MANAGEMENT'S DISCUSSION AND ANALYSIS

OF THE COMPANY'S FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED

FEBRUARY 28, 2014

THIS MD&A IS DATED JUNE 30, 2014

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with Barkerville Gold Mines' ("Barkerville" , the "Company", "we", or "our") audited consolidated financial statements for the year ended February 28, 2014 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures are in Canadian dollars unless otherwise noted. The Management Discussion and Analysis has been prepared as of June 30, 2014 and includes certain statements that may be deemed "forward-looking statements". Investors are directed to the section "Forward Looking Statements" included within this MD&A.

Forward Looking Statements

This Management's Discussion and Analysis ("MD&A") contains certain statements that may be deemed "forward-looking statements," within the meaning of certain securities laws. Forward-looking statements relate to management's expectations or beliefs about future performance, events, or circumstances that include, but are not limited to, future production, costs of production, prices of gold, reserve or resource potential, exploration and operational activities, and events or developments that the Company expects or targets. Forward-looking statements can usually be identified by words such as: "future", "plans", "scheduled", "expects", "intends", "estimates", "forecasts", "will", "may", "could", "would", and variations thereof. Although the Company believes that these statements are based on reasonable assumptions, all forward-looking statements involve known and unknown risks and uncertainties that may cause the actual performance, events, or circumstances of the Company to be materially different than anticipated. The forward-looking information in this MD&A describes the Company's expectations as of the date of this MD&A.

The results or events anticipated or predicted in such forward-looking information may differ materially from actual results or events. The likelihood of continued mining at the QR Mine is subject to a large number of risks, including: fluctuations in gold prices, lower than expected mill recovery rates and mining rates, ore grade and recovery rates, the possibility of a labour stoppage or shortage, accidents, and delays in government approvals. The Company and its operations are also subject to a large number of risks, including: the Company's liquidity and financing capability, fluctuations in gold prices, market conditions, results of current exploration activities, the possibility of a labour stoppage or shortage, delays in obtaining government permits and approvals and such other risks as discussed herein and in other publicly filed disclosure documents. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in such forward-looking statements, there may be other factors that cause performance, events, or circumstances to differ materially from those described in forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate. Accordingly, readers should not try to place undue reliance on forward-looking statements contained in this MD&A.

The Company cautions that the foregoing list of material factors is not exhaustive. When relying on the Company's forward-looking information to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company has assumed a certain progression, which may not be realized. It has also assumed that the material factors referred to in the previous paragraph will not cause such forward-looking information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors.

Forward-looking statements are based on management's current plans, estimates, projections, beliefs, and opinions and we do not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by law.

About Barkerville

Barkerville Gold Mines Ltd. is engaged in the exploration and production of mineral properties located in the Cariboo Mining District in east-central British Columbia. The Company controls 117,691 ha of mineral tenure, including three historic groups of contiguous Crown-Granted mineral claims, namely the Cariboo Group, Island Mountain Group, and Mosquito Creek Group, as well as a large block of mainly contiguous mineral tenures roughly centered around the Town of Wells, which is located approximately 85 km east of Quesnel, British Columbia. The Company's QR Mine & Mill is located approximately 58 km southeast of Quesnel, in the Cariboo Mining District, and is in close proximity to the Company's other mineral tenures. The mineral tenures cover 1,164 km^2 along a strike length of 60 km and approximate width of 20 km, encompassing seven past producing hard rock mines and three NI 43-101 gold deposits, including the QR Mine & Mill.

The Cariboo Gold Belt has had a rich and extensive history starting with the discovery of placer gold in the 1860's. Recorded production from the Company's property and surrounding area is approximately 2.6 million ounces of placer gold and 1.2 million ounces of lode gold averaging 0.40 oz/t gold from mainly mesothermal quartz vein mineralization, and 0.60 oz/t from sulphide replacement style mineralization, during the period 1933 to 1967.

Current Operations

Mine Operation

- Effective April 24, 2014, the Company's mining operations at its Bonanza Ledge Mine and QR Mill facility was suspended by the Chief Inspector of Mines. The suspension coincided with Spring break-up, which prohibited operations due to road weight restrictions on roads used in mining, processing and hauling material caused by melting snowpack. The road weight restrictions lasted approximately six weeks. The Company met with the Ministry of Energy and Mines and clarified information that contributed to the shutdown order. On June 4, 2014, the mining operations have recommenced at its Bonanza Ledge mine and QR mill facility.

- Subsequent to year end, the Company produced and settled 2,809 ozs of gold from stockpiled OR ore for total proceeds of $3,953,907.

Short-term loan facility

On August 12, 2013, the Company entered into a short term loan with Sprott Resource Lending Corp. ("Sprott"). The principal amount of the loan was $1,500,000 and bore interest at a rate of 12% per annum. As part of the loan, a bonus payment of $200,000 was paid in cash. The short-term loan was repaid on October 8, 2013.

Gold loan facility

By agreement dated October 8, 2013 and amended January 31, 2014, the Company entered into a $15,000,000 gold loan facility (the "Facility") with 2176423 Ontario Limited (the "Lender"). The amendment was not considered to be substantially different from the original facility, and all changes have been reflected in the amortized cost.

The Facility is guaranteed by the Company, and all subsidiaries, and secured by first ranking security over all of the Company's present and future assets and a pledge of the shares of the Company's subsidiaries (the "Security"). The Gold Loan Facility is subject to a covenant to maintain working capital of not less than $1,500,000 at all times commencing August 1, 2014.

The Facility is due and payable by way of three cash payments on each of July 31, 2014, May 31, 2015 and March 31, 2016 (each a "Repayment Date"). Each cash payment will be based on the notional value of 4,181.67 ounces of gold (being 12,545 ounces over the term of the Facility) as priced at the Bloomberg composite closing value of gold at 4 p.m. on the day prior to each repayment. If the gold price is less than US$1,200 per ounce, then the Company's repayment amount shall be determined using a reference price of US$1,200 per ounce. If the gold price is above US$1,650 per ounce, then the Company's repayment amount shall be determined using a reference price of US$1,650 per ounce. There is no requirement or option to deliver physical gold as a form of repayment under the terms of the Facility. The Company has agreed to provide the Lender with a minimum rate of return equal to 10% per annum, which shall be calculated on the date which the Facility is fully repaid.

The Company may not voluntarily prepay the Facility at any time prior to maturity without the Lender's prior written consent. However, the Company may at any time prepay all or any part of the Facility using a reference price of US$1,650 per ounce of gold.

In consideration for the advance of the Facility, the Company made a bonus payment to the Lender in the amount of 9,000,000 non-transferable share purchase warrants of the Company (each a "Bonus Warrant"). The Bonus Warrants are exercisable for a period of 30 months, and have an exercise price of $0.89 per warrant ("Exercise Price"). In the event that the volume weighted average trading price of the Company's common shares on the TSX-V is at a 50% premium to the Exercise price, the Company may require the Lender to exercise $5,000,000 worth of the Bonus Warrants within 10 calendar days of the Company providing written notice to the Lender. The Company has calculated the Warrant Exercise Trigger price to be $1.33 per common share.

The Company also paid the Lender a $150,000 structuring fee together with legal and other out-of-pocket expenses of $173,602 incurred in connection with the Facility. A third party finder's fee of $300,000 was paid, and 360,000 non-transferable finder's warrants (each a "Finder's Warrant") were issued by the Company. The Company may require the holder of the Finder's Warrants to exercise 50% of the Finder's Warrants within 10 days of the Company providing notice.

The Technical Report on the Cariboo Gold Project

On June 18, 2013, the Company filed an technical report entitled "Technical Report, Effective Date December 31, 2012, Cariboo Gold Project, Barkerville Gold Mines Ltd., Cariboo Mining District, British Columbia" (the "Technical Report"). The Technical Report announced an updated Mineral Resource for Cow Mountain at its Cariboo Gold Project, and clarified technical disclosure on its Cariboo Gold Project. The report is available for viewing on SEDAR (www.sedar.com) or the on the Company's website (www.barkervillegold.com).

The Technical Report, co-authored by Peter T. George, P. Geo., of Geoex Limited ("Geoex"), Ivor W.O. Jones, FAusIMM(CP) and Robert McCarthy, P. Eng., of Snowden Mining Industry Consultants Inc. ("Snowden"), and Michael B. Dufresne, P. Geo., of and APEX Geoscience Ltd. ("APEX"), addresses the disclosure issues raised by the BCSC that led to the Cease Trade Order ("CTO") issued by the BCSC on August 14, 2012. At that time, the Company was advised that the CTO would remain in place until the Company had addressed all technical disclosure concerns. On July 15, 2013, the BCSC revoked the cease trade order.

Throughout the period from August 14, 2012, when the CTO was issued, and June 18, 2013, the date that the Technical Report was filed, the Company worked carefully and diligently with the authors noted above to arrive at the Technical Report. We reported on this progress through ongoing news releases throughout fiscal 2013 and 2014. All the Company's news releases are available for viewing on SEDAR or our website.

As part of its response to the BCSC review, the Company retained Snowden and APEX, both independent mining and geological consulting firms that had not previously reported on the property, to co-author a new technical report, together with previous independent author Peter George, P. Geo., of Geoex. Snowden assisted Geoex and the Company in the review and audit of the data validation and verification aspects of the Cow Mountain data, and the review of the most appropriate estimation method currently applicable at Cow Mountain, and Snowden completed an independent Mineral Resource estimate for the Cow Mountain sector of the Cariboo Gold Project. Snowden also assisted in making recommendations for the Cariboo Gold Project including the exploration targets for the property. APEX assisted Snowden, Geoex and the Company in a review of all exploration data for the property and in the identification and recommendations for the exploration targets for the property.

Revocation of the Cease Trade Order

On July 15, 2013, the BCSC revoked the cease trade order that was issued against the Company on August 14, 2012. On October 9, 2013, common shares of the Company resumed trading on the TSX Venture Exchange (the "Exchange").

Revised Mineral Resource

As reported in NR 13-10, issued on June 18, 2013, the mineral resource estimate is based upon an open pit scenario for the mining of gold mineralization to a depth of 1,000 ft beneath the surface of Cow Mountain in an area immediately surrounding the underground workings of the Cariboo Gold Quartz Mine. The resource estimate involved the application of Multiple Indicator Kriging ("MIK") for gold grade estimation of a block model using Datamine mining software. The following table sets out the results of the mineral estimation for Cow Mountain. See also, **The Development of the Snowden Estimate**.

TABLE 1 COW MOUNTAIN MINERAL RESOURCE REPORTED AT A CUT-OFF GRADE OF 0.012 OZ/T AU, EFFECTIVE DECEMBER 31, 2012

Category	Tonnage (Mtons)	Gold grade (ppm)	Contained Gold (Moz)
Measured	-	-	-
Indicated	17.7	2.00	1.04
Measured + Indicated	**17.7**	**2.00**	**1.04**
Inferred	49.2	2.74	3.94

Notes:

Tons and contained ounces have been rounded and this may have resulted in minor apparent discrepancies.

Mineral Resources are not Mineral Reserves. Mineral Resources do not have demonstrated economic viability and may never be converted into Mineral Reserves.

The underlying premise in the exploration model is that there are widespread, small scale veins and pyrite replacement zones that, if encountered during historic underground mapping, would have been too small to be economically recovered during the historic underground operations.

The mineral resource reported above was derived from the original data with default values added to unsampled intervals. The resultant resource estimates were prepared using MIK in 25 ft x 25 ft x 25 ft blocks, and the prospect of economic extraction tested using open pit optimisation. This demonstrated that the project is worthy of a more rigorous engineering study to evaluate the economic potential of the mineral resource identified at Cow Mountain.

The estimates were prepared using the following steps: data validation; data preparation; geological interpretation and modelling; establishment of block models; compositing of assay intervals; exploratory data analysis of gold; variogram analysis; derivation of kriging plan and boundary conditions; grade interpolation of gold; validation of gold grade estimates; classification of estimates with respect to Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") guidelines; and then resource tabulation and resource reporting.

Classification was applied based on geological confidence, data quality and grade variability. Overall, after review of all relevant items, the most significant considerations in preparing the classification were:

- The area has been subjected to historical underground gold mining. The dimensions of the underground workings have given Snowden some confidence in the continuity parameters considered appropriate in estimation.
- The post 2009 drill data has QA/QC that indicates no material bias, and has grades similar to those of the historic drilling (with the exception of the drill data only selectively sampled).
- Un-sampled intervals were given either a zero grade (in the database) or a 0.003 ppm value in the data used for modelling.

Given these considerations, the remaining part of the classification was based on aspects of the modelling. This included an assessment as to whether or not a block was estimated using the surface drill data (which has the best confidence), or the underground drill data (with which there is lower confidence).

For the classification of the estimate to be Indicated, both criteria below must be met:

- The estimate must have been formed in the first search volume. That is, the estimate used a nominal search distance of 100 ft by 100 ft by 60 ft, with a minimum of 12 samples to inform the estimate and a maximum of 10 samples per drillhole with at least 2 drillholes.
- The estimate must have used mostly surface drill data. There is more confidence in the surface drillholes than the selectively sampled underground drillholes.

For the classification Inferred, the estimate was estimated using either the first or second search volume, but without achieving the criteria required for an Indicated Resource.

TABLE 2 CLASSIFICATION CRITERIA

Criteria	Indicated	Inferred
Nominal Search Distance (ft)	100 x 100 x 60	200 x 200 x 120
Minimum number of samples to inform estimate	12	4
Minimum number of samples to inform estimate	20	30
Maximum number of samples per drillhole	10	10
Number of drillholes to inform estimate	2 or more	1 or more
Surface or underground holes	Mostly surface holes	Either or both

Cut-off Grade Determination and the Evaluation of Reasonable Prospects for Economic Extraction

Snowden completed a pit optimization exercise to demonstrate that the mineralization as estimated in the block model has a reasonable expectation of being mined at some time in the foreseeable future. For a fully detailed discussion of the optimization exercise and its assumptions, parameters and methods used to estimate the mineral resource and known risks that could materially affect the potential development of the mineral resources, please refer to the Technical Report, available on SEDAR or our website at www.barkervillegold.com.

Audit of Data Verification, Data Verification and Quality Assurance/Quality Control ("QA/QC")

Due to concerns with the documentation of data verification in the Original Technical Report issued on August 13, 2012 and, at the request of the Company, the Company drilled nine twin core holes. Additional information about the twin holes drilled can be found in News Releases 12-25 and 12-28, dated November 5 and 30, 2012, respectively, where the Company's Chief Geologist, Jim Yin, reported on the completion of that drilling. Snowden concluded:

> "the mineralization recognized in the new drillholes was consistent in thickness and grade with the original drillholes."

As part of their engagement, Snowden conducted an audit of the Cow Mountain database and a review of the Cow Mountain drilling quality assurance and quality control data. Snowden concluded that:

> "...there are parts of the Cow Mountain database, where a high level of confidence in the data cannot be demonstrated (some of the older data where there is selective sampling and no QA/QC), and parts where the confidence in the data is relatively high (such as the new surface drilling data). Snowden's analysis in the comparison of some of the earlier drill data with the more recent data indicates the fully sampled drill data has grades consistent with the higher confidence data.
>
> In Snowden's opinion the database at Cow Mountain is suitable for use in the estimation of a Mineral Resource if the following considerations are followed:
>
> - Intervals in the drilling which were not sampled should be included in the database, with a very low grade. Snowden has entered a grade of 0.003 ppm, but these intervals should be sampled where possible and assayed.
> - Estimates based on the data collected prior to 2009 should be limited to an Inferred Mineral Resource mainly due to the lack of QA/QC results (and selective sampling issues) in some of the underground data.
> - Only estimates based largely on the 2009 data (and later) are suitable to create higher confidence estimates.
>
> Issues with respect to coarse gold in the samples have recently raised concerns about the appropriateness of the older assaying and therefore precision. For this reason, the confidence in the estimates is restricted to the Indicated category."

The Development of the Snowden Estimate

The Technical Report includes a discussion on the reasons for the changes to the Geoex estimation method as adopted by Snowden. As explained in the June 18, 2013 news release (NR13-10), in 2012, Geoex completed two estimates of the tonnes and grade of Cow Mountain. During June, and prior to completion of the Original Technical Report, Geoex had completed preliminary grade-tonnage estimation work. The Company decided that the estimate was material to the shareholders and put out a news release disclosing the estimate on June 29, 2012. Following the August 2012 grade-tonnage estimates, the BCSC raised a number of concerns, and Snowden was contracted to assist the Company and Geoex to address those items.

Between August 2012 and the timing of the Technical Report (as noted above), Snowden completed a significant amount of data validation and verification including twin drilling, QAQC and a database audit.

Further work by Snowden in a review of the geology and appropriateness of the style of modelling concluded that:

- Attempts at building a constrained geological model were found not to constrain the mineralization appropriately and were discarded in favour of a model based on an estimate of the proportion of mineralized material in each block.
- Sampling of drill intervals that had previously not been sampled indicated gold mineralization in areas that would have previously been considered barren (although these were still dealt with by adding a default grade of 0.003 ppm Au prior to grade estimation).
- Compositing needed to be at a longer interval. Five feet was chosen for the composite length as it represents the median of the sample intervals in the mineralized zone.
- Statistics of the mineralization showed a strongly skewed distribution. In this instance, the use of capping to control high grades using linear methods in grade estimation (such as inverse distance weighting or ordinary kriging) can either over-estimate or under-estimate the grade significantly, with the choice of capping being a relatively arbitrary decision.

The Snowden estimate was based on a similar block model and the application of MIK to interpolate the gold grades. MIK, unlike linear methods, is an estimation method that recognises that high grades have less grade continuity than lower grades and helps to minimise the smearing of high grades that can arise in linear estimation methods such as inverse distance and ordinary kriging.

An additional constraint in the classification of the resource model over previous models was that Snowden down-graded the classification of some areas in the model to Inferred where they had been estimated using the pre-2009 data. This consideration in the classification was to reflect the lower confidence in the data collected prior to 2009.

The Company has adopted the Snowden estimate as the only current resource estimate on the Cow Mountain deposit. Previous estimates disclosed by the Company on the Cow Mountain deposit should not be relied upon.

Revised Exploration Target Potential Estimates for Further Exploration

The Company's news release dated June 29, 2012 (the "June News Release"), as well as the Original Technical Report, included disclosure on potential of exploration targets at the Cariboo Gold Project. The disclosure of the potential exploration targets did not include the assumptions regarding the exploration targets, or the local data for the exploration targets.

The Company advises exploration targets disclosed in the June 2012 news release and the Original Technical Report should not be relied upon.

Other Properties

Exploration programs on Island Mountain, Cow Mountain, Barkerville Mountain, and the Grouse Creek are currently under discussion.

<u>Island Mountain Exploration Target Potential</u>

The geological setting for Island Mountain is an extension of that of Cow Mountain. The mineralized trend at Cow Mountain, based upon soils, drilling and trenching, extends to the northwest into the Island Mountain sector.

Based upon the drillhole and soil geochemical data in conjunction with the geology, the Island Mountain trend as an exploration target is comparable to Cow Mountain with twice the strike length at about 1.5 miles.

The past producing Island Mountain/Aurum and Mosquito mines (all in Island Mountain) have underground workings extending to depths greater than 2,000 ft below the surface. In addition to this, the mine workings from the Cariboo Gold Quartz Mine at Cow Mountain extend to the northwest beneath Jack of Club Lake to Island Mountain. The historic workings in conjunction with the drillhole data indicate that the Island Mountain exploration target extends to a depth of at least 2,000 ft below surface.

A strike length of 1.5 miles (7,920 ft), a width of 1,300 ft, a depth of 2,000 ft and a density of 168 lb/ft3 gives a tonnage range of 100 million tons to 350 million tons. The grade, according to summary statistics of the available drill data at Island Mountain, however, appears to be higher than that at Cow Mountain. Based on these grades, a grade range for the target of between 0.06 oz/t and 0.18 oz/t (2 to 6 ppm) was chosen resulting in an exploration target with a range of 6 to 21 million ounces gold. The grades were based on the lower grade from the contiguous Cow Mountain resource and the higher grade based on the average grade of the historic drill data from the Rainbow Unit. The higher tonnage was used with the lower grade value to define the upper value of contained ounces as it is considered less likely the higher tonnage would be associated with the higher grade values.

These results, in combination with historic underground mining and the existing gold in soil geochemical anomalies, make the Island Mountain area a high priority target for further evaluation.

The foregoing assessments of potential quantity and grade are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in any of the exploration targets being delineated as a Mineral Resource.

<u>Barkerville Mountain Target Potential</u>

The geological setting beneath Barkerville Mountain is an extension of that of Cow Mountain. The mineralized trend at Cow Mountain, based upon soils, drilling and trenching, extends to the southeast across the narrow Lowhee Creek valley into the Barkerville Mountain sector. The Barkerville Mountain area, based upon the extent of the soil geochemical anomaly and gold mineralization identified in trench sampling and limited drilling, appears to have a potential strike of 1.1 miles.

Given a strike length of 1.1 miles (5,800 ft), a width of 1,300 ft and a depth of 1,000 ft, the authors suggest a target with a tonnage range of between 50 million tons and 100 million tons. Summary statistics of the available drill data at Barkerville Mountain have been used to estimate a grade range for the target of between 0.06 oz/t and 0.15 oz/t (2 to 5 ppm) Au and the exploration target a range of 3 to 6 million ounces gold. The grades were based on the lower grade from the contiguous Cow Mountain resource and the higher grade based on the average grade of the historic drill data (above 0.012 oz/t) from the Rainbow Unit. The higher tonnage was used with the lower grade value to define the upper value of contained ounces as the authors considered it less likely the higher tonnage would be associated with the higher grade values.

The foregoing assessments of potential quantity and grade are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in any of the exploration targets being delineated as a Mineral Resource.

Total Exploration Target Potential of Island and Barkerville Mountains

The total exploration target potential of the 4 mile long mineralized trend including the Barkerville Mountain target and the Island Mountain target is 150 to 450 million tons (rounded to the nearest fifty) between 0.06 oz/t and 0.15 oz/t (2 to 5 ppm) Au and the target with a range of between 9 and 27 million ounces gold.

The estimate of exploration target potential does not include the Cow Mountain Resource.

In addition, there are a number of other targets including mineralization associated with the Bonanza Ledge setting and the Rainbow-Baker replacement style for which there is strong evidence for but not enough work to properly define.

The foregoing assessments of potential quantity and grade are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in any of the exploration targets being delineated as a Mineral Resource.

Cow Mountain and Exploration

In order to expand upon the Mineral Resource and the potential of the Cow Mountain property, several recommendations were made in the Technical Report. The Company plans to address all these recommendations as financial resources allow and has made the following progress:

- ✓ The Company has reviewed core sampling records for all drillholes within the Cow Mountain resource model and execution of a core sampling and the assaying programme to provide 100% assay data for all drillcore with previously un-sampled intervals is ongoing.
- ✓ The Company and its consultants are creating a robust database that includes management of QA/QC and this database will be maintained in accordance with industry best practices.
- ✓ The Company and its consultants are evaluating the best way to establish and maintain an industry standard secure database for all drill log information.
- ✓ The Company is in the process of completing metallic screen fire assays (a technique that employs a larger sample size for analysis of drillcore). Work to-date indicated the original fire assaying did not account for all of the gold in the samples.
- ✓ The Company is currently assessing the best way to go about constructing a comprehensive 3D computer geologic model to develop regional targets for exploration drilling.
- ✓ The Company is validating and evaluating the drill data from Island Mountain as part of its ongoing commitment to quality data.
- ✓ The Company is evaluating the potential of the exploration targets at Cow Mountain, Island Mountain and Barkerville Mountain through further trenching and drilling.
- ✓ The Company is initiating ground work for a PEA at Cow Mountain.
- ✓ The Company will begin a bulk sampling program of surface mineralization as resources permit.
- ✓ The Company will continue Base line environmental studies within the immediate project areas of Cow, Island and Barkerville Mountain.

Bonanza Ledge Deposit

Beginning in 1998, the Company focused on delineating a high grade resource within the BC Vein, roughly 3 km southeast of the Gold Quartz Mine. The Company intersected a new style of mineralization in the footwall of the BC Vein in March 2000, now known as the Bonanza Ledge deposit. The Company is focused on bringing the Bonanza Ledge open pit mine into production as soon as reasonably possible, as all necessary approvals and permits have been obtained.

In December 2012, Snowden Mining Industry Consultants Inc. ("Snowden") has updated the geological model for Bonanza Ledge in an effort to confirm the 'Starter Pit' defined in the Technical Report issued in August 2009. Using this new model, Snowden applied current economics (gold price and mining/processing costs) to define a potential pit for Bonanza Ledge. Both the model and the ultimate pit were not materially different from the 2009 work. Within the ultimate pit shell, Snowden identified a smaller pit shell with a concentration of mineralized material representing approximately one year's mill feed. This became the basis of a pit design which is now complete and under review for finalization and implementation.

The Technical Report notes that the only prior mining study conducted in the Cariboo Gold Project area, including costing and economic analysis, was completed for the Bonanza Ledge deposit and formed part of the Company's pre-feasibility study titled "Pre-Feasibility Study of the Bonanza Ledge Deposit, Wells, BC, Canada" dated August 17, 2009, and prepared by EBA Engineering Consultants Ltd. (available on SEDAR). However, the economics of the same are now considered to be outdated due to:

- Changes to capital and operating costs over time.
- Changes to metal prices.
- Purchase of the QR Mill such that toll milling is no longer applicable.
- Purchase of property interests such that royalty payments are no longer applicable.

Consequently, Snowden completed an update to the economic analysis for Bonanza Ledge in order to assess the relevance of the mineral reserve under the revised modifying factors.

At a discount rate of 10%, the Bonanza Ledge project yields a positive after tax net present value of $12.8 million, with an internal rate of return of 40.4% under the base case scenario of long term $1,520/oz Au, 220 tpd. The long term gold price equates to the three year trailing average, however, for the first year, a price of $1,400/oz has been assumed.

The Technical Report recommends that the Bonanza Ledge project be re-assessed into the much larger Island Mountain / Cow Mountain / Barkerville Mountain resource evaluation.

Permits

The Bonanza Ledge deposit was discovered when the Company intersected a new style of mineralization in the footwall of the BC Vein in March 2000. Since that time the Company has worked diligently drilling, mine modeling and completing studies including First Nations consultations to obtain all the necessary approvals and permits to bring the proposed Bonanza Ledge open pit mine into production. The receipt of the Mines Act permit for the proposed open-pit mine at Bonanza Ledge was received and announced in a News Release on December 6, 2011.

The Company has defined a mineable resource, developed a mine and reclamation plan, and completed a Preliminary Assessment Report of the economic feasibility of the proposed open pit at Bonanza Ledge. These formed the basis for the application submitted in April 2006, under the provisions of the *BC Mines Act,* to produce up to 70,000 tonnes of ore per year. Over the course of the application process, the Company received comments from government review agencies, completed supplemental engineering and environmental work, and submitted updates. The Company received its *Mines Act* permit for the proposed open-pit mine at Bonanza Ledge on December 5, 2011 and currently has a mine life of four years. In July 2012, the Company received an amendment to *Mines Act* Permit M-198 to allow the custom milling of up to 300,000 tonnes of ore from the Bonanza Ledge Mine and up to 300,000 tonnes of ore from the

Dome Mountain Mine, as well as the disposal of associated mine tailings in the QR Main Zone Pit. In December 2012, the Company received its amended *Environmental Management Act* permit, PE 17876, to allow effluent discharge associated with active mining at Bonanza Ledge. Dewatering of the Main Zone pit is ongoing. The Company engaged the services of consultants to update its mineral resource calculations and the Bonanza Ledge pre-feasibility study.

In January 2013 the Company provided updates and reported that final clearing of the laydown area for Bonanza Ledge and stump tub grinding for reclamation were both complete. Mining equipment, including excavators, cats, and trucks used at QR Mine for the dam raise, had been moved to the Bonanza Ledge Mine site.

In March 2014, the Company announced the commencement of operations at the Bonanza Ledge Mine. The first production blast was achieved on March 12, 2014, and approximately 70,000 m3 of NAG (non-acid generating) waste has been trucked to the waste dump to date. Waste rock mining for pit development will continue, with the first ore round expected July 2014. Ongoing geological mapping and sampling will be used to better define the ore limits as the pit develops. Site access roads have been maintained over the winter by the Company and its contractors to allow the trucking of mineralized material to the Company's permitted and operating QR Mill facility for processing to gold dore.

QR Mine and Mill

QR Mill

The Company acquired the QR Mine and Mill in February 2010, and spent eight months refurbishing the 900 ton per day mill, and then poured the first gold doré bar on September 8, 2010. As of the date of this MD&A, more than 20,000 ounces of doré gold have been poured at the QR Mill.

In December 2012, repairs and maintenance were completed on the crushing circuit and management anticipates an improvement in overall gold recovery. Surface ore was milled in December, and, while weather and maintenance issues resulted in a reduced throughput, the gold recoveries were encouraging. A new conveyor was installed and repairs were completed on the secondary ball mill that resulted in increased throughput. Milling and gold production resumed, detox circuit repairs were completed and chemicals were added to recover the gold from the leaching/CIP (carbon in pulp) circuit. In addition, gold was recovered daily through the gravity circuit. In January, the mill ramped up from one 12-hour shift to two 12-hour shifts per day and two gold doré bars were poured in early 2013, one in January and another in February.

The Company has built a new mine site access road in preparation for haul trucks coming from Bonanza Ledge, providing a wider road with increased line of sight and improved grade for safety.

As at February 28, 2014, there was approximately 16,000 tonnes of ore are stockpiled at the QR Mill. Mill restart maintenance and repairs have commenced, with the QR Mill recommencing operations in March 2014. The Company announced in April 2014 that it had commenced operations at the QR Mill, achieving stable processing rates. The Mill is operating two shifts per day, 7 days per week and has processed an average of 534 tonnes per day for the month of April. As of the date of this MD&A a total of 119.8 kg gold doré bars have been poured with a total weight of 2,809 ounces. The doré bars are transported to Johnson Matthey, a gold refiner in Brampton, Ontario, for final refinement and sale.

QR Mine

The QR Mine operates under Permit M-198, received in June 2012, as amended, to allow the Company to process Bonanza Ledge ore at the QR Mill. The QR Mine operates under the leadership of Mine Manager, Kevin McMurren. A.L. Sims & Son Ltd. ("Sims") was awarded the underground and surface mining work at the West Zone; the surface excavation was completed in November 2012. . The Company also reported it has completed development mining and production mining.

In addition to mining, Sims has completed the dam raise of the tailings storage facility dams at the QR Mine site in accordance with Permit M-198, and the Company is currently negotiating the amounts and terms of the bond that would have otherwise been due. The trial grouting of the first hole on the North Dam was completed..

Goldstream Mill

On November 16, 2010, the Company completed the acquisition of all the issued and outstanding shares of Bethlehem Resources (1996) Corporation, a private B.C. company. The purchase includes the Goldstream Mill facility, tailings pond, and related mineral leases and claims, all of which are located in the Revelstoke Mining Division, British Columbia. The Company paid $750,000 in cash and $1.5-million in common shares in the first year, and $550,000 in cash and $500,000 in common shares in the second year. The deemed value of the common shares was calculated based on the volume-weighted average price of the company's shares for the 10 trading days ending on the day prior to the closing date, the six-month anniversary of the closing date, the 12-month anniversary of the closing date and the 18-month anniversary of the closing date subject to a floor price of not less than 92 cents per share. The final payment of $550,000 and 543,000 common shares at a deemed value of $0.92 was made on June 18, 2012 (please see our News Release 12-014 dated June 18, 2012 for further details).

Initially, the Company intended to seek the necessary approvals and permits to relocate, refurbish, and upgrade the Goldstream Mill facility to the base of Cow Mountain, near Wells, B.C. where two of NI43-101 gold resources and proposed open-pit deposits are located. Upon relocation, the Company planned to upgrade the mill with an additional ball mill and a CIL circuit, to increase capacity to 3,000 tonnes per day. Management has since determined the size of the facility would not meet their needs. Various proposals are being considered.

During the year ended February 28, 2013, the Company recognized an impairment loss of $224,000, which reduced the carrying value of the Goldstream mill to fair value less costs to sell. The impairment loss was primarily a result of declining scrap steel prices. There were no further indicators of impairment at February 28, 2014.

Loan from Mr. Callaghan and Partial Revocation of Cease Trade Order

As reported in News Releases in November and December 2012, the Company received a partial revocation of the Cease Trade Order (the "PRO") to allow Mr. Callaghan, the Company's CEO, to loan the Company up to $2.44 million (the "Loan"). As at February 28, 2014, the Company has a total payable to Mr. Callaghan of $627,933, which consists of $365,817 in principal and $262,116 in accrued interest.

Annual General Meeting and Shareholder Petition

The Company held its annual general meeting on January 24, 2014. As reported on January 27, 2014, the shareholders voted in accordance with management's recommendations on all matters placed before them at the meeting.

Results of Operations

The Company reports a net loss of $12,703,957 for year ended February 28, 2014 or $0.12 per share as compared to a net loss of $12,538,792 or $0.12 per share for the year ended February 29, 2013. Overall, this represents an increase in losses of $165,165.

The biggest contributions to losses were in the following items:

(i) Reduction of $1,465,779 in revenue from $1,502,567 in fiscal 2013 to $36,788 in fiscal 2014. In 2014, the Company completed its remaining mining activities and did not commence milling the ore until after the year ended February 28, 2014.

(ii) Increase of $337,606 in corporate administration expenses from $3,920,218 in fiscal 2013 to $4,257,824 in fiscal 2014. The major contributor to this increase was increased in stock-based compensation to management to $1,279,500 in fiscal 2014 (2013: $935,200);

(iii) Increase of $332,025 in mine operating loss from $4,373,358 in fiscal 2013 to $4,705,383 in fiscal 2014. The increase was primarily due to the underground dewatering activities of $1,221,527 (2013: $NIL) and stock-based compensation of $71,800 (2013: $NIL) to mine consultant offset by the recovery of reclamation provision of $63,000 (2013: $1,082,177 expense)

(iv) Increase in financing expense of $1,938,241 from $178,242 in fiscal 2013 to $1,938,241 in fiscal 2014. The major contributor to this increase was $1,661,730 in interest and accretion related to the $15,000,000 Gold Loan Facility (see Note 15 in the consolidated financial statements)

(v) A loss in fair value of derivative $1,090,321 was recorded in fiscal 2014 for the Gold Loan Facility as a result of change to the foreign exchange rates and future gold prices. (2013: $NIL).

(vi) No reversal of indemnity of flow-through investors was recorded in fiscal 2014 compared to reversal of $1,000,902 recorded in fiscal 2013. In 2013, through the Part XII.6 tax Notice of Objection process, the Canada Revenue Agency acknowledged that the Company had incurred sufficient CEE and as a result, the provision for the indemnity of flow-through share investors has been removed.

Losses were offset by in the following items:

(i) Reduction of $3,750,112 in exploration from $4,585,978 in fiscal 2013 to $835,866 in fiscal 2014. This decrease is primarily due to the BCMETC received in 2014.;

(ii) No impairment identified in fiscal 2014 compared to an impairment of $1,755,862 recorded in fiscal 2013

Resource Properties that have not yet Generated Operating Revenue

Cariboo Gold Project

The Company has been focused on the Cariboo Gold Project since 1994. The initial focus was to delineate a mineable resource within the historic workings of the Cariboo Gold Quartz Mine. The Company has been working towards the further definition of the mineral deposit within and surrounding the historic workings of the Cariboo Gold Quartz Mine. Once a geological model is developed, and dependent upon finding necessary resources, a working conceptual mine plan would be more fully developed, which would form the basis for a preliminary assessment of mine economics. Resource definition, mine planning and economic evaluations, together with additional social and environmental impact and permitting, will in aggregate require additional expenditures of several million dollars. See also **Current Operations.**

Other Exploration

The Company is committed to further exploration in the Barkerville Camp. Mineralization has been identified in several areas along the Historic Mine Trend (the source of placer gold and correlated with quartz vein outcrops that occur on a general northwest-southeast trend over a linear distance of more than 60 km through the Camp), and on strike with the (offset and parallel) Bonanza Ledge Trend. Additional expenditures are anticipated to allow the Company to further

Selected Annual Information

The following table highlights financial data on the Company for the most recently completed three financial years.

	Fiscal year ended February 28		
	2014	**2013**	**2012**
	$	**$**	**$**
Revenue	36,788	1,502,567	15,942,023
Net loss	12,703,957	12,538,792	29,733,648
Loss per share	$0.12	$0.12	$0.38
Total assets	44,722,214	36,684,064	48,650,603
Total liabilities	30,426,090	15,395,558	18,162,931
Working capital (deficiency)	(17,973,355)	(11,988,219)	(3,501,520)

See **Results from Operations** for discussion of results.

Summary of Quarterly Results

The following table sets out selected quarterly unaudited condensed consolidated interim financial information of the Company and is derived from unaudited condensed consolidated interim financial statements prepared by the Company's management.

	IFRS Period ended							
	Feb 28/14	**Nov 30/13**	**Aug 31/13**	**May 31/13**	**Feb 28/13**	**Nov 30/12**	**Aug 31/12**	**May 31/12**
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Total Revenue	-	-	-	36,788	271,494	1,231,073	-	-
Loss before income taxes	**2,872,385**	**5,103,131**	**2,301,564**	**2,532,877**	**5,939,860**	**1,050,474**	**3,681,188**	**2,547,270**
Net loss	**2,766,385**	**5,103,131**	**2,301,564**	**2,532,877**	**5,266,460**	**1,050,474**	**3,681,188**	**2,540,670**
Basic loss per Share	0.03	0.05	0.02	0.02	0.05	0.01	0.03	0.02
Diluted loss per Share	0.03	0.05	0.02	0.02	0.05	0.01	0.03	0.02

Fourth Quarter Results:

- Revenue decreased by $271,494 from 2014 Q4 to 2013 Q4; cost of sales decreased by $501,764. The company ceased production in 2013;
- Mine operating expenditures decreased by $718,050 from $2,750,186 in 2013 Q4 to $2,032,136 in 2014 Q4. This decrease is primarily attributed to lower QR Mine related activity in 2014 Q4 compared with the same period in 2013;
- Exploration expenditures decreased by $2,035,782 from $994,316 in 2013 Q4 to a gain of $1,041,466 in 2014 Q4. This decrease is BC Mineral Exploration Tax credits received in 2014 Q4 compared with the same period in 2013.
- A loss in fair value of derivative $1,090,321 was recorded in fiscal 2014 Q4 for the Gold Loan Facility (2013:$NIL).
- No impairment identified in fiscal 2014 Q4 compared to an impairment of $1,755,862 recorded in fiscal 2013 Q4.

Liquidity and Capital Resources

On February 28, 2014, the Company had cash on hand of $352,275 and had a working capital deficit of $17,973,355. The Company's major commitments over the next year are repayment of trade and other payables, gold loan facility additional exploratory work as recommended by Snowden in the NI 43-101 technical report, and start-up at the Bonanza Ledge project is underway. The Company will rely on sales of gold from the Bonanza Ledge open pit mine and on future equity financings to fund operations until production is reached. These financings will come from related parties or private placements. The Company has engaged consultants to update its resource calculations and the Bonanza Ledge pre-feasibility study.

The details of all share issuances during the year ended February 28, 2014, are as follows:

- The Company issued 375,000 common shares for proceeds of $175,726 relating to stock options exercised.
- The Company issued 49,000 common shares for proceeds of $41,650 (received in fiscal 2013) relating to warrants that were exercised.

Subsequent to the year end, the Company issued 13,783,000 shares for proceeds of $6,891,500 under a private placement and settled trade and other payables of $1,500,000 through issuance of 3,000,000 common shares of the Company.

Outstanding Share Capital

The Company has an unlimited number of common shares authorized, with 109,851,706 outstanding on February 28, 2014 and 126,634,706 on the date of this MD&A.

A total of 10,985,171 stock options and 9,360,000 share purchase warrants were outstanding on February 28, 2014 and the date of this MD&A.

Related party balances and transactions:

These transactions are recorded at exchange value, being the value established and agreed upon by the related parties.

Name of Related Party	Description	February 28, 2014 $	February 28, 2013 $
J. Frank Callaghan, CEO	Salary [1]	240,000	240,000
	Exploration costs [2]	234,642	716,077
	Deferred development costs [3]	685,245	316,318
	Reclamation costs [4]	Nil	490,065
	Administrative costs [5]	83,578	76,939
	Share based compensation	35,925	21,458
	Loan interest [6]	229,311	31,320
Minaz Dhanani, CFO [7]	Salary	111,693 [8]	100,833
	Share based compensation	35,925 [9]	21,458
Jack Miller, Fomer CEO [10]	Salary	Nil	103,193
	Share based compensation	Nil	393,300
Andrew H. Rees [11]	Consulting fees [12]	60,000	60,000
	Share based compensation	35,925 [13]	21,458
Sean Callaghan [14]	Salary	68,565	37,200
	Share based compensation	8,981	10,729
Sarah Callaghan [15]	Salary	600	15,155
	Share based compensation	Nil	10,729

1. The CEO receives a base salary of $20,000 per month.

2. These fees were paid to a company controlled by the CEO.

3. These fees were paid to a company controlled by the CEO.

4. These fees were paid to a company controlled by the CEO.

5. These fees were paid to a company controlled by the CEO in connection with the exploration, deferred development, and reclamation costs noted above.

6. See **Loan from Mr. Callaghan and Partial Revocation of Cease Trade Order.** Amounts payable to the Company's CEO from the PRO bear interest at 20% per annum; interest is payable in full to the lender on repayment of the principal, due six months from the date of any such loan.

7. On November 1, 2012, the Company entered into an employment agreement with the CFO. The agreement is for an initial term of three years and will renew automatically for subsequent one year terms unless the Company provides notice of its intent not to renew 90 days prior to expiration. It can be terminated by the CFO at any time on giving 90 days' notice.

8. This represents payment of the base salary to Mr. Dhanani. The Company may recover some of the salary paid from other companies when Mr. Dhanani performs non-contractual services for them from time to time.

9. Mr. Dhanani received 50,000 stock options at an exercise price of $0.87 on October 23, 2013.

10. Jack Miller was appointed as CEO on March 9, 2012 and resigned on April 13, 2013.

The Company accrues directors' fees for its independent directors for each meeting and committee meeting that a director attends as follows:

- $500.00 for each director or committee meeting attended in person or by teleconference and
- $1000.00 for each meeting attended in the capacity of chair.

Name of Director	Description	February 28, 2014 $		February 28, 2013 $
Norman Anderson	Directors' fees	25,500		4,000
	Share based compensation	215,550	[16]	150,458
John Kutkevicius	Directors' fees	14,500		Nil
	Share based compensation	215,550	[17]	Nil
Mike Steele	Directors' fees	10,000		Nil
	Share based compensation	215,550	[18]	Nil
Elena Clarici	Directors' fees	13,500		Nil
	Share based compensation	215,550	[19]	Nil
David McMillan	Directors' fees	19,000		6,000
	Share based compensation	35,925	[20]	21,458
Craig Thomas *(Resigned April 13, 2012)*	Directors' fees	n/a		500
	Share based compensation	n/a		Nil

The Company had the following transactions with related companies during the year ended February 28, 2014:

- Exploration costs of $234,642 (2013: $716,077), deferred development costs of $685,245 (2013: $316,318), QR reclamation of $Nil (2013:490,065), administration fees of $83,578 (2013: $76,939) and inventory costs of $187,461 (2013: $Nil) were incurred with Standard Drilling & Engineering Ltd, a Company controlled by the CEO of the Company.
- Legal fees of $Nil (2013: $155,590) incurred in connection with taxation issues related to Part XII.6 Tax and indemnity were paid to a law firm of which Mr. Kutkevicius was a partner of the firm.
- Legal fees of $Nil (2013: $4,832) incurred in connection with the Company's financings as well as general corporate matters were paid to a law firm of which Mr. Thomas was a former director of the Company.

11. On November 1, 2012, the Company entered into a consulting agreement with Mr. Rees wherein he is paid a consulting fee for his services to the Company (the "Consulting Agreement"). The Consulting Agreement ear terms unless the Company provides notice of its intent not to renew 90 days prior to expiration. The Consulting Agreement can be terminated by Mr. Rees at any time on giving 90 days' notice.

12. These consulting fees were paid to Andrew H. Rees, a director of the Company, for corporate development services.

13. Mr. Rees (Member of Disclosure Committee) received 50,000 stock options at an exercise price of $0.87 on October 23, 2013.

14. Sean Callaghan is the son of the CEO.

15. Sarah Callaghan is the daughter of the CEO.

16. Mr. Anderson is (Chairman of Board and member of Finance, Governance and Compensation Committee and Audit Committee) received 300,000 stock options at an exercise price of $0.87 on October 23, 2013.

17. Mr. Kutkevicius (Chairman of Governance and Compensation Committee and member of Audit Committee) received 300,000 stock options at an exercise price of $0.87 on October 23, 2013.

18. Mr. Steele (Chairman of Finance Committee) received 300,000 stock options at an exercise price of $0.87 on October 23, 2013.

19. Ms. Clarici (Member of Disclosure Committee) received 300,000 stock options at an exercise price of $0.87 on October 23, 2013.

20. Mr. McMillan (Chairman of Audit Committee and member of Governance and Compensation Committee and Disclosure Committee) received 50,000 stock options at an exercise price of $0.87 on October 23, 2013.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions.

Critical Accounting Estimates

The Company makes estimates about the future that affect the reported amounts of assets and liabilities. Estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Provision for Site Reclamation and Closure

Provisions for Site Reclamation and Closure have been created based on management estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability as shown in note 14. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of discount rate, contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual reclamation and closure costs will ultimately depend on future market prices for the costs which will reflect the market condition at the time the costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

Mineral Reserves and Mineral Resource Estimates

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its mineral reserve and mineral resources based on information compiled by Qualified Persons as defined by Canadian Securities Administrators National Instrument 43-101 Standards for Disclosure of Mineral Projects. Such information includes geological data on the size, depth and shape of the mineral deposit, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade that comprise the mineral reserves. Changes in the mineral reserve or mineral resource estimates may impact the carrying value of mineral properties and deferred development costs, property, plant and equipment, provision for site reclamation and closure, recognition of deferred income tax assets and depreciation and amortization charges.

Units of production depletion

Estimated recoverable reserves are used in determining the depreciation of mine specific assets. This results in depreciation charges proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimate of future capital expenditure. Changes are accounted for prospectively.

Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward only to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in consolidated financial statements.

Fair Value Measurement

The Company measures financial instruments, such as derivatives, at fair value at each balance sheet date. Fair value is the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is measured using and assumptions that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Critical Accounting Judgements

Commencement of Production

The Company assesses the stage of each mine under construction to determine when a mine moves into the production stage, being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Company considers various relevant criteria to assess when the production phases are considered to commence and all related amounts are reclassified from 'Mines under construction' to 'Producing mines' and 'Property, plant and equipment'. The principal criteria used includes, but is not limited to, the following:

- Level of capital expenditure incurred compared to the original construction cost estimate
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce metal in saleable form (within specification)
- Ability to sustain ongoing production of metal
- Ability to sustain ongoing profitable production

When a mine development / construction project moves into the production stage, the capitalization of certain mine development costs ceases. Costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements, underground mine development or mineable reserve development are assessed to determine whether capitalization is appropriate. It is also at this point that depreciation / amortization commences.

Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Impairment of Property, Plant and Equipment, Mining Properties and Deferred Development Costs and Exploration and Evaluation Properties

Management considers both external and internal sources of information in determining if there are any indications that the Company's property, plant and equipment assets, mining properties and deferred development costs are impaired. External sources of information management consider include the market, economic, and legal environment in which the Company operates. Internal sources of information management considers include the manner in which the property, plant and equipment, mining properties and deferred development costs are being used or are expected to be used, and indication of economic performance of the assets. Management has used its judgment to determine the appropriate allocation of assets to a specific cash generating unit (CGU), for which it was determined that there are two CGUs (individual mining locations). These locations are the lowest level for which cash inflows are largely independent of those from other assets/CGUs. Exploration and Evaluation properties have not been included with other CGUs for assessment for impairment indicators.

If, after exploration and evaluation expenditure is capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount the Company carries out an impairment test at the cash generating unit or group of cash generating units level in the year the new information becomes available. The Company has determined that there are currently no indicators of impairment on its exploration and evaluation properties at February 28, 2014 (2013: None).

Embedded Derivatives and Hybrid Financial Instruments

Judgment is required in determining whether financial instruments are classified as debt or equity and whether instruments contain one or more embedded derivatives. The Company makes significant judgments in assessing whether instruments meet the definition of an equity instrument or financial liability and in determining whether a contract gives rise to one or more derivatives with economic characteristics distinct from the host contract.

Recent Accounting Pronouncements

The adoption of the following new standards, interpretations and amendments where included in the financial statements for the year beginning March 1, 2013:

IFRS 10 Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

IAS 1 Presentation of Financial Statements

IAS 1 was amended to change the grouping of items presented in other comprehensive income (OCI). Items that would be reclassified to profit or loss at a future point in time will be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended February 28, 2014.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2017. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

There are no additional standards not yet effective that would have an impact on the consolidated financial statements.

Financial Instruments and Risk Management

The company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

	Financial Assets at Fair Value through Profit or Loss		Loans and Receivables		Available for Sale Investments	
	2014	2013	2014	2013	2014	2013
Cash	$ 352,275	$ 129,126	-	-	-	-
Amounts receivable	-	-	$ 169,684	$ 576,375	-	-
Available for sale investments	-	-	-	-	$ 3,450	$ 6,900
Reclamation deposits	-	-	$2,730,800	$2,730,800	-	-
Total Financial Assets	$ 352,275	$ 129,126	$ 2,900,484	$ 3,307,175	$ 3,450	$ 6,900

	2014	2013
Financial liabilities at amortized cost:		
Trade and other payables	$ 9,954,356	$ 7,146,113
Due to related parties	648,254	2,052,946
Gold loan facility	11,425,871	-
Financial liabilities at fair value:		
Derivative liability	1,526,878	-
Total Financial Liabilities	$ 23,555,359	$ 9,199,059

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

a) Foreign Currency Risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company is exposed to foreign exchange rate fluctuation due to the payment terms of its gold facility loan. A 5% increase/decrease to the Canadian Dollar to United States Dollar foreign exchange rate would have a $1,018,000 increase/decrease to the Company's net loss for the year ended February 28, 2014 (2013: no exposure).

b) Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings at variable rates. Interest rate risk is limited to potential decreases on the interest rate offers on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

c) Commodity Price Risk:

The Company is subject to commodity price risk for all the principal metals that are recovered from the concentrates that it produces. These include gold and silver. These metal prices are subject to numerous factors beyond the control of the Company including central bank sales, producer hedging activities, interest rates, exchange rates, inflation and deflation, global and regional supply and demand, and political and economic conditions in major producing countries throughout the world. The Company has elected not to actively manage its exposure to metal prices at this time.

d) Equity Price Risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings. The available-for-sale investment in the common shares of Lions Gate Energy Inc. is monitored by Management with decisions on sale taken at Board level. A 10% decrease in the fair value of Lions Gate Energy would have a nominal impact on equity.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash, reclamation deposits and amounts receivable. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. The reclamation bonds are maintained with financial institutions by the Province and can be released upon the Company fulfilling its reclamation obligations.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash of $352,275 (2013: $129,126), reclamation deposits of $2,730,800 (2013: $ 2,730,800), and amounts receivable of $169,683 (2013: $ 576,375).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company ensures that it has sufficient cash on demand to meet short term expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable. As at February 28, 2014, the Company had a working capital deficit of $17,973,355 (See note 27)

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities as at February 28, 2014 and 2013:

	Book Value at February 28, 2014	Within 1 Year	2 to 5 years	Over 5 years	Total
Trade and other payables	9,954,356	9,954,356	-	-	9,954,356
Due to related parties	648,254	648,254	-	-	648,254
Gold loan facility	12,952,749	6,250,000	12,500,000	-	18,750,000
Total	23,555,359	16,852,610	12,500,000	-	29,352,610

	Book Value at February 28, 2013	Within 1 Year	2 to 5 years	Over 5 years	Total
Trade and other payables	7,146,113	7,146,113	-	-	7,146,113
Due to related parties	2,052,946	2,052,946	-	-	2,052,946
Total	9,199,059	9,199,059	-	-	9,199,059

Events Occurring After the Reporting Date

Subsequent to February 28, 2014, the Company issued 13,780,000 shares for proceeds of $6,891,500 under a private placement.

On May 14, 2014 the Company completed a shares for debt settlement, where the Company issued 3,000,000 common shares of the Company for settlement o trade and other payables totalling $1,500,000.

Other Risk Factors

As a mining company the Company faces other risks including, but not necessarily limited to, the following:

Reliance on Management's Expertise

Barkerville strongly depends on the business acumen expertise of its management team and there is little possibility that this dependence will decrease in the near term. The loss of the services of any member of such team could have a material adverse effect on the Company.

Mining Industry

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct, operate and maintain mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of ore, including unusual and unexpected geology formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk are taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

The Company's mineral exploration activities are directed towards the search, evaluation and development of mineral deposits. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will have for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

Government Regulation

The exploration activities of the Company are subject to various federal, provincial and local laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substance and other matters. Exploration activities are also subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws mandate, among other things, the maintenance of air and water quality standards, and land reclamation. These laws also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste.

Although the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration, mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company.

Permits and Licenses

The exploitation and development of its mineral properties requires the Company to obtain regulatory or other permits and licenses from various governmental licensing bodies. There can be no assurance that the Company will be able to obtain all necessary permits and licenses that may be required to carry out exploration, development and mining operations on its properties.

Environmental Risks and Hazards

All phases of the Company's mineral exploration operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present, which have been caused, by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Production of mineral properties may involve the use of dangerous and hazardous substances such as sodium cyanide. While all steps will be taken to prevent discharges of pollutants into the ground water the environment, the Company may become subject to liability for hazards that cannot be insured against.

Uninsured Risks

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution or other hazards against which such corporations cannot insure or against which they may elect not to insure.

Conflicts of Interest

Certain of the directors of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Financial and Disclosure Controls and Procedures

During the year ended February 28, 2014 there has been no significant change in the Company's internal control over financial reporting since last year.

The management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make.

The management of the Company has filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at www.sedar.com. In contrast to the certificate under National Instrument ("NI 52-109") (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of the Company's certifying officers to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.