 after receiving approval from the TSX. The Company also consolidated its issued and outstanding common shares on the basis of one new common share of the Company for every twenty existing common shares of the Company. All common shares, options, warrants and per share amounts have been restated to give retroactive effect to the share consolidation.

The TSX has informed the Company that it has initiated its delisting review because the market value of the publicly held common shares of the Company fell below levels required under TSX listing requirements. The TSX is undertaking the review pursuant to its continued listing criteria, including criteria with respect to the Company's financial condition and operating results, and the market value of the Company's common shares. The Company has been granted 120 days in which to regain compliance with all requirements for a continued listing. If the TSX determines that the Company's shares should be delisted, the Company may consider alternative listing arrangements. There are no assurances as to the outcome of the delisting review or as to whether the Company's common shares will remain listed on the TSX or whether an alternative listing will be achieved.

These condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2013 and 2012 were approved and authorized for issue by the Board of Directors on November 14, 2013.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

The Company has a need for equity capital and financing for working capital and exploration and evaluation of its properties. Because of continuing operating losses and a working capital deficiency, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company is in breach of its loan agreement and a waiver has been granted by the lender, as described in Note 16(a).

2. Basis of preparation

These condensed interim consolidated financial statements of the Company and its subsidiary were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out in the Company's annual consolidated financial statements for the year ended December 31, 2012 were consistently applied to all the periods presented unless otherwise noted below.

The preparation of condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as held-for-trading, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. New accounting policies

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2013. Updates that are not applicable or are not consequential to the Company have been excluded thereof.

IFRS 10, Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12, Consolidation – Special Purpose Entities ("SIC 12"). In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27, Consolidated and Separate Financial Statements ("IAS 27"). The Company adopted IFRS 10 in its financial statements for the annual period beginning January 1, 2013. The Company's subsidiary is wholly-owned and the Company is in compliance with IFRS 10. There was no change to the financial presentation as a result of this change.

IFRS 11, Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures ("IAS 31"). Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previously jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company adopted IFRS 11 in its consolidated financial statements for the annual period beginning January 1, 2013. The Company currently has no joint ventures and therefore there is no impact of IFRS 11 to the Company's financial statements.

On May 12, 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). This IFRS requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. This IFRS enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 12. The Company's subsidiary is wholly-owned and the Company is in compliance with IFRS 12. There is no impact of IFRS 12 to the Company's financial statements.

IFRS 13, Fair Value Measurement ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Adoption of this standard had no significant impact on the Company's financial statements other than inclusion of additional disclosure in Note 25.

IAS 1, Presentation of Financial Statements ("IAS 1"), has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012. There is no impact of the changes to IAS 1 to the Company's financial statements.

4. Future accounting changes

IFRS 9, Financial Instruments ("IFRS 9") was issued November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2015, with early adoption permitted. The Company has not yet determined the potential impact of the amendments to IFRS 9 on its consolidated financial statements.

5. Principles of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary, Garson.

Subsidiaries
Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Business Combinations and Goodwill
On the acquisition of a subsidiary, the purchase method of accounting is used to account for the acquisition as follows:

- cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- directly attributable transaction costs are expensed as incurred;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date except for non-current assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"), which are recognized and measured at fair value less costs to sell;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- if the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss;
- the interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholder's fair value; and
- the measurement of contingent consideration at fair value on the acquisition date is preformed with subsequent changes in the fair value recorded through the consolidated statements of operations and comprehensive income/(loss).

All material intercompany transactions are eliminated on consolidation. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized and is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The level at which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal purposes, but shall not be larger than an operating segment determined in accordance with IFRS 8, Operating Segments ("IFRS 8"). Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Transactions and non-controlling interests
Transactions with non-controlling interests are treated as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between the consideration paid and the non-controlling share of the carrying value of net assets acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are similarly computed and also recorded in equity.

6. Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

6. Significant accounting judgments, estimates and assumptions (continued)

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges
  In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Capitalization of exploration and evaluation costs
  Management has determined that exploration and evaluation costs incurred during the period have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 13 for details of capitalized exploration and evaluation costs.

- Tax credits receivable
  The Company receives assistance in the form of refundable tax credits from the Québec provincial government. The Company estimates the amounts recoverable based on the relevant tax laws and recognizes a current asset, applying the credits against the mineral exploration properties to which they apply. Such estimates are subject to change based on changes in laws and regulations.

- Mineral reserve estimates
  The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

- Impairment of mineral properties and deferred exploration expenditures
  While assessing whether any indications of impairment exist for mineral properties and deferred exploration expenditures, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties and deferred exploration expenditures. Internal sources of information include the manner in which mineral properties and deferred exploration expenditures are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties and deferred exploration expenditures.

- Estimation of decommissioning and restoration costs and the timing of expenditure
  The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

6. Significant accounting judgments, estimates and assumptions (continued)

- Income taxes and recoverability of potential deferred tax assets
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments
  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingencies
  Refer to Note 28.

7. Amounts receivable

	September 30, 2013	December 31, 2012
Custom milling revenues	$ 245,863	$ -
Taxes receivable	169,060	647,428
Interest receivable	81,610	82,526
Other receivables	63,494	184,590
	$ 560,027	$ 914,544

8. Tax credit receivable

Balance at December 31, 2012	$ 1,552,475
Tax credits received	(1,387,314)
Accrued tax credits receivable for the year	-
Adjustments to tax credits accrued	68,100
Balance at September 30, 2013	**$ 233,261**

As at September 30, 2013, an amount of approximately $233,000 is accrued for the year ended December 31, 2012. During the nine months ended September 30, 2013, the Company received $474,564 in assistance related to the year ended December 31 2011 and $908,750 related to the year ended December 31, 2010. The Company has not been incurring exploration expenditures during the nine months ended September 30, 2013. The assistance has been applied to the properties to which it pertains. The Company receives this assistance in the form of refundable tax credits from the Québec Provincial Government and mining duties returns from the Québec Ministry of Natural Resources. New regulations with respect to the mining duties return have been enacted such that the Company is no longer eligible to claim this credit.

9. Inventories

	September 30, 2013		December 31, 2012	
Materials and supplies	$	886,201	$	1,056,303
Stockpiled ore		1,044,007		39,666
Gold brick or doré bars		681,135		1,842,062
	$	2,611,343	$	2,938,031

The amount of inventories recognized as an expense during the three and nine months ended September 30, 2013 is $7,478,986 and $23,281,740 respectively (three and nine months ended September 30, 2012: $8,020,686 and $26,779,192 respectively).

All inventory is carried at the lower of cost and net realizable value. Materials and supplies inventory is recorded at cost as at September 30, 2013 and December 31, 2012. As at September 30, 2013, stockpiled ore and gold brick or doré bars were recorded at cost, whereas at December 31, 2012, these were recorded at net realizable value. For the three and nine months ended September 30, 2013 and 2012, there was no impairment of inventory and consequently no impairment adjustments were recorded to operating costs for those periods.

10. Prepaid expenses

	September 30, 2013		December 31, 2012	
Mining supplier advances	$	434,276	$	1,011,894
Reclamation deposits		187,596		187,596
Deferred financing costs		544,486		544,486
Insurance		84,274		39,783
Corporate advances		56,526		89,192
	$	1,307,158	$	1,872,951

11. Investments

The Company's investments, held directly or through it's subsidiary, include shares in the following securities. These securities are classified as fair value through profit or loss ("FVTPL").

		September 30, 2013			December 31, 2012		
	Classification	No. held		Value	No. held		Value
Current investments							
Centurion Minerals, Ltd.	FVTPL	85,000	$	6,800	85,000	$	5,100
Takara Resources, Inc.	FVTPL	336,000	$	3,360	336,000	$	3,360
Current portion			$	10,160		$	8,460
Falco Pacific Resource Group Inc.	FVTPL	7,328,000	$	2,744,439	7,000,000	$	4,200,000
Long-term portion			$	2,744,439		$	4,200,000

The Company acquired 7,000,000 shares of Falco Pacific Resource Group Inc. ("Falco") through the sale of its Rouyn properties in September 2012. Of these shares, 4,200,000 are held in escrow as a condition of the agreement. Please see Note 13. The Company rents its office in Val d'Or, Quebec to Falco. In exchange for rental payments owed by Falco to the Company, the Company received 328,000 units of Falco at a price of $0.25 per unit in June 2013. Each unit consists of one common share of Falco and one-half purchase warrant, whereby one whole warrant will allow the Company to purchase one common share of Falco at an exercise price of $0.45. These warrants expire on December 14, 2014. An unrealized gain of $1,264,992 and an unrealized loss of $1,535,861 was recorded as other gains and losses on the condensed interim consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2013 with respect to the Company's investments (three and nine months September 30, 2012: an unrealized gain of $1,752,550 and $1,719,520 respectively).

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12. Property, plant and equipment

	Office equipment and furniture	Machinery and equipment	Mobile equipment	Buildings	Mill	TOTAL
Cost as at December 31, 2012	299,966	7,920,291	6,731,617	4,432,308	12,959,720	32,343,902
Additions	-	84,145	270,123	113,612	11,534	479,414
Disposals	-	(110,258)	-	-	-	(110,258)
Change in rehabilitation provision	-	-	-	-	36,000	36,000
Cost as at September 30, 2013	**$ 299,966**	**$ 7,894,178**	**$ 7,001,740**	**$ 4,545,920**	**$ 13,007,254**	**$ 32,749,058**
Depreciation, depletion and impairment as at December 31, 2012	(245,698)	(2,873,927)	(3,987,071)	(1,320,138)	(9,800,644)	(18,227,478)
Charge for the period	(17,002)	(196,803)	(381,868)	(280,578)	(68,580)	(944,831)
Disposals	-	45,897	-	-	-	45,897
Depreciation, depletion and impairment as at September 30, 2013	**$ (262,700)**	**$ (3,024,833)**	**$ (4,368,939)**	**$ (1,600,716)**	**$ (9,869,224)**	**$ (19,126,412)**
Net book value as at December 31, 2012	$ 54,268	$ 5,046,364	$ 2,744,546	$ 3,112,170	$ 3,159,076	$ 14,116,424
Net book value as at September 30, 2013	**$ 37,266**	**$ 4,869,345**	**$ 2,632,801**	**$ 2,945,204**	**$ 3,138,030**	**$ 13,622,646**

During the three and nine months ended September 30, 2013, the Company expensed $289,272 and $807,397 in depreciation to the statements of operations and comprehensive loss (three and nine months ended September 30, 2012: $384,055 and $1,447,354) and charged $40,944 and $157,081 to mineral properties and deferred exploration expenditures (three and nine months ended September 30, 2012: $81,395 and $241,920).

Included in property, plant and equipment is the Val-d'Or mill that has been operating since the second quarter of 2010. Depreciation expense, calculated on a unit-of-production basis, of $35,038 and $68,580 has been recorded for the three and nine months ended September 30, 2013 (three and nine months ended September 30, 2012: $10,390 and $557,635). The Company's Snow Lake mill is also included in property, plant and equipment and is currently on care and maintenance. No depreciation expense has been recorded in relation to the Snow Lake mill.

In February, 2013, the Company sold a trailer for net proceeds of $100,000. The Company recognized a gain on sale of asset of $35,639 in other gains and losses as a result.

13. Mineral properties and deferred exploration expenditures

	PRODUCING PROPERTY						
	Lac Herbin, Quebec	Lac Pelletier, Quebec	VMS, Quebec	Aurbel, Quebec	Snow Lake, Manitoba	Other, Manitoba	TOTAL
Cost as at December 31, 2012	$ 38,772,636	$ 19,132,959	$ 13,721,615	$ 7,107,126	$ 40,032,028	$ 864,639	$ 119,631,003
Additions	2,323,078	29,427	(268,460)	326,626	989,321	630,097	4,030,089
Change in rehabilitation provision	7,000	(2,000)	-	-	(57,000)	-	(52,000)
Cost as at September 30, 2013	**$ 41,102,714**	**$ 19,160,386**	**$ 13,453,155**	**$ 7,433,752**	**$ 40,964,349**	**$ 1,494,736**	**$ 123,609,092**
Accumulated depletion and impairment as at December 31, 2012	$ (33,254,300)	$ (12,926,723)	$ -	$ -	$ -	$ -	$ (46,181,023)
Charge for the period	(3,365,232)	-	-	-	-	-	(3,365,232)
Impairment charge for the period	-	-	-	-	(31,743,865)	-	(31,743,865)
Accumulated depletion and impairment as at September 30, 2013	**$ (36,619,532)**	**$ (12,926,723)**	**$ -**	**$ -**	**$ (31,743,865)**	**$ -**	**$ (81,290,120)**
Net book value as at December 31, 2012	$ 5,518,336	$ 6,206,236	$ 13,721,615	$ 7,107,126	$ 40,032,028	$ 864,639	$ 73,449,980
Net book value as at September 30, 2013	**$ 4,483,182**	**$ 6,233,663**	**$ 13,453,155**	**$ 7,433,752**	**$ 9,220,484**	**$ 1,494,736**	**$ 42,318,972**

Aurbel Property (including Lac Herbin), Québec

The Company holds a 100% interest in the Aurbel Property (including Lac Herbin), subject to a 4.5% Net Smelter Royalty ("NSR"). A corporation that is controlled by a director of the Company holds 2% of the NSR. See Note 27.

On October 1, 2008, the Company declared the commencement of commercial production at Lac Herbin.

No impairment or reversal of impairment was assessed for the three and nine months ended September 30, 2013. However, for the three and nine months ended September 30, 2012, the Company recorded a reversal of impairment related to the value of the Lac Herbin property of $4,600,000 and $4,600,000.

Lac Pelletier Property, Rouyn-Noranda, Québec

Pursuant to the September 2005 option agreement with Thundermin Resources Inc. ("Thundermin"), the Company was entitled to acquire a 100% interest in the Lac Pelletier Property, subject to a 3.5% NSR royalty and $1/tonne toll charge, by spending $1,000,000 in exploration expenditures by September 1, 2008. During 2007, the Company met its expenditure obligations.

Pursuant to the agreement, the Company extended its decision deadline and was required to make a production decision by September 1, 2009 and reach commercial production by September 1, 2010. The Company further amended this agreement such that the production decision deadline had been extended to September 1, 2010 with a payment of $100,000 in 2009. Prior to September 1, 2010, the Company issued a production commitment notice to Thundermin, thereby exercising its option to acquire the Lac Pelletier Property. Thundermin has initiated an arbitration proceeding pursuant to which it has claimed that the purported exercise by the Company of its option to acquire a 100% interest in the property is invalid. Arbitration proceedings took place in August 2013 and the Company awaits an outcome. The Company confirms its belief that Thundermin's claim is without merit.

During 2009, the Company entered into a property acquisition agreement to acquire a 100% interest in four mining claims located near Lac Pelletier, subject to a 2% NSR. The Company has the option to purchase, at any time, 50% of the NSR for US$1,000,000.

13. Mineral properties and deferred exploration expenditures (continued)

VMS Properties, Québec

The Company holds a 100% interest in the VMS properties, subject to Teck Cominco Ltd. (formerly Aur Resources Ltd.) retaining between a 2% and a 2.5% NSR on the properties depending on pre-existing underlying royalties. Certain claims forming part of this property are subject to NSR royalties of 1% to 2.5%, net profits royalties of 5% or net proceeds of production royalties of 10% or 25 cent charge per ton milled. Certain of the properties were held under previously existing joint venture agreements. The other party to these agreements has opted to no longer fund the properties.

Rouyn Noranda Properties, Québec

In September 2012, the Company sold its 100% interest in properties in the prospective Rouyn-Noranda Base Metal and Gold Camp to Druk Capital Partners (“Druk”). Druk subsequently changed its name to Falco Pacific Resource Group Inc. (“Falco”). As consideration, the Company received cash proceeds of $5,000,000 and 7,000,000 shares of Falco equalling up to a 19% ownership of Falco. The shares were valued at $1,750,000 as at the date of the transaction, the estimated value of the transaction. A portion of these shares was held in escrow as at September 30, 2013 and will be released as certain conditions are met.

In 2012, the Company had recorded impairment charges on this set of properties of $nil and $10,258,375 for the three and nine months ended September 30, 2012 as a result of this agreement with Falco. As well as a loss on sale of $761,493 and $761,493 was recorded for the three and nine months ended September 30, 2012.

Snow Lake, Manitoba

Through the acquisition of Garson, the Company acquired a 100% interest in the New Britannia Gold Mine (“NBM”) in Snow Lake, Manitoba. The Company has since renamed the mine “Snow Lake Mine”. A total of $5,767,000 in financial assurances is posted with both the Government of Manitoba and Kinross Gold Corporation (“Kinross”) (the former owners of the New Britannia Mine) refundable upon commercial production at the mine. The letter of credit with the Manitoba government is financial assurance that the site will ultimately be closed according to the terms of the existing and approved closure plan. Once closure is complete, all or a portion of the letter of credit will be refunded to the Company. Should a NI 43-101 compliant resource of 3 million ounces be proven, Kinross retains a back-in right for a 60% interest for consideration of the equivalent of three-times the exploration costs incurred to that date.

NSR royalties totaling 2.88% on various portions of the Snow Lake property are held by third parties.

Subsequent to the end of the quarter, in October 2013, the Company entered into a definitive agreement to sell the Snow Lake Mine, through the sale of its wholly-owned subsidiary, to Northern Sun Mining Corp. (“Northern Sun”) (formerly Liberty Mines Inc.) for cash consideration of US$20,000,000. A down-payment of US$1,000,000 (Note 29) was paid to the Company subsequent to the end of the quarter. It is expected that the balance of the proceeds will be used to repay the short-term loan (Note 16(a)). The closing of the acquisition remains subject to various conditions including receipt of government and regulatory approvals, completion of due diligence and Northern Sun securing the financing necessary to complete the acquisition. As a result of this agreement, the Company re-assessed the value of the Snow Lake property and recorded an impairment charge of $31,743,865 to the condensed interim consolidated statements of operations and comprehensive loss/(income) for the three and nine months ended September 30, 2013.

13. Mineral properties and deferred exploration expenditures (continued)

Herblet Lake, Manitoba

In November 2010, the Company entered into an agreement to acquire a 100% interest in certain mining claims in the Herblet Lake area. This agreement was amended in July 2013 and again in November 2013 for a fee of $50,000 payable in March 2014. To acquire this 100% interest, the Company is required to make total cash payments of $300,000 and incur total exploration expenditures of $3,000,000 over a period of 5 years according to the following schedule:

	Commitment		
	Cash Payment ($)	Expenditures ($)	
November 19, 2010	50,000	-	**Paid December 2010
November 19, 2011	50,000	200,000	**Paid October 2011, expenditures met
November 19, 2012	50,000	300,000	**Paid November 2012, expenditures met
November 19, 2013	-	500,000	**expenditures met
February 14, 2014	50,000	-	
March 5, 2014 (amendment fee)	50,000	-	
November 19, 2014	50,000	-	
November 19, 2015	50,000	-	
November 19, 2016	-	1,000,000	
November 19, 2017	-	1,000,000	

The exercise of the option is subject to an NSR of 3% payable from the date of commencement of commercial production. Upon exercise of the option, the Company will be required to make advanced royalty payments of $50,000 annually up to $250,000 to be credited against future NSR payments. The Company has the right to purchase up to 50% of the NSR for a total of $1,500,000, each 0.5% of the 3% NSR requiring a $500,000 payment. As of September 30, 2013, the Company is in good standing with respect to its commitments on this agreement.

McMillan Property, Ontario

In December 2011, the Company entered into an agreement to option out its indirect 100% interest in the McMillan Property (held by Garson) to Canadian Star Minerals Ltd ("Canadian Star"). Under the terms of the agreement, Canadian Star can acquire up to a 65% interest in this property in such increments as outlined below:

- 30% interest with $200,000 in exploration and evaluation expenditures made before December 31, 2012 and the issuance of 300,000 common shares of Canadian Star at such time as Canadian Star's shares are listed on the TSX or TSX Venture; the Company had granted a 4-month extension to meet this requirement and is currently in negotiations with Canadian Star.
- An additional 10% interest with an additional $200,000 in exploration and evaluation expenditures made before December 31, 2013 and the issuance of 300,000 common shares of Canadian Star;
- An additional 10% interest with an additional $200,000 in exploration and evaluation expenditures made before December 31, 2014 and the issuance of 300,000 common shares of Canadian Star;
- A further 15% interest if during a two year period after the third anniversary of the date of signing of the agreement, Canadian Star shall complete an economic feasibility study.

If Canadian Star's common shares do not trade on the TSX or TSX Venture by the above noted deadlines, Canadian Star shall pay cash in lieu of shares to the Company at a deemed rate of $0.25 per share.

The carrying value for this property is $nil as at September 30, 2013 (December 31, 2012: $nil)

14. Accounts payable and accrued liabilities

	September 30, 2013	December 31, 2012
Mining and exploration suppliers	$ 7,052,178	$ 5,105,473
Corporate payables	1,645,930	1,335,145
Payroll liabilities	686,509	1,481,127
Royalties payable	4,297,191	3,191,931
	$ 13,681,808	$ 11,113,676

15. Finance lease obligations

The Company entered into a financing lease in January 2013 for mobile equipment for a term of 12 months at an interest rate of 11.5%.

As at September 30, 2013, the future minimum lease payments under the finance lease arrangements were:

2013	24,499
	24,499
Less: Amounts representing interest	(500)
	23,999
Less: Current portion	23,999
Long-term portion	$ -

The fair value of the finance leases is approximately equal to their carrying amount.

16. Short-term loans

(a) In November 2012, the Company entered into a fully secured bridge financing consisting of a senior, secured note with a face value of US$17,500,000 ($17,372,250) and net proceeds of US$15,500,000. The financing is for a one-year term and the Company is required to pay cash interest payments starting June 28, 2013 at a rate of US$250,000 per month. In addition to the interest payments, the Company granted the lender 2,900,000 warrants to acquire common shares of the Company at an exercise price of $0.25.

Costs associated with this loan were recorded against the loan, and are being accreted over the term of the loan. Accretion expense charged on this loan for the three and nine months ended September 30, 2013 was $956,076 and $2,689,546. The Company has accrued interest over the entire term of the loan using the effective interest rate method. An amount of $602,146 and $1,383,552 was recorded for the three and nine months ended September 30, 2013.

The loan is fully secured by the Company's assets, and is subject to various information and affirmative covenants.

The Company had not made its required interest payment due on June 28, 2013 on time. As a result, the lender exercised its rights under the loan agreement, and had limited the Company's access to certain bank accounts and was controlling certain cash disbursements, including applying funds in such accounts against interest and fees payable to them. Subsequent to the end of the quarter, the Company signed a waiver and amendment agreement with the lender and transferred a US$1,000,000 security deposit to cover unpaid and accrued interest as well as a waiver fee of US$100,000. The balance will be used to prepay interest through to the maturity date and to prepay a portion of the principal due at maturity. The security deposit was paid from the funds received in October 2013 from Northern Sun with respect to the sale of the Snow Lake project (Note 13). Pursuant to the waiver agreement and amendment agreement and subject to Toronto Stock Exchange approval, the Company agreed to re-price the 2,900,000 warrants granted to the lender at a new exercise price, expiring on the original expiry date of November 28, 2015. In addition, the lender has waived the covenant breach that occurred in July 2013 and the Company regained access to its bank accounts. The waiver and amendment agreement also eliminated the financial covenants for minimum net tangible worth and maximum cash costs per ounce, and provides for the extension of the original maturity date at the lender's option subject to a monthly monitoring fee should Northern Sun extend the terms of the definitive agreement.

16. Short-term loans (continued)

(b) In January 2012, the Company entered into a short-term financing with Resource Income Fund, L.P. ("RIF") raising gross proceeds of US$10,000,000 (CDN$10,150,000). The Company incurred cash costs, including prepaid interest, of $2,130,671 with respect to this loan, as well as an extension fee and additional interest until the loan was repaid in November 2012. During the three and nine months ended September 30, 2012, the Company recorded $852,301 and $2,444,900 in accretion costs and $122,900 and $122,900 respectively in interest related to this short-loan.

(c) In the third quarter of 2012, the Company entered into two short-term loans totaling $725,000, incurring accretion charges of $44,014 and interest of $10,940 for the three and nine months ended September 31, 2012.

17. Convertible debentures

During 2006, the Company completed a private placement debenture financing with Industrial Alliance Securities Inc. ("Industrial Alliance") raising $4,210,000 in gross proceeds with the issuance of units comprised of $1,000 principal convertible debentures (the "Debentures") maturing April 28, 2010. On April 28, 2010, the Company entered into agreements with the current holders of the expiring convertible debentures to roll over the existing 6% convertible debentures into units comprised of $1,000 principal amount 10% convertible unsecured subordinated debentures due April 28, 2014. Interest will be payable in equal semi-annual interim instalments on April 30 and October 30 at 10% per annum commencing October 30, 2010. At the option of the Company, interest shall be payable in cash or in shares. If payment is in shares, it will be based on a price equal to 90% of the average closing price of the common shares of the Company on the Toronto Stock Exchange for a period of 20 consecutive trading days ending five trading days before payment date. Each debenture is convertible at the option of the holder into common shares of the Company at any time after the issue date at the conversion price of $8.00 per share. Except in the event of a change of control, the debentures are not redeemable prior to April 28, 2012. On or after April 28, 2012 and up to and including April 28, 2014, the debentures may be redeemed by the Company at the option of the Company at par plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' notice prior to the date fixed for redemption provided that the average closing price of the Company's common shares during the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the conversion price. A charge of $94,000 was incurred in relation to the roll-over agreements.

The debentures are classified as a liability, with the exception of the portion relating to the conversion features, resulting in the carrying value of the debentures being less than its face value. The discount is being accreted over the term of the debentures, utilizing the effective interest rate method at a 15% discount rate. Financing charges associated with the debentures were prorated between the debt and equity components of the Debentures. Those allocated to the debt portion of the debentures are deferred and accreted over the term of the Debentures. An amount of $161,177 and $478,491 in accretion of discount and accretion of financing charges was recorded on the condensed interim consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2013 (three and nine months ended September 30, 2012: $153,894 and $457,352).

In lieu of the 10% cash interest payment due to debenture holders on April 30, 2013, the Company issued 1,642,591 common shares, at a weighted average price of $0.1278 per share for a total value of $209,923 in June 2013 upon receiving regulatory approval. In lieu of the 10% cash interest payment due to debenture holders on October 30, 2012, the Company issued 820,055 common shares, at a weighted average price of $0.2588 per share in January 2013 for a total value of $212,230 upon receiving regulatory approval. In lieu of the 10% cash interest payment due to debenture holders on October 30, 2011, the Company issued 169,020 common shares in January 2012 after receiving regulatory approval. These shares were valued at a weighted average price of $1.24 per share for a total amount of $209,923. The Company issued 228,696 shares in July 2012 in lieu of the 10% cash interest payment due on April 30, 2012 at a weighted average price of $0.928 per share for a total value of $212,230.

18. Provision for closure and reclamation

The Company's provision for closure and reclamation costs is based on management's estimates of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the provision for closure and reclamation associated with the retirement of the Company's plant and mineral properties:

Balance at December 31, 2012	$	6,336,000
Unwinding of discount and effect of changes in the discount rate		69,500
Balance at September 30, 2013	**$**	**6,405,500**

The Company has assessed its total provision for closure and reclamation and estimated it to be $6,405,500 at September 30, 2013 (December 31, 2012: $6,336,000) based on a total future liability of approximately $6,319,000 (December 31, 2012: $6,319,000), an inflation rate of 1.3% (December 31, 2012: 1.1%) and a discount rate ranging between 1.25% and 2.23% (December 31, 2012: 1.3% and 1.72%). Reclamation is expected to occur in two to eight years.

Through Garson, the Company has term deposits amounting to $5,767,000 restricted for the reclamation of the Snow Lake property. The Company has placed funds on deposit as collateral for letters of credit issued to the vendor of the NBM, Kinross Gold Corporation, as well as to the Government of Manitoba, for Garson's share of assumed reclamation and operating obligations. The Company pays an annual fee of 1% of the face value of the letter. Funds on deposit have been invested in short term GICs earning interest at 1.32% during 2013. The GICs can be redeemed prior to maturity without penalty.

19. Share Capital

The Company consolidated its issued and outstanding common shares on the basis of one new common share of the Company for every twenty existing common shares of the Company in June 2012. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation.

a) As at September 30, 2013 and December 31, 2012, the Company's authorized number of common shares was unlimited without par value.

b) Common shares	Number of Shares		Amount
Balance, December 31, 2012	**30,080,004**	**$**	**132,943,573**
Shares issued for payment of interest (Note 17)	2,462,646		422,153
Balance, September 30, 2013	**32,542,650**	**$**	**133,365,726**

20. Share-based payments reserve

	No. of Options	Weighted Average Exercise Price		**Grant Date Fair Value of Options**	No. of Warrants	Weighted Average Exercise Price		**Grant Date Fair Value of Warrants**		**TOTAL VALUE**
December 31, 2012	793,388	$4.18	$	1,848,069	6,575,274	$3.80	$	2,535,081	$	4,383,150
Granted	1,872,500	0.24		327,962	-	0.00		-		327,962
Expired	(143,800)	0.56		(595,414)	(3,475,274)	6.96		(2,060,361)		(2,655,775)
September 30, 2013	**2,522,088**	**$1.46**	**$**	**1,580,617**	**3,100,000**	**$0.26**	**$**	**474,720**	**$**	**2,055,337**

As a result of the expiry of 3,475,274 unexercised warrants, the Company recorded a deferred tax recovery of $201,395 for the three and nine months ended September 30, 2013 on the condensed interim consolidated statements of operations and comprehensive loss.

20. Share-based payments reserve (continued)

The following share-based payment arrangements were in existence as at September 30, 2013:

WARRANTS:

	No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
	200,000	200,000	28-Dec-11	28-Dec-13	$ 0.38	$ 84,380	68%	1.33	0%	1.16%
*	2,900,000	2,900,000	28-Nov-12	28-Nov-15	$ 0.25	$ 390,340	90%	3.00	0%	1.16%
	3,100,000	3,100,000				$ 474,720				

* Subsequent to the end of the quarter, these warrants were re-issued at a new exercise price of $0.0465 pursuant to the waiver and amendment agreement with respect to the Company's loan (Note 16(a)).

STOCK OPTIONS:

No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Fair value of vested options	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
1,088	1,088	30-Apr-10	4-Feb-14	$ 6.90	$ 3,300	$ 3,300	76%	3.80	0%	2.42%
625	625	14-Jul-09	14-Jul-14	$ 8.20	$ 3,250	$ 3,250	77%	5.00	0%	2.50%
119,375	119,375	21-Dec-09	21-Dec-14	$ 8.50	$ 625,524	$ 625,524	76%	5.00	0%	1.35%
1,000	1,000	9-Jun-10	9-Jun-15	$ 4.68	$ 3,100	$ 3,100	78%	5.00	0%	2.65%
2,500	2,500	4-Nov-10	4-Nov-15	$ 4.40	$ 7,365	$ 7,365	77%	5.00	0%	1.98%
100,000	100,000	10-Jan-11	10-Jan-16	$ 4.00	$ 254,200	$ 254,200	77%	5.00	0%	2.46%
32,250	32,250	10-Feb-11	10-Feb-16	$ 3.30	$ 70,112	$ 70,112	77%	5.00	0%	2.75%
75,000	75,000	6-Jun-11	6-Jun-16	$ 2.00	$ 83,250	$ 83,250	78%	5.00	0%	2.23%
291,250	291,250	29-Nov-11	29-Nov-16	$ 2.00	$ 191,643	$ 191,643	80%	5.00	0%	1.46%
56,500	56,500	8-Jun-12	8-Jun-17	$ 2.00	$ 13,560	$ 13,560	80%	5.00	0%	1.29%
1,842,500	1,381,875	10-Jan-13	10-Jan-18	$ 0.24	$ 331,650	$ 325,313	101%	5.00	0%	1.32%
2,522,088	2,061,463				$ 1,586,954	$ 1,580,617				

During the nine months ended September 30, 2013, 1,872,500 stock options (September 30, 2012: 88,250) were granted to directors, officers, employees and consultants of the Company. These options vest quarterly with the first quarter tranche vesting on the grant date. A charge of $23,393 and $280,733 was recorded to professional, consulting and management fees for the three and nine months ended September 30, 2013 in relation to the vested options (three and nine months ended September 30, 2012: $nil and $18,909). As well, $3,714 and $47,229 in stock-based compensation was charged to mineral properties during the three and nine months ended September 30, 2013 (three and nine months ended September 30, 2012: $nil and $9,989). The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises.

21. Transaction with owners

The Company acquired the non-controlling interest of Garson on April 29, 2010 through the issuance of 327,510 shares. As at September 30, 2013, some shareholders had not yet tendered their Garson shares, and consequently an amount of $148,150 (December 31, 2012: $148,150) is recorded as a commitment to issue shares. The consideration paid was applied against the non-controlling interest and the residual amount of $100,845 was recorded to transactions with owners.

22. Other gains and (losses)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net foreign exchange gains/(losses)	$ 412,551	$ 431,628	$ (676,339)	$ 345,129
General exploration expenditures	-	(1,260)	(4,516)	(6,167)
Gain on sale of assets	-	-	35,639	-
Unrealized gain/(loss) arising on financial assets designated as FVTPL	1,264,992	1,752,550	(1,535,861)	1,719,520
	$ 1,677,543	$ 2,182,918	$ (2,181,077)	$ 2,058,482

23. Finance costs

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Accretion of reclamation provision	$ (28,000)	$ (20,500)	$ (85,500)	$ (64,500)
Accretion of convertible debenture	(161,177)	(153,894)	(478,491)	(457,352)
Accretion of short-term loan financing costs and interest	(1,558,225)	(896,315)	(4,073,098)	(2,488,914)
Flow -through interest penalty	-	-	-	4,778
Other interest expense	(51,429)	(169,956)	(242,284)	(230,772)
	$ (1,798,831)	$ (1,240,665)	$ (4,879,373)	$(3,236,760)

24. Net loss per share

The following table presents the number of shares issuable from options, warrants and convertible debentures that were excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the three and nine months ended September 30, 2013 and 2012.

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Options	2,522,088	866,563	2,522,088	866,563
Warrants	3,100,000	603,750	3,100,000	803,750
Convertible debentures	525,000	525,000	525,000	525,000
	6,147,088	1,995,313	6,147,088	2,195,313

25. Financial instruments

Financial assets and financial liabilities as at September 30, 2013 were as follows:

September 30, 2013	Loans and receivables, other liabilities	Assets/liabilities at fair value through profit or loss	TOTAL
Cash and cash equivalents	$ 1,069,312	$ 30,300	$ 1,099,612
Amounts receivable	390,967	-	390,967
Investments	-	10,160	10,160
Shares on hand or in escrow to be received	-	2,744,439	2,744,439
Restricted cash equivalents	-	5,767,000	5,767,000
Accounts payable and accrued liabilities	13,681,808	-	13,681,808
Finance leases, current and long-term	23,999	-	23,999
Short-term loan	17,556,103	-	17,556,103
Liability component of convertible debenture	4,228,156	-	4,228,156

The fair value of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, finance leases and short-term loan approximates fair value due to the short term nature of the financial instruments.

25. Financial instruments (continued)

The fair value of the liability component of the Company's convertible debenture has been estimated based on discounted future principal and interest payments using estimated interest rates. The difference between the carrying amount and the fair value of the liability component of the convertible debenture is a result of the variance between the interest rates utilized to initially discount the debenture to its estimated fair value as compared to the current market interest rates available to the Company for similar instruments with similar terms. The carrying amount and estimated fair value of the Company's liability component of convertible debenture at September 30, 2013 are as follows:

Carrying value: $4,228,156
Fair value: $4,249,705

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at September 30, 2013.

2013	Level 1	Level 2	Level 3
Cash equivalents	$ -	$ 30,300	$ -
Restricted cash equivalents	-	5,767,000	-
Investments	10,160	-	-
Shares in escrow to be received	2,744,439	-	-

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the nine months ended September 30, 2013.

Credit risk

The Company's credit risk is primarily attributable to cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates and bankers acceptances, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of receivables from related and unrelated companies. The Company currently transacts with highly rated counterparties for the sale of gold. Management believes that the credit risk concentration with respect to these financial instruments is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to endeavour to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2013, the Company had a cash and cash equivalents balance of $1,099,915 (December 31, 2012: $1,035,587) to settle current liabilities of $35,490,066 (December 31, 2012: $25,246,393). Approximately $12,500,000 of the Company's financial liabilities as at September 30, 2013 have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's US$17,500,000 short-term loan is due on November 28, 2013. See Note 16(a).

25. Financial instruments (continued)

Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company carries convertible debentures on which interest is payable quarterly or semi-annually at fixed rates of 10% per annum. The Company's short-term loan also carries a fixed interest rate of approximately 17% per annum. Management believes that interest rate risk is remote as investments have maturities of three months or less and the Company currently does not carry interest bearing debt at floating rates.

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. All gold sales revenues are denominated in US dollars. As well, the Company's short-term loan is denominated in US dollars. The Company is exposed to currency risk with fluctuations in the Canadian dollar relative to the US dollar. The Company currently does not use derivatives to mitigate its foreign currency risk.

Price risk

The Company is exposed to price risk with respect to commodity prices, specifically gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future gold mining operations will be significantly affected by changes in the market prices for gold. Gold prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for gold, the level of interest rates, the rate of inflation, investment decisions by large holders of gold including governmental reserves and stability of exchange rates can all cause significant fluctuations in gold prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Securities price risk

The Company carries investments in certain public securities for which price fluctuations can affect the Company's earnings. The Company classifies these investments as held-for-trading where price volatility is reflected in earnings.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the period:

- The Company does not hold interest-bearing debt at interest rates subject to market fluctuations to give rise to interest rate risk.
- Based on the gold brick and doré inventory held by the Company as at September 30, 2013, a 10% fluctuation in the exchange rate from US$ to CDN$ will generate increases or decreases in value of approximately $95,000.
- Based on the gold brick and doré inventory held by the Company at September 30, 2013, an increase or decrease in the market price of gold of US$100 per ounce would generate a respective increase or decrease in value of approximately $72,000.
- The Company is carrying its short-term loan in US dollars. A 10% change in the CDN$-US$ exchange rate as at September 30, 2013 would generate a change to net loss of approximately $1,760,000.

26. Capital management

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants, options and convertible debentures. 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 in production and has been generating cash flows to support the ongoing and longer term strategy focused on regional exploration. However, the Company may continue to rely on capital markets to support continued growth. 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.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2013. The Company and its subsidiary are subject to certain minimum capital requirements with respect to its short-term loan.

27. Related party disclosures

The condensed interim consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, Garson.

During the three and nine months ended September 30, 2013, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods and services			
	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
2227929 Ontario Inc.	$ 53,350	$ 55,359	$ 165,657	$ 166,043
Forbes & Manhattan, Inc.	219,470	243,638	663,009	738,014

The Company shares office space with other companies who may have officers or directors in common with the Company. The costs associated with this space, including the provision of office equipment and supplies, and certain other services are administered by 2227929 Ontario Inc. to whom the Company pays a fee. Note other companies who share officers and directors with the Company may have similar arrangements with 2227929 Ontario Inc.

Mr. Stan Bharti is the Executive Chairman of Forbes & Manhattan, Inc. Mr. Bharti was a director of the Company until his resignation on March 6, 2012; however as the Company is part of the Forbes & Manhattan Group of Companies, it continues to receive the benefits of such membership, including access to mining professionals, advice from Mr. Bharti, and strategic advice from the Forbes & Manhattan Board of Advisors. An administration fee of $25,000 per month is charged by Forbes & Manhattan, Inc. pursuant to a consulting agreement. As well, a 2% royalty is payable on gold sales from the Aurbel properties (including Lac Herbin) to Forbes & Manhattan, Inc.

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
2227929 Ontario Inc.	$ 18,000	$ 18,000	$ 101,709	$ 44,914
Forbes & Manhattan, Inc.	$ -	$ -	$ 1,728,769	$ 1,251,476
Directors and officers	$ -	$ -	$ 119,667	$ -

The amounts outstanding are unsecured, non-interest-bearing with no fixed terms of payments. No guarantees have been given or received. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

27. Related party disclosures

Compensation of key management personnel of the Company
The remuneration of directors and other members of key management personnel during the period were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Short-term benefits	$ 246,996	$ 351,749	$ 1,010,935	$ 1,074,515
Share-based payments	-	-	194,400	5,400

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. See also Note 28(a).

28. Commitments and contingencies

(a) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $3,500,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately $1,200,000, all due within one year.

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

(c) Arbitration proceedings have taken place with Thundermin with respect to the Lac Pelletier property. See Note 13. The Company believes that Thundermin's claim is without merit.

(d) The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax-related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

29. Subsequent events

In October 2013, the Company entered into a definitive purchase agreement with Northern Sun. Northern Sun will acquire a 100% interest in the Snow Lake property through the acquisition of the Company's subsidiary for cash consideration of US$20,000,000, subject to a number of conditions, including receipt of regulatory approvals in Canada and China, completion of due diligence and Northern Sun securing the necessary financing. The proceeds of the sale will be by the Company to pay its existing short-term loan obligation (Note 16(a)). In October, the Company received US$1,000,000 as a down payment on the purchase.

In October 2013, the Company signed a waiver and amendment agreement with respect to their short-term loan. As part of this agreement, the Company has transferred a security deposit of US$1,000,000 to the lender to cover unpaid interest and accrued interest calculated to the date of the waiver, as well as a US$100,000 waiver fee. The remaining balance will be used to prepay interest through to the maturity date and to prepay a portion of the principal due at maturity. This agreement also provides for the extension of the original maturity date at the option of the lender subject to a monitoring fee. The Company will also re-issue the 2,900,000 warrants granted to the lender previously at a new exercise price of $0.0465, which represents the Volume-Weighted Average Price of the Company's common shares immediately prior to execution of the agreement. These warrants will expire on their original expiry date of November 28, 2015. The lender has waived the covenant breach which occurred in July 2013 and the Company has regained access to its bank accounts.