QMX GOLD CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three months ended
March 31, 2014 and 2013
(expressed in Canadian dollars)

QMX GOLD 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 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

Condensed Interim Consolidated Statements of Financial Position

UNAUDITED

in Canadian dollars

	Notes	March 31, 2014	December 31, 2013
ASSETS			
Current assets:			
Cash and cash equivalents		$ 1,610,880	$ 414,850
Amounts receivable	6	456,207	329,897
Tax credit receivable	7	233,261	233,261
Inventories	8	1,893,719	2,801,157
Prepaid expenses	9	1,712,195	1,643,090
Investments	10	11,366	5,930
Total current assets		5,917,628	5,428,185
Non-current assets:			
Shares on hand or in escrow to be received	10	3,183,325	2,964,525
Property, plant and equipment	11	4,232,643	4,649,216
Assets held for sale	13	26,297,046	25,473,229
Mineral properties and deferred exploration expenditures	12	30,100,512	31,578,550
TOTAL ASSETS		$ 69,731,154	$ 70,093,705
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	14, 27	$ 9,915,978	$ 11,118,372
Deposit on assets held for sale	13	1,105,500	1,063,600
Liabilities of assets held for sale	13	4,276,371	4,132,782
Current portion of finance lease obligations		-	6,559
Short term loan	15	19,346,250	18,453,460
Liability component of convertible debentures	16	4,346,225	4,180,973
Total current liabilites		38,990,324	38,955,746
Non-current liabilities :			
Long-term debt	17	1,190,781	-
Provision for closure and reclamation	18	2,429,250	2,613,000
Total liabilities		42,610,355	41,568,746
Equity:			
Share capital	19	133,576,803	133,576,803
Commitment to issue shares	21	148,150	148,150
Equity component of convertible debenture	17	1,512,541	1,512,541
Share-based payments reserve	20	1,669,101	1,679,181
Transaction with owners	21	100,845	100,845
Accumulated deficit		(109,886,641)	(108,492,561)
Total equity		27,120,799	28,524,959
TOTAL LIABILITIES AND EQUITY		$ 69,731,154	$ 70,093,705

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Approved on behalf of the Directors:

"David Rigg"
Director

"Maurice Colson"
Director

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

QMX GOLD CORPORATION

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
UNAUDITED
in Canadian dollars

	Notes	Three months ended March 31, 2014	Three months ended March 31, 2013
Revenue		**$ 9,095,349**	$ 6,400,494
Cost of sales			
Mine operating expenses		**(7,222,289)**	(6,428,519)
Depletion and depreciation		**(1,757,902)**	(1,009,666)
Cost of sales		**(8,980,191)**	(7,438,185)
Gross income/(loss)		**115,158**	(1,037,691)
Other income and expenses			
Professional, consulting and management	20	**(306,613)**	(603,920)
Other general and administrative expenses		**(125,152)**	(217,518)
Other gains and (losses)	22	**(577,568)**	(693,455)
Finance income		**17,287**	23,393
Finance costs	23	**(885,807)**	(1,509,795)
Reversal of impairment on mineral properties	13	**358,535**	-
Net (loss) and comprehensive (loss) for the period		**$ (1,404,160)**	$ (4,038,986)
Net (loss) per share			
Basic	24	**$ (0.04)**	$ (0.13)
Diluted	24	**$ (0.04)**	$ (0.13)
Weighted average number of shares outstanding:			
Basic	24	**38,325,574**	30,872,724
Diluted	24	**38,325,574**	30,872,724

QMX GOLD CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

UNAUDITED

in Canadian dollars

	Notes	Three months ended March 31, 2014	2013
Cash provided by (used in) operating activities:			
Net (loss)		**$ (1,404,160)**	$ (4,038,986)
Items not involving cash:			
Stock-based compensation	20	**-**	198,859
Depletion and depreciation		**1,757,902**	1,009,666
Non-cash (gain)/loss on marketable securities	10	**(355,436)**	349,150
Accretion and financing costs, net of discount		**832,936**	1,473,372
Unrealized foreign exchange loss		**970,898**	299,959
Reversal of impairment on mineral properties	12	**(358,535)**	-
Gain on sale of shares	10	**(34,407)**	-
Non-cash gain on sale of asset	11	**-**	(35,639)
Working capital adjustments:			
Change in receivables		**(126,310)**	145,804
Change in prepaid expenses		**(180,385)**	47,438
Change in inventories		**856,378**	(235,446)
Change in payables and provisions		**318,019**	3,103,254
Net cash provided by operating activities		**2,276,900**	2,317,431
Investing activities			
Investment in mineral properties and deferred exploration expenditures		**(5,233)**	(1,876,083)
Property, plant and equipment expenditures		-	(279,849)
Expenditures on assets held for sale	13	**(368,283)**	-
Working capital adjustments related to investing activities		**26,918**	(1,476,930)
Exploration tax credits received		**-**	478,564
Cash proceeds from sale of assets	11	**-**	100,000
Cash proceeds from sale of shares	10	**165,607**	-
Net cash (used in) investing activities		**(180,991)**	(3,054,298)
Financing activities			
Financing costs and interest on short-term loans		**(893,320)**	(8,295)
Finance lease payments		**(6,559)**	(14,921)
Net cash (used in) financing activities		**(899,879)**	(23,216)
Change in cash and cash equivalents		**1,196,030**	(760,083)
Cash and cash equivalents, beginning of the period		**414,850**	1,035,587
Cash and cash equivalents, end of the period		**$ 1,610,880**	$ 275,504
Cash and cash equivalents are comprised of:			
Cash in bank		**$ 1,580,277**	$ 245,204
Cash equivalents		**30,603**	30,300
Non-cash investing and financing transactions			
Common shares issued for interest payment		**$ -**	$ 212,230
Accounts payable converted to long-term debt	17	**1,716,238**	-
Depreciation charged to mineral properties		**19,303**	64,545
Equipment acquired under capital leases		**-**	60,000
Stock-based compensation charged to mineral properties		**-**	35,332
Interest paid		**84,333**	72,012

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

QMX GOLD 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, 2013	38,325,574	133,576,803	148,150	1,512,541	1,679,181	100,845	(108,492,561)	28,524,959
Expiry of stock options	-	-	-	-	(10,080)	-	10,080	-
Loss for the period	-	-	-	-	-	-	(1,404,160)	(1,404,160)
Balance, March 31, 2014	**38,325,574**	**133,576,803**	**148,150**	**1,512,541**	**1,669,101**	**100,845**	**(109,886,641)**	**27,120,799**
Balance, December 31, 2012	30,080,000	132,943,573	148,150	1,512,541	4,383,150	100,845	(68,987,019)	70,101,240
Stock-based compensation	-	-	-	-	234,191	-	-	234,191
Expiry of stock options	-	-	-	-	(23,788)	-	23,788	-
Shares issued in lieu of interest payment	820,055	212,230	-	-	-	-	-	212,230
Loss for the period	-	-	-	-	-	-	(4,038,986)	(4,038,986)
Balance, March 31, 2013	**30,900,055**	**133,155,803**	**148,150**	**1,512,541**	**4,593,553**	**100,845**	**(73,002,217)**	**66,508,675**

1. Nature of operations and going concern

QMX Gold Corporation ("QMX" or the "Company") 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.

These condensed interim consolidated financial statements of the Company for the three months ended March 31, 2014 and 2013 were approved and authorized for issue by the Board of Directors on May 30, 2014.

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, a working capital deficiency and the impending maturity of significant amounts of debt, 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.

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, 2013 were consistently applied to all the periods presented unless otherwise noted below.

The preparation of condensed interim financial statements in accordance with International Account Standards ("IAS") 34, Interim Financial Reporting, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Certain disclosures included in annual financial statements have been condensed or omitted.

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. Accounting policies and future accounting changes

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2014.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Adoption of this amendment had no significant impact on the Company's financial statements.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. Adoption of this amendment had no significant impact on the Company's financial statements.

IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. Adoption of this amendment had no significant impact on the Company's financial statements.

IFRIC 21 – Levies ("IFRIC 21") was issued in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. Adoption of this standard had no significant impact on the Company's financial statements.

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, 2014. Updates that are not applicable or are not consequential to the Company have been excluded thereof. The Company has not yet determined the potential impact of these changes on the consolidated financial statements.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. 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, 2018. Earlier adoption is permitted.

4. 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.

4. Principles of consolidation (continued)

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.

5. 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.

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 mineral property expenditures
  Management has determined that mineral property and 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 12 for details of capitalized mineral property and exploration and evaluation costs.

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

- 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.

- 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.

(Expressed in Canadian dollars unless otherwise noted)

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

- 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.

6. Amounts receivable

		March 31, 2014		December 31, 2013
Taxes receivable	$	422,327	$	314,447
Interest receivable		22,752		5,492
Other receivables		11,128		9,958
	$	456,207	$	329,897

7. Tax credit receivable

As at March 31, 2014 and December 31, 2013, an amount of approximately $233,000 is accrued for the year ended December 31, 2012. The Company did not receive tax credits during the three months ended March 31, 2014 (three months ended March 31, 2013: $478,564). The Company has not incurred exploration expenditures during the three months ended March 31, 2014 that are eligible for assistance. Assistance is 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. Subsequent to the end of the quarter, the Company received approximately $134,000 in tax credits related to the successful appeal of previously rejected tax credit claims.

8. Inventories

		March 31, 2014		December 31, 2013
Materials and supplies	$	916,687	$	954,823
Stockpiled ore		415,482		600,607
Gold brick or doré bars		561,550		1,245,727
	$	1,893,719	$	2,801,157

The amount of inventories recognized as an expense during the three months ended March 31, 2014 is $8,980,191 (March 31, 2013: $7,438,185).

All inventory is carried at the lower of cost and net realizable value. Materials and supplies inventory is recorded at cost as at March 31, 2014 and 2013. As at March 31, 2014 and 2013, stockpiled ore was recorded at cost, while gold brick or doré bars were recorded at cost as at March 31, 2014 and at net realizable value as at March 31, 2013. For the three months ended March 31, 2014, there was no impairment of inventory and consequently no impairment adjustments were recorded to operating costs for those periods (March 31, 2013: impairment of $232,696 on gold brick or doré).

(Expressed in Canadian dollars unless otherwise noted)

9. Prepaid expenses

		March 31, 2014		December 31, 2013
Mining supplier advances	$	696,942	$	675,140
Reclamation deposits		187,596		187,596
Deferred financing costs		499,914		606,054
Insurance		189,830		147,598
Corporate advances		137,913		26,702
	$	1,712,195	$	1,643,090

10. Investments

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

		March 31, 2014			December 31, 2013		
	Classification	No. held		Value	No. held		Value
Current investments							
Centurion Minerals, Ltd.	FVTPL	85,000	$	9,350	85,000	$	4,250
Takara Resources, Inc.	FVTPL	33,600	$	2,016	33,600	$	1,680
Current portion			$	11,366		$	5,930
Falco Pacific Resource Group Inc. - shares	FVTPL	7,000,000	$	3,150,000	7,328,000	$	2,931,200
Falco Pacific Resource Group Inc. - warrants	FVTPL	164,000	$	33,325	164,000	$	33,325
Long-term portion			$	3,183,325		$	2,964,525

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, 3,150,000 are held in escrow as a condition of the agreement as at March 31, 2014 (December 31, 2013: 4,200,000). 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 consisted 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. The warrants were valued at $33,325 at March 31, 2014 (December 31, 2013: $33,325). The value of the warrants was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield: 0% (December 31, 2013: 0%); expected volatility: 142% (December 31, 2013: 149%); risk-free interest rate: 1% (December 31, 2013: 1%); expected life: approximately nine months (December 31, 2013: approximately one year). These warrants expire on December 14, 2014.

In January, the Company sold 328,000 common shares of Falco for net proceeds of $165,607, resulting in a gain on sale of investments of $34,407 recorded as other gains and losses on the consolidated statements of operations and comprehensive loss.

An unrealized gain of $355,436 was recorded as other gains and losses on the consolidated statements of operations and comprehensive loss for the three months ended March 31, 2014 with respect to the Company's investments (March 31, 2013: an unrealized loss of $349,150).

(Expressed in Canadian dollars unless otherwise noted)

11. Property, plant and equipment

	Office equipment and furniture	Machinery and equipment	Mobile equipment	Buildings	Mill	TOTAL
Cost as at December 31, 2013	$ 217,722	$ 3,284,497	$ 5,876,078	$ 3,142,692	$ 10,493,791	$ 23,014,780
Change in rehabilitation provision	-	-	-	-	(198,000)	(198,000)
Cost as at March 31, 2014	**$ 217,722**	**$ 3,284,497**	**$ 5,876,078**	**$ 3,142,692**	**$ 10,295,791**	**$ 22,816,780**
Depreciation, depletion and impairment as at December 31, 2013	$ (183,140)	$ (2,979,970)	$ (3,723,527)	$ (1,582,120)	$ (9,896,807)	$ (18,365,564)
Charge for the period	(816)	(116,654)	(89,130)	(84,598)	72,625	(218,573)
Depreciation, depletion and impairment as at March 31, 2014	**$ (183,956)**	**$ (3,096,624)**	**$ (3,812,657)**	**$ (1,666,718)**	**$ (9,824,182)**	**$ (18,584,137)**
Net book value as at December 31, 2013	$ 34,582	$ 304,527	$ 2,152,551	$ 1,560,572	$ 596,984	$ 4,649,216
Net book value as at March 31, 2014	**$ 33,766**	**$ 187,873**	**$ 2,063,421**	**$ 1,475,974**	**$ 471,609**	**$ 4,232,643**

During the three months ended March 31, 2014, the Company expensed $240,378 in depreciation to the statements of operations and comprehensive loss (March 31, 2013: $259,769) and charged $19,303 to mineral properties and deferred exploration expenditures (March 31, 2013: $64,545).

Included in property, plant and equipment is the Val-d'Or mill that has been operating since the second quarter of 2010. The Company recognized a depreciation expense reversal, calculated on a unit-of-production basis, of $72,625 on the mill for the three months ended March 31, 2014 as a result of the rehabilitation provision adjustments (March 31, 2013: an expense of $17,747).

There were no disposals during the three months ended March 31, 2014, however for the three months ended March 31, 2013, the Company sold a trailer for net proceeds of $100,000 and recognized a net gain on sale of assets of $35,639 in other gains and losses as a result.

The assets related to the Snow Lake property have been reclassified as Assets held for sale (Note 13).

12. Mineral properties and deferred exploration expenditures

	PRODUCING PROPERTY	NON-PRODUCING PROPERTIES			
	Lac Herbin, Quebec	Lac Pelletier, Quebec	VMS, Quebec	Aurbel, Quebec	TOTAL
Cost as at December 31, 2013	$ 41,112,486	$ 19,182,400	$ 13,458,502	$ 7,445,698	$ 81,199,086
Additions	-	23,101	438	997	24,536
Change in rehabilitation provision	1,000	4,000	-	-	5,000
Cost as at March 31, 2014	**$ 41,113,486**	**$ 19,209,501**	**$ 13,458,940**	**$ 7,446,695**	**$ 81,228,622**
Accumulated depletion and impairment as at December 31, 2013	$ (36,693,813)	$ (12,926,723)	$ -	$ -	$ (49,620,536)
Charge for the period	(1,507,574)	-	-	-	(1,507,574)
Accumulated depletion and impairment as at March 31, 2014	**$ (38,201,387)**	**$ (12,926,723)**	**$ -**	**$ -**	**$ (51,128,110)**
Net book value as at December 31, 2013	$ 4,418,673	$ 6,255,677	$ 13,458,502	$ 7,445,698	$ 31,578,550
Net book value as at March 31, 2014	**$ 2,912,099**	**$ 6,282,778**	**$ 13,458,940**	**$ 7,446,695**	**$ 30,100,512**

12. Mineral properties and deferred exploration expenditures (continued)

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"). Forbes & Manhattan Inc. holds 2% of the NSR. See Notes 17 and 27.

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

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. Subsequent to the end of the quarter, the Arbitrator delivered its binding decision that the Company's exercise of this option was valid as of August 31, 2010. The Arbitrator has set out a series of deadlines whereby the parties must agree on the ultimate date for the achievement of commercial production. If commercial production is not achieved before August 31, 2015, the Company will be required to make advance royalty payments of $75,000 annually until commercial production is achieved.

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.

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.

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 an extension to meet this requirement.
- 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; the Company had granted an extension to meet this requirement.
- 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 March 31, 2014 (December 31, 2013: $nil)

(Expressed in Canadian dollars unless otherwise noted)

13. Assets held for sale and liabilities of assets held for sale

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.

Herblet Lake, Manitoba

Included in Assets held for sale is the Herblet Lake option. 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. In March 2014, the Company further amended the agreement extending the due dates of certain payments to May 31, 2014, and as of the date of this report, the Company is in negotiations to further extend the due dates of these payments. 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 7 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
May 31, 2014	100,000	-	
November 19, 2014	50,000	-	
November 19, 2015	50,000	-	
November 19, 2016	-	1,000,000	
November 19, 2017	-	1,000,000	
	350,000	3,000,000	

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 March 31, 2014, the Company is in good standing with respect to its commitments on this agreement.

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") for cash consideration of US$20,000,000. A deposit of US$1,000,000 ($1,042,700) was paid to the Company during 2013. It is expected that the balance of the proceeds from this sale will be used to repay the short-term loan (Note 15). 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. The Company recorded a reversal of impairment of $358,535 to the condensed interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2014 (March 31, 2013: $nil). The Company and Northern Sun share a common director and officer (Note 27).

(Expressed in Canadian dollars unless otherwise noted)

13. Assets held for sale and liabilities of assets held for sale (continued)

The Company presented the various assets and liabilities associated with this property separately on the Statement of Financial Position as at March 31, 2014 in accordance with IFRS 5 – Non-current assets held for sale and discontinued operations. The following table summarizes the assets and liabilities related to the Snow Lake mine.

		March 31, 2014		December 31, 2013
ASSETS				
Property, plant and equipment	$	8,484,709	$	8,462,885
Restricted cash equivalents		5,767,000		5,767,000
Mineral properties and deferred exploration expenditures		12,045,337		11,243,344
	$	26,297,046	$	25,473,229
LIABILITIES				
Accounts payable and accrued liabilities	$	401,621	$	374,782
Provision for closure and reclamation		3,874,750		3,758,000
	$	4,276,371	$	4,132,782

14. Accounts payable and accrued liabilities

		March 31, 2014		December 31, 2013
Mining and exploration suppliers	$	4,067,783	$	4,197,214
Corporate payables		1,292,791		1,384,741
Payroll liabilities		805,579		678,372
Royalties payable (Note 17)		3,749,825		4,858,045
	$	9,915,978	$	11,118,372

15. Short-term loans

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 ($15,386,850). The financing was for a one-year term and the Company was 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 $0.27.

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

In October 2013, the Company entered into a waiver and amendment agreement extending the term of the loan to January 31, 2014 subject to a monthly monitoring fee of US$100,000, with the Company agreeing to re-price the 2,900,000 warrants granted to the lender at a new exercise price of $0.0465, expiring on the original expiry date of November 28, 2015. The loan was extended to May 31, 2014 and the Company is currently in negotiations with the bridge lender regarding a further extension of the loan and certain covenants.

During the three months ended March 31, 2014, the Company incurred interest expense and monitoring fees of $1,166,530. During the comparative three months ended March 31, 2013, the Company incurred an accretion expense and accrued interest of $1,243,225.

(Expressed in Canadian dollars unless otherwise noted)

16. 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 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 is payable in equal semi-annual 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. The debentures were 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 $165,253 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 months ended March 31, 2014 (March 31, 2013: $157,397).

Subsequent to the end of the quarter, on April 28, 2014, these debentures became due for payment. The Company is currently in negotiations with the debenture holders in respect of this liability.

17. Long-term debt

In March 2014, the Company converted US$1,552,454 of royalties payable to Forbes & Manhattan, Inc. (Notes 12 and 27) to a debenture which matures on December 31, 2015. The debenture is non-interest bearing and is secured by all the assets and property of the Company subject to security held by the short-term loan described in note 15 and certain other assets. This debenture was discounted on recognition to US$1,077,142 ($1,190,781) with an amount of $525,467 credited to finance costs on the condensed interim consolidated statement of operations and comprehensive loss. The discount will be accreted over the term of the loan.

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, 2013	$	2,613,000
Adjustments resulting from re-measurement		(193,000)
Unwinding of discount and effect of changes in the discount rate		9,250
Balance at March 31, 2014	$	2,429,250

(Expressed in Canadian dollars unless otherwise noted)

18. Provision for closure and reclamation (continued)

The Company has assessed its total provision for closure and reclamation and estimated it to be $2,429,250 at March 31, 2014 for continuing assets (December 31, 2013: $2,613,000) based on a total future liability of approximately $2,419,000 (December 31, 2013: $2,419,000). Reclamation is expected to occur in one to five years. Reclamation for assets held for sale, specifically the Snow Lake property, was reported separately as at March 31, 2014 and December 31, 2013. This is estimated to be $3,874,750 as at March 31, 2014 (December 31, 2013: $3,758,000) based on a total future liability of approximately $3,900,000 for both periods. Accretion related to these separate assets totalled $19,750 for the three months ended March 31, 2014 with a re-measurement adjustment of $97,000 recorded at March 31, 2014.

Through Garson, the Company has term deposits amounting to $5,767,000 restricted for the reclamation of the Snow Lake property (Note 13). 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 an average interest rate of 1.2% during 2014. The GICs can be redeemed prior to maturity without penalty.

19. Share capital

a) As at March 31, 2014 and December 31, 2013, 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**	**$**	**132,943,573**
Shares issued for payment of interest	8,245,570		633,230
Balance, December 31, 2013 and March 31, 2014	**38,325,574**	**$**	**133,576,803**

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, 2013	2,289,088	$0.97	$	1,253,171	2,900,000	$0.05	$	426,010	$	1,679,181
Granted	-	0.00		-	-	0.00		-		-
Expired	(38,588)	0.32		(10,080)	-	0.00		-		(10,080)
March 31, 2014	**2,250,500**	**$0.98**	**$**	**1,243,091**	**2,900,000**	**$0.05**	**$**	**426,010**	**$**	**1,669,101**

The following share-based payment arrangements were in existence as at March 31, 2014:

WARRANTS:

2,900,000	2,900,000	28-Nov-12	28-Nov-15	$	0.05	$	426,010	90%	3.00	0%	1.16%
2,900,000	2,900,000					$	426,010				

(Expressed in Canadian dollars unless otherwise noted)

20. Share-based payments reserve (continued)

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
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%
500	500	9-Jun-10	9-Jun-15	$ 4.68	$ 1,550	$ 1,550	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%
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%
191,250	191,250	29-Nov-11	29-Nov-16	$ 2.00	$ 125,843	$ 125,843	80%	5.00	0%	1.46%
51,500	51,500	8-Jun-12	8-Jun-17	$ 2.00	$ 12,360	$ 12,360	80%	5.00	0%	1.29%
1,777,500	1,777,500	10-Jan-13	10-Jan-18	$ 0.24	$ 313,837	$ 313,837	101%	5.00	0%	1.32%
2,250,500	2,250,500				$ 1,243,091	$ 1,243,091				

During the three months ended March 31, 2014, no stock options were granted to directors, officers, employees and consultants of the Company (March 31, 2013: 1,872,500 options granted vesting quarterly from grant date). A charge of $nil was recorded to professional, consulting and management fees for the three months ended March 31, 2014 (March 31, 2013: $198,859). As well, $nil in stock-based compensation was charged to mineral properties during the three months ended March 31, 2014 (March 31, 2013: $35,332). 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 March 31, 2014, some shareholders had not yet tendered their Garson shares, and consequently an amount of $148,150 (December 31, 2013: $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 March 31, 2014	Three months ended March 31, 2013
Net foreign exchange (losses)	$ (963,985)	$ (376,531)
General exploration expenditures	(3,426)	(3,413)
Gain on sale of assets	-	35,639
Gain on sale of investments (Note 10)	34,407	-
Unrealized gain/(loss) arising on financial assets designated as FVTPL	355,436	(349,150)
	$ (577,568)	$ (693,455)

(Expressed in Canadian dollars unless otherwise noted)

23. Finance costs

	Three months ended March 31, 2014	2013
Accretion of reclamation provision	$ (29,000)	$ (22,750)
Accretion of convertible debenture	(165,253)	(157,397)
Discount on debenture financing (Note 17)	525,457	-
Accretion of short-term loan financing costs and interest	(1,166,530)	(1,243,225)
Other interest expense	(50,481)	(86,423)
	$ (885,807)	$(1,509,795)

24. Net loss per share

Shares issuable from options, warrants and convertible debentures were excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the three months ended March 31, 2014 and 2013.

25. Financial instruments

Financial assets and financial liabilities as at March 31, 2014 were as follows:

March 31, 2014	Loans and receivables, other liabilities	Assets/liabilities at fair value through profit or loss	TOTAL
Cash and cash equivalents	$ 1,580,277	$ 30,603	$ 1,610,880
Amounts receivable	33,880	-	33,880
Investments	-	11,366	11,366
Shares on hand or in escrow to be received	-	3,183,325	3,183,325
Restricted cash equivalents (assets held for sale)	-	5,767,000	5,767,000
Accounts payable and accrued liabilities	9,915,978	-	9,915,978
Liabilities of assets held for sale	401,621	-	401,621
Short-term loan	19,346,250	-	19,346,250
Liability component of convertible debentures	4,346,225	-	4,346,225
Long-term debt	1,190,781	-	1,190,781

The fair values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, liabilities of assets held for sale, finance leases, liability component of convertible debenture, short-term loan and long-term debt approximate fair value due to the short term nature of the financial instruments.

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 March 31, 2014.

25. Financial instruments (continued)

2014	Level 1	Level 2	Level 3
Cash equivalents	$ -	$ 30,603	$ -
Restricted cash equivalents	-	5,767,000	-
Investments	11,366	-	-
Shares in escrow to be received	3,183,325	-	-

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 three months ended March 31, 2014.

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, 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 March 31, 2014, the Company had a cash and cash equivalents balance of $1,610,880 (December 31, 2013: $414,850) to settle current liabilities of $38,990,324 (December 31, 2013: $38,955,746). Approximately $9,000,000 of the Company's financial liabilities as at March 31, 2014 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 was due on November 28, 2013 but the Company entered into agreements with the lenders to extend the term of the loan to May 31, 2014 and is currently negotiating a forbearance agreement with the lender.

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 described in note 15 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.

25. Financial instruments (continued)

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 March 31, 2014, a 10% fluctuation in the exchange rate from US$ to CDN$ will generate increases or decreases in value of approximately $73,000.

- Based on the gold brick and doré inventory held by the Company at March 31, 2014, 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 $57,000.

- The Company is carrying a short-term loan in US dollars. A 10% change in the CDN$-US$ exchange rate as at March 31, 2014 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 three months ended March 31, 2014. 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 months ended March 31, 2014, 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 March 31,	
	2014	2013
2227929 Ontario Inc.	$ 52,304	$ 68,065
Forbes & Manhattan, Inc.	259,637	208,945

(Expressed in Canadian dollars unless otherwise noted)

27. Related party disclosures (continued)

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. 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 Company converted US$1,552,454 of royalties owed to Forbes & Manhattan, Inc. to a debenture that matures on December 15, 2015.

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

	Amounts owed by related parties		Amounts owed to related parties	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
2227929 Ontario Inc.	$ 18,000	$ 18,000	$ 149,979	$ 127,018
Forbes & Manhattan, Inc.	$ -	$ -	$ 468,133	$ 1,964,545
Forbes & Manhattan, Inc.*			$ 1,716,238	$ -
Directors and officers	$ -	$ -	$ 137,000	$ 60,000

* The Forbes & Manhattan, Inc. debenture is non-interest bearing and is secured by all the assets and property of the Company subject to security held by the short-term loan facility.

The other 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.

Mr. David Rigg, Chairman of the Board for the Company, is also the President and CEO of Northern Sun. As well, Mrs. Deborah Battiston, CFO of the Company, is also CFO of Northern Sun (Note 13).

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 March 31, 2014	Three months ended March 31, 2013
Short-term benefits	$ 286,600	$ 415,613
Share-based payments	-	194,400

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 $3,600,000 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 $1,260,000, all due within one year.

28. Commitments and contingencies (continued)

(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) 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 April 2014, the Company received approximately $134,000 in tax credits as a result of a successful appeal of rejected tax credit claims from 2011. The Company also sold vehicles for net proceeds of approximately $50,000 in May 2014.