Barkerville Gold Mines Ltd.

Condensed Consolidated Interim Financial Statements

(Unaudited)

May 31, 2014

Barkerville Gold Mines Ltd.

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May 31, 2014

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NOTICE OF NO AUDITOR REVIEW OF CONDESNED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the Company's auditor.

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

Barkerville Gold Mines Ltd.

Condensed Consolidated Interim Statement of Financial Position (Unaudited)

As at May 31, 2014

Assets		May 31, 2014		February 28, 2014
Current Assets				
Cash	$	477,779	$	352,275
Amounts receivable		831,980		169,683
Prepaid expenses (Note 6)		512,528		243,748
Inventory (Note 7)		1,519,274		1,725,760
Total current assets		3,341,561		2,491,466
Reclamation deposits (Note 8)		3,395,800		2,730,800
Available for sale investments		3,450		3,450
Exploration and evaluation assets (Note 11)		17,788,892		17,780,224
Mineral properties and deferred development costs (Note 10)		11,803,040		10,097,056
Property, plant and equipment (Notes 8 and 9)		11,512,527		11,619,218
Total assets	$	47,845,270	$	44,722,214

Liabilities				
Current liabilities				
Trade and other payables (Note 13)	$	8,160,347	$	9,954,356
Due to related parties (Note 17)		522,145		20,321
Loan from director (Note 17)		-		627,933
Provision for site reclamation and closure (Note 14)		3,735,429		3,754,808
Gold loan facility (Note 15)		6,107,403		6,107,403
Total current liabilities		18,525,324		20,464,821
Provision for site reclamation and closure (Note 14)		1,996,920		1,956,923
Gold loan facility (Note 15)		8,017,026		6,845,346
Deferred tax liability		1,159,000		1,159,000
Total liabilities		29,698,270		30,426,090
Shareholders' equity				
Share capital (Note 16)		126,783,790		118,659,790
Share-based payments reserve		24,814,417		24,814,417
Accumulated other comprehensive income		(15,870)		(15,870)
Accumulated deficit		(133,435,337)		(129,162,213)
Total shareholders' equity		18,147,000		14,296,124
Total liabilities and shareholders' equity	$	47,845,270	$	44,722,214

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Approved on behalf of the board:

"J. Frank Callaghan" *"David McMillan"*

J. Frank Callaghan, Director David McMillan, Director

Barkerville Gold Mines Ltd.

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss (Unaudited)

For the period ended May 31, 2014

	Three months ended May 31, 2014	Three months ended May 31, 2013
Revenue	$ 2,664,237	$ 36,788
Cost of sales and direct costs (Note 7)	(1,927,054)	(19,084)
Gross Profit	737,183	17,704
Mine operating expense (Note 19)	(1,998,995)	(1,045,926)
Mine operating income (loss)	(1,261,812)	(1,028,222)
Expenses:		
Exploration (Note 20)	1,016,252	509,616
Corporate administration (Note 21)	748,532	773,210
	1,764,784	1,282,826
Loss from operations	(3,026,596)	(2,311,048)
Other income (expense):		
Finance expense (Note 22)	(1,246,528)	(105,214)
Gain on derecognition of liabilities	-	98,900
Change in fair value of derivative (Note 15)	-	-
	(1,246,528)	(6,314)
Net loss and total comprehensive loss for the period	(4,273,124)	(2,317,362)
Loss per common share, basic and diluted (Note 25)	$ (0.04)	$ (0.02)
Weighted average number of common shares outstanding (Note 25)	120,817,295	109,401,649

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Barkerville Gold Mines Ltd.

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

As at May 31, 2014

	Shares Outstanding	Share Capital	Share-based payments reserve	Share subscriptions received in advance	Accumulated other comprehensive loss	Retained Earnings	Total Shareholders' Equity
Balance at March 1, 2013	106,668,164	$ 118,239,970	$ 19,477,562	$ 41,650	$ (12,420)	$ (116,458,256)	$ 21,288,506
Loss for the period	-	-	-	-	-	(2,317,362)	(2,532,877)
Balance at May 31, 2014	106,668,164	$ 118,239,970	$ 19,477,562	$ 41,650	$ (12,420)	$ (118,775,618)	$ 18,755,629
Balance at March 1, 2014	109,851,706	$ 118,659,790	$ 24,814,417	$ -	$ (15,870)	$ (129,162,213)	$ 14,296,124
Loss for the period	-	-	-	-	-	(4,273,124)	(4,273,124)
Issue for shares pursuant to private placement	13,783,000	6,891,500	-	-	-	-	-
Share issuance costs		(267,500)	-	-	-	-	(267,500)
Issue of shares for debt settlement	3,000,000	1,500,000	-	-	-	-	1,500,000
Balance at May 31, 2014	126,634,706	$ 126,783,790	$ 24,814,417	$ -	$ (15,870)	$ (133,435,337)	$ 11,255,500

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Barkerville Gold Mines Ltd.

Condensed Consolidated Interim Statement of Cash Flows (Unaudited)

As at May 31, 2014

	Three months ended May 31, 2014	May 31, 2013
Cash flows from operating activities		
Loss for the period	$ (4,273,124)	$ (2,317,362)
Adjustments to reconcile loss to net cash used in operating activities		
Finance expense	-	61,187
Depreciation	309,984	353,927
Change in provision for site reclamation and closure	-	(301)
Accretion expense - debt	1,171,680	-
Accretion expense - provision for site reclamation and closure	39,999	18,145
Changes in non-cash working capital balances:		
Accounts receivable	(662,297)	344,386
Prepaid expenses	(268,780)	(181,166)
Trade and other payables	(1,800,006)	1,952,689
Inventory	439,590	-
Total cash outflows from operating activities	(5,042,954)	231,505
Cash flows from investing activities		
Reclamation deposits	(665,000)	-
Acquisition of property, plant and equipment	(203,292)	(41,487)
Acquisition of mineral properties and deferred development costs	(477,303)	(1,380,951)
Acquisition of exploration and evaluation assets	(8,668)	(515)
Total cash inflows (ouflows) from investing acitivites	$ (1,354,263)	$ (1,422,953)
Cash flows from financing activities		
Amounts advanced by (paid to) related parties	(81,898)	176,166
Amounts used for site reclamation and closure	(19,380)	-
Loan advances from director	-	1,013,954
Issuance of share capital	6,624,000	-
Total cash inflows (outflows) from financing activities	$ 6,522,722	$ 1,190,120
Total increase (decrease) in cash during the period	125,505	(1,328)
Cash and cash equivalents at the beginning of the period	352,275	129,126
Cash and cash equivalents at the end of the period	$ 477,780	$ 127,798

See Note 26 for a description of non-cash amounts not included in the condensed consolidated interim statements of cash flows.

1. CORPORATE INFORMATION

The Company was incorporated on February 12, 1970 under the laws of the Province of British Columbia and is engaged in the production and sale of gold, and the exploration, development, and acquisition of mineral properties in British Columbia. The Company is listed on the TSX Venture Exchange, under the symbol BGM-V.

The address of the Company's corporate office and principal place of business is 610-1100 Melville Street, Vancouver, British Columbia, Canada.

The Company completed the purchase of the QR Mine & Mill and its associated assets on February 1, 2010 and has refurbished the mill at the QR Mine. On November 16, 2010 the Company acquired Bethlehem Resources (1996) Corporation with the intention of refurbishing and moving its Goldstream mill to Wells, B.C. subject to obtaining necessary permits and approvals.

The Company commenced commercial production of gold at its 100% owned QR Mine and Mill on October 1, 2010.

The Company ceased commercial production in December 2011 pending further exploration, permitting and negotiation of its mining contract. In October 2012, the Company further refined existing reserves at the QR Mine. The Company obtained the required permits to mine Bonanza Ledge in December 2011. In July 2012, the Company obtained the required permits to mill Bonanza Ledge ore at the QR Mill and intends to obtain the required financing to complete the development of its Bonanza Ledge property.

2. BASIS OF PREPARATION

a) Going Concern of Operations

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. On August 14, 2012 the Company was subject to a cease trade order ("CTO") that prevented management from raising additional debt and equity financing to meet its operational cash requirements until it was lifted by the British Columbia Securities Commission ("BCSC") on July 15, 2013. At May 31, 2014, the Company had accumulated losses of $133,435,337 (February 28, 2014: $129,162,213). The Company incurred losses of $4,273,124 during the period ending May 31, 2014 (period ending May 31, 2013: $2,532,877) and had a working capital deficiency of $15,183,763 at May 31, 2014 (February 28, 2014 deficiency of $17,973,355). These conditions raise material uncertainty that may cast significant doubt as to the ability of the Company to continue operating as a going concern

The Company's continuing operations and ability to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the Company having continued support from Related Parties, to obtain debt or equity financing and, ultimately, on locating economically recoverable ore reserves in its mineral properties, and attaining and maintaining profitable operations at its QR Mill and Bonanza Ledge properties.

Management believes the Company will continue to have the support of related party lenders, and will be successful at securing additional funding, for its exploration and development program. Management plans to complete the exploration and development of its mineral properties to ensure the Company can generate sustainable, long-term profitability, and obtain additional financing. There can, however, be no assurance that such plans will be successful.

If the Company does not receive the continued support of related party lenders, or is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

2. BASIS OF PREPARATION (CONTINUED)

b) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations. Accordingly, these condensed interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes.

The condensed consolidated interim financial statements were authorized by the Board of Directors on July 30, 2014.

c) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for available for sale investments and derivative liabilities carried at fair value.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New accounting policy

Production Stripping Costs

The IFRS Interpretations Committee issued IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (IFRIC 20), effective January 1, 2013.

IFRIC 20 requires the Company to identify specific components of the ore body to which stripping costs will relate. A component is defined as a specific volume of the ore body that is made more accessible by the stripping activity. It is considered that a mine may have several components, which are identified based on the mine plan. Stripping costs are then capitalized when stripping activities occur in excess of the average expected for the component. Stripping costs are capitalized within Deferred Development Costs and depreciated over the life of the respective component based on units of production.

Under IFRIC 20, the Company recognizes stripping assets when the following three criteria are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- The entity can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(i) 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.

4. 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:

a) 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.

b) 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.

c) 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.

4. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

d) 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.

e) 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 Note 16.

f) 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 an 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 the assumption that market participants act in their best economic 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.

5. CRITICAL ACCOUNTING JUDGMENTS

In the process of applying the Company's accounting policies, management has made the following judgements, 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:

a) 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.

5. CRITICAL ACCOUNTING JUDGMENTS (CONTINUED)

b) 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.

c) 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.

d) 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 and exploration and evaluation assets 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. Further information on assumptions and estimates used in the Company's impairment assessment are given in Note 12.

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 May 31, 2014.

5. CRITICAL ACCOUNTING JUDGMENTS (CONTINUED)

e) 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. See Note 15.

6. PREPAIDS

The prepaid expenses for the Company are comprised of the following:

	May 31, 2014	February 28, 2014
Insurance	$ 222,230	$ 101,083
Other prepaid amounts	290,298	142,665
Total prepaid expenses	$ 512,528	$ 243,748

7. INVENTORY, COST OF SALES AND DIRECT COST

The inventory for the Company is comprised of the following:

	May 31, 2014	February 28, 2014
Consumables	$169,409	$64,157
Stockpiled ore	1,349,865	1,661,603
Total inventory	$1,519,274	$1,725,760

There have been no write-downs of the carrying value of inventory during the period.

The cost of sales and direct costs included in profit and loss is comprised of the following:

	May 31, 2014	May 31, 2013
Mining and processing costs	$1,720,568	1,678,011
Change in inventory	$146,486	(1,658,901)
Cost of Sales and Direct Costs	$1,927,054	$19,110

8. RECLAMATION DEPOSITS

The Company is required to make reclamation deposits in respect of its expected site reclamation and closure obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company.

In December 2011, the Company received a M-238 Permit from the British Columbia Provincial Government to develop an open pit gold mine at the Bonanza Ledge section of the Cariboo Gold Project. As at May 31, 2014, the Company had total deposits of $1,000,000 (February 2014: $335,000) for this property. Under the original terms of the permit the Company is further required to deposit additional reclamation bonds of $11,465,000 to total $11,800,000 to the government as follows:

(i) Deposit $665,000 within 30 days of start of construction –paid April 9, 2014;

(ii) Deposit $4,400,000 on or before December 30, 2014;

(iii) Deposit $1,500,000 on or before September 30, 2015;

(iv) Deposit $1,500,000 on or before September 30, 2016;

(v) Deposit $1,400,000 on or before September 30, 2017;

If the underground bulkhead is not fully constructed by September 30, 2015, the Company shall post an additional $2,000,000.

During the period ended May 31, 2014, the Company commenced construction and mining operations as pursuant to the December 2011 permit.

In July 2012, the Company received an amendment to the M-198 Permit from the British Columbia Provincial Government to mill Bonanza Ledge and Dome Mountain ores at the Quesnel River Mine and Mill facility. As at May 31, 2014, the Company had a total deposit of $2,052,300 plus pledged equipment of $807,700 (February 28, 2014: deposit of $2,052,300 plus pledged equipment of $807,700) for this permit. Subject to certain conditions, the Company is required to deposit additional reclamation bonds of $7,390,000 for a total $10,250,000 as follows:

(i) $1,750,000 within 30 days of the start of milling (not yet start);

(ii) $1,500,000 on or before September 30, 2012;

(iii) $4,140,000 on or before December 15, 2012.

The $1,500,000 can be waived once the tailings dam elevation has reached 1029.3 meters and an independent report there on is obtained meeting the satisfaction of the Government of British Columbia. During the year ended February 28, 2014, the Company raised the tailings dam to the required elevation however it has not yet completed the report or received the waiver.

The $4,140,000 can be waived If the Company has commenced work on the tailings dam seepage, the work is ongoing and an independent report there on is obtained meeting the satisfaction of the Government of British Columbia. As at May 31, 2014 the Company has not yet completed the report or received the waiver. No provision is included as at May 31, 2014 and February 28, 2014 as the Company is currently negotiating the amounts and terms and expects to obtain the waivers.

Other bonds of $343,500 have been paid in respect of properties included in exploration and evaluation asset at May 31, 2014 (February 28, 2014: $343,500).

9. PROPERTY, PLANT AND EQUIPMENT

	Mine Plant & Equipment	Office furniture & equipment	Total
Cost:			
Balance at March 1, 2013	$ 17,649,484	$ 673,352	$ 18,322,836
Additions	126,158	51,586	177,744
Balance at February 28, 2014	17,775,642	724,938	18,500,580
Additions	130,464	72,828	203,292
Balance at May 31, 2014	$ 17,906,106	$ 797,766	$ 18,703,872
Depreciation and impairment losses			
Balance at March 1, 2013	$ 5,142,035	$ 395,401	$ 5,537,436
Depreciation	1,283,549	60,377	1,343,926
Balance at February 28, 2014	6,425,584	455,778	6,881,362
Depreciation	292,884	17,099	309,984
Balance at May 31, 2014	6,718,468	472,877	7,191,346
Net Book Value			
At March 1, 2013	$ 12,507,449	$ 277,950	$ 12,785,399
At February 28, 2014	$ 11,350,058	$ 269,160	$ 11,619,218
At May 31, 2014	$ 11,187,638	$ 324,889	$ 11,512,527

As at May 31, 2014, $807,700 (February 28, 2013: $807,700) worth of property, plant and equipment is pledged as collateral for the reclamation deposits (see Note 8). In addition, all property, plant and equipment are pledged as security for the gold loan facility (Note 15).

During the period ended May 31, 2014 the Company recognized $Nil (year ended February 28, 2014: $nil) of amortization on its property, plant and equipment associated with the QR Mill in cost of sales and direct costs (Note 7). $273,977 in depreciation was recorded in mine operating expense, $19,630 in exploration and $16,377 in corporate administration.

The Goldstream Mill is a custom mineral processing plant fully permitted in its current location and is presently on care and maintenance. The facility has a name-plated milling capacity of 1,360 tonnes per day and residue from such operations can be accommodated in the adjacent tailings pond and surrounding properties. No amortization has been charged during the period ended May 31, 2014 (February 28, 2014: $Nil). As at May 31, 2014, the carrying value of the Goldstream Mill is $3,110,000 (February 28, 2014: $3,110,000).

10. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT COSTS

	Mineral properties	Deferred development costs	Total
Cost			
Balance at March 1, 2013	$5,275,301	$4,387,531	$9,662,832
Additions for the year	-	7,753,558	7,753,558
Balance at February 28, 2014	5,275,301	12,141,089	17,416,390
Additions for the period	-	1,939,089	1,939,089
Balance at May 31, 2014	$5,275,301	$14,080,178	$19,355,479
Depletion and impairment losses			
Balance at March 1, 2013	$3,416,754	$3,902,580	$7,319,334
Depletion for the year	-	-	-
Balance at February 28, 2014	3,416,754	3,902,580	7,319,334
Depletion for the period	63,532	169,572	233,104
Balance at May 31, 2014	$3,480,286	$4,072,152	$7,552,438
Carrying amounts			
At March 1, 2013	$1,858,547	$484,951	$2,343,498
At February 28, 2014	$1,858,547	$8,238,509	$10,097,056
At May 31, 2014	$1,795,015	$10,008,025	$11,803,040

All mineral properties and deferred development costs are pledged as security on the Gold Loan Facility (Note 15).

Quesnel River Mine:

The Quesnel River Mine ("QR") is an underground mine located near Quesnel River in British Columbia. During the period ended May 31, 2014, the Company incurred $Nil (year ended February 28, 2014: $Nil) of deferred development costs. Deferred mine development costs are amortized over the Company's initial estimate of the life of mine (LOM), and transferred to income using the unit of production method.

The QR Mine site is subject to a 5% net operating profits royalty, a 1% net smelter return royalty (NSR), and a 2% net profit royalty. Should a deposit of one million proven recoverable ounces of gold be discovered on the property, the property is subject to a 50% back-in interest in return for reimbursing the Company for double the amount of expenditures incurred and by completing a bankable feasibility study.

As at May 31, 2014, the carrying value of the mineral property and deferred development costs for the Quesnel River Mine is $nil (February 28, 2014: $nil).

10. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT COSTS (CONTINUED)

Bonanza Ledge:

The Bonanza Ledge gold deposit is located on the southwest flank of Barkerville Mountain, within the Cariboo Gold Project, about 2 km northwest of the Barkerville Historic Town site. During fiscal 2010 the company obtained a NI 43-101 compliant Technical report and Pre-Feasibility Study of the Bonanza Ledge deposit and accordingly, all costs associated with the acquisition of the project were transferred from Exploration & Evaluation assets to Mineral Properties, on March 1, 2010.

In December 2011 the Company received a M-238 Permit from the British Columbia provincial government to develop an open pit gold mine at the Bonanza Ledge section of the Cariboo Gold Project. During the period ended May 31, 2014, the Company commenced mining operations.

During the period ended May 31, 2014 the Company capitalized $1,689,567 in stripping costs (year ended February 28, 2014: $nil). Capitalized costs are included within Deferred Development costs.

Depletion of mineral resources and mine development costs of $233,104 (February 28, 2014: $nil) was included in cost of sales and direct costs.

As at May 31, 2014, the carrying value of Bonanza Ledge is $11,803,040 (February 28, 2014: $10,097,056).

11. EXPLORATION & EVALUATION ASSETS

	Wayside Property	Cariboo Gold Project	Bethlehem	Total
Cost				
Balance at March 1, 2013	$1	$17,599,443	$138,177	$17,737,621
Additions	-	42,603	-	42,603
Balance at February 28, 2014	1	17,599,443	138,177	17,780,224
Additions	-	8,668	-	8,668
Balance at May 31, 2014	$1	$17,608,111	$138,177	$17,788,892
Carrying amounts				
At March 1, 2013	$1	$17,599,443	$138,177	$17,737,621
At February 28, 2014	$1	$17,599,443	$138,177	$17,780,224
At May 31, 2014	$1	$17,608,111	$138,177	$17,788,892

Wayside property:

As at May 31, 2014 the Company holds a 100% interest in the Wayside property, consisting of certain mineral claims and leases located in the Lillooet Mining Division, British Columbia. If the property commences commercial production, the Company will be required to issue shares equal in value to $480,000 to the party from whom it was initially acquired.

11. EXPLORATION & EVALUATION ASSETS (CONTINUED)

Cariboo Gold Project:

The Company has an 100% interest in the mineral rights to 254 contiguous mineral tenures totaling 117,442 hectares in the Cariboo Mining District near Wells, British Columbia. The Company also pays taxes on 2,419 hectares of Crown Grant Mineral Claims which is contained within the 117,442 hectare Cariboo Gold Project claim group.

During the year ended February 29, 2012, the Company issued, pursuant to a sale and purchase agreement dated May 5, 2011, 412,500 common shares for $660,000 and $500,000 cash to acquire the Myrtle-Proserpine and the Promise properties within the Cariboo Gold Project. The Myrtle-Proserpine Property is subject to a 3% net smelter return royalty (NSR).

During the year ended February 29, 2012, the Company issued, pursuant to a sale and purchase agreement dated August 17, 2011, 100,000 common shares for $153,000 to acquire the remaining 40% interest in the Craze Creek Property within the Cariboo Gold Project. This property is subject to a 3.5% net smelter return royalty (NSR).

During the year ended February 29, 2012, the Company issued, pursuant to a sale and purchase agreement dated August 18, 2011, 30,000 common shares for $46,500 and $10,000 cash to acquire the Antler Creek Property within the Cariboo Gold Project. This property is subject to a 1% net smelter return royalty (NSR).

During the year ended February 29, 2012, the Company issued, pursuant to a sale and purchase agreement dated August 26, 2011, 20,000 common shares for $31,200 and $26,000 cash to acquire the Roundtop Mountain Property within the Cariboo Gold Project. This property is subject to a 2% net smelter return royalty (NSR).

During the year ended February 28, 2014, the Company purchased a piece of land for $40,000 in order to obtain the surface right for the mineral properties.

The Company's interest in the Cariboo Gold Project provides that if the Company can extract a bulk sample of not more than 40,000 tons from the Cariboo Gold Quartz property, a NSR royalty of 5% is payable. The 2003 agreement, as amended, also provides that the Company's interest in the Properties was subject to a further 3% NSR royalty and a collective 10% net profit interest. On January 20, 2011, the Company completed the acquisition of the collective 10% net profit interest royalty by issuing an aggregate of 250,000 shares at an issue price of $1.34 per share. During the year ended February 29, 2012, the Company acquired the 3% NSR royalty and the remaining undivided 50% interest in the Cariboo Gold Quartz Property for consideration of $5,000,000.

Bethlehem:

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, from International Bethlehem Mining Corporation (IBMC). The asset purchase includes the Goldstream mill facility, tailings pond, and related mineral leases and claims which are located in the Revelstoke mining division, British Columbia. Certain mineral claims are subject to either a 25% net profit royalty, or a 2.5% net smelter return royalty and a 12.5 % net profit royalty, at the election of the holder of the royalty interest.

12. IMPAIRMENT OF NON-FINANCIAL ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The recoverable amount is determined based on the greater of value in use (VIU) and fair value less costs to sell. The determination of the value in use requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary.

In assessing whether the carrying value of an asset or CGU is impaired, its carrying value is compared with its recoverable amount. Given the nature of the Company's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, unless indicated otherwise, the recoverable amount used in assessing the impairment charges described below is VIU. Management has determined that there are two cash generating units at February 28, 2014: 1. The QR Mill and Bonanza Ledge; and 2. The Goldstream Mill (2013: three cash generating units – 1. The QR Mill and Bonanza Ledge; 2. QR Mine; 3. The Goldstream Mill). During the period ended May 31, 2014, the QR Mine CGU was fully depleted.

a) The QR Mill and Bonanza Ledge

The Bonanza Ledge development is planned for production to commence in the fiscal year ending February 28, 2015. In accordance with IAS 36, Impairment of Assets, management estimated the recoverable amount of the CGU to be $21,211,323 which exceeds the carrying amount by $3,161,023. As the recoverable amount exceeds the carrying amount as at February 28, 2014, no impairment charge has been recognized. During the period ended May 31, 2014, no impairment charge has been recognized.

Significant assumptions applied in the discounted cash flow model used to determine the recoverable amount of the QR Mill and Bonanza Ledge CGU are as follows: future average gold price of $1,300 per oz, (2013: $1,520 per oz), average ore grade of 0.268 oz per ton (2013: 0.267 oz per ton), gold milling recovery rate of 90% (2013: 90%), reserve estimates of 77,858 ounces (2013:93,086 ounces) and a CND – USD exchange rate of $0.90:$1.00 (2013: $0.98:$1.00). The future cash flows are adjusted for risks specific to the asset and discounted using a pre-tax discount rate of 10% (February 28, 2013: 9% - 10%). During the period ended May 31, 2014, significant assumptions applied in the discounted cash flow model have not changed.

The recoverable amount as determined by the VIU would decrease to the carrying amount if the assumptions used above were decreased by the following amounts:

	Average Gold Price	Gold Milling Recovery Rate	Foreign Exchange Rate
Increase/(Decrease)	(5.8%)	(6.3%)	(6.6%)

12. IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

b) QR Mine

On February 28, 2013 the Company identified indicators of impairment with respect to its QR Mine CGU, due to the current interruption of mining operations, recurring losses from operations and ongoing reliance on external funding to sustain operations. In accordance with IAS 36, Impairment of Assets, management determined the that the recoverable amount was $Nil, resulting in an impairment charge of $1,531,862 during the year ended February 28, 2013.

The Company determined that there were no indications that would require the QR Mine impairment to be reversed during the period ended May 31, 2014.

c) Goldstream Mill

On February 28, 2013 the Company determined that impairment indicators existed for the Goldstream Mill following a decline in scrap steel prices. Management obtained an independent valuation estimates that the fair value less costs to sell for the Goldstream Mill as at February 28, 2013 was $3,110,000. The fair value less costs to sell was determined using an orderly liquidation value approach, with consideration of mining equipment value trends, commodity price and construction cost changes, and steel scrap price trends. As the fair value less costs to sell was less than the carrying amount of $3,334,000 an impairment loss of $224,000 was recognized in profit and loss for the year (note 9).

The Company determined that no further impairment or indications for impairment reversal existed for the Goldstream Mill during the period ended May 31, 2014.

13. TRADE AND OTHER PAYABLES

The trade and other payables of the company consist of the following:

	May 31, 2014	February 28, 2014
Trade payables	7,606,877	$ 9,414,494
Payroll related liabilities	107,031	54,221
Other payables	446,439	485,641
Total trade and other payables	$ 8,160,347	$ 9,954,356

14. PROVISIONS FOR SITE RECLAMATION AND CLOSURE

Provincial laws and regulations concerning environmental protection affect the Company's exploration and operations. Under current regulations, the Company is required to meet performance standards to minimize environmental impact from its activities and to perform site restoration and other closure activities. The Company's provision for future site closure and reclamation costs is based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

The Company's determination of the environmental rehabilitation provision arising from its activities at the Cariboo Gold Project, Quesnel River Mine, Bethlehem Resources and Bonanza Ledge Mine at May 31, 2014 was $5,732,350 (2014: $5,711,731). This estimate was based upon a February 28, 2014 undiscounted future cost of $6,130,198 (2014: $6,158,198), an annual inflation rate of 1.98% and risk adjusted discount rate of 10%. The closure and reclamation expenditure is expected to be incurred in various stages up to 2021.

During the year ended February 28, 2014, certain work related to the Quesnel River Mine and Cariboo Gold Project was completed and therefore the remaining provision of $114,196 was reversed.

There is substantial uncertainty related to the cost of implementation of the mitigation plan related to uncertainty about applicable water quality, the engineering scope and cost of mitigation required to meet the standards and responsibilities for the financial liability. As such, outcomes that are unfavorable could result in material additional liability.

Balance, February 28, 2013	$	4,931,499
Addition		821,850
Reversal		(114,196)
Accretion		72,578
Balance, February 28, 2014	$	5,711,731
Accretion		39,999
Amount used		(19,380)
Balance, May 31, 2014	$	5,732,350
Current portion	$	3,735,429
Long term portion	$	1,996,921

15. GOLD LOAN FACILITY

a) 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.

b) Gold loan facility

By agreement dated October 8, 2013 and amended January 31, 2013, 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 Company considers the Facility a financial instrument comprised of a host loan with embedded derivatives. On inception, the fair value of the embedded derivative was determined to be $4,612,257 with the residual of the proceeds received less transaction costs allocated as the fair value of the host loan. On October 24, 2014 the exercise price was set and the warrants met the definition of equity. As a result, $4,175,700 allocated to the warrant liability was reclassified to equity. The host loan is subsequently measured at amortized cost with an effective interest rate of 40% per annum. The embedded derivatives are measured at fair value with any fair value changes recognized through profit or loss. For the year ended May 31, 2014, the Company has recorded an interest charge of $1,171,680 (February 28, 2014: $1,661,730) related to the host loan and $Nil (February 28, 2014: $1,090,321) for the change in fair value of the embedded derivatives.

15. GOLD LOAN FACILITY (CONTINUED)

As at May 31, the Facility is presented as follows

Accreted principal, net of transaction costs		Principal		Embedded Derivatives		Transaction Costs		Total
At inception	$	15,000,000	$	(4,612,257)	$	(623,602)	$	9,764,141
Interest expense		1,536,670		110,165		14,895		1,661,730
February 28, 2014	$	16,536,670	$	(4,502,092)	$	(608,707)	$	11,425,871
Interest expense		1,083,500		77,678		10,502		1,171,680
May 31, 2014	$	17,620,170	$	(4,424,414)	$	(598,205)	$	12,597,551

Derivative liabilities (assets)		Warrants To be Issued		Forward Contracts		Repayment Collar		Total
At inception	$	4,175,700	$	-	$	436,557	$	4,612,257
Reclassification to equity		(4,175,700)		-		-		(4,175,700)
Unrealized (gain)/loss		-		1,172,247		(81,926)		1,090,321
February 28, 2014	$	-	$	1,172,247	$	354,631	$	1,526,878
Unrealized (gain)/loss		-		-		-		-
May 31, 2014	$	-	$	1,172,247	$	354,631	$	1,526,878

		May 31, 2014		February 28, 2014
Accreted principal, net of unamortized transaction costs	$	12,597,551	$	11,425,871
Embedded derivative liabilities (assets)		1,526,878		1,526,878
Gold loan liability		14,124,429		12,952,749
Current portion of gold loan		6,107,403		6,107,403
Long term portion of gold loan	$	8,017,026	$	6,845,346

As at May 31, 2014 the minimum contractual cash flows for the facility are $18,750,000 (note 18 (c))

16. SHARE CAPITAL

a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

During the period ended May 31, 2014:

1. The Company issued 13,783,000 shares at a price of $0.50 per share for proceeds of $6,891,500 under a private placement. The Company paid finders fees of $267,500 in relation to this private placement.

2. The Company completed a shares for debt settlement, where the Company issued 3,000,000 common shares of the Company for settlement of trade and other payables totalling $1,500,000.

16. SHARE CAPITAL (CONTINUED)

a) Common Shares

During the year ended February 28, 2014:

1. The Company issued 49,000 common shares for proceeds of $49,833, of which $41,650 was received during the year ended February 28, 2013.
2. The Company issued 401,057 common shares for proceeds of $188,025 relating to warrants that were exercised.

b) Option Plan Details

The Company has an incentive Stock Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms of up to five years. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria. In accordance with the Plan, the vesting of options is at the complete discretion of the Board other than in respect of any particular options granted to a service provider who is performing Investor Relations Activities, which will vest in stages over twelve months with no more than one quarter (1/4) of such option vesting in any three month period.

The following is a summary of changes in options from February 28, 2013 to May 31, 2014:

	Number of options	Weighted average exercise price per share
Balance, February 28, 2013	10,156,857	$1.02
Granted	1,880,814	$0.87
Exercised	(375,000)	$0.47
Forfeited/Expired	(677,500)	$0.88
Balance, February 28, 2014	10,985,171	$1.01
Forfeited/Expired	(1,003,661)	$0.88
Balance, May 31, 2014	9,981,510	$1.01

16. SHARE CAPITAL (CONTINUED)

b) Option Plan Details (continued)

A summary of the Company's options outstanding and exercisable at May 31, 2014 is presented as follows:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited/ Expired	Closing Balance	Vested and Exercisable	Weighted Average Remaining Life (Years)
4/16/2009	4/16/2014	$ 0.45	1,003,661	-	-	(1,003,661)	-	-	-
7/17/2009	7/17/2014	$ 0.38	66,266	-	-	-	66,266	66,266	0.13 **
8/28/2009	8/28/2014	$ 0.60	456,306	-	-	-	456,306	456,306	0.24
9/18/2009	9/18/2014	$ 0.62	78,287	-	-	-	78,287	78,287	0.30
10/29/2009	10/29/2014	$ 1.25	576,490	-	-	-	576,490	576,490	0.41
2/2/2010	2/2/2015	$ 1.00	1,869,208	-	-	-	1,869,208	1,869,208	0.68
9/27/2010	9/27/2015	$ 1.16	235,947	-	-	-	235,947	235,947	1.33
11/26/2010	11/26/2015	$ 1.42	548,261	-	-	-	548,261	548,261	1.49
4/1/2011	4/1/2016	$ 1.22	283,956	-	-	-	283,956	283,956	1.84
6/20/2011	6/20/2016	$ 1.66	480,790	-	-	-	480,790	480,790	2.06
7/22/2011	7/22/2016	$ 1.66	568,705	-	-	-	568,705	568,705	2.15
8/12/2011	8/12/2016	$ 1.52	317,500	-	-	-	317,500	317,500	2.20
2/1/2012	2/1/2017	$ 0.89	2,329,000	-	-	-	2,329,000	2,329,000	2.68
6/19/2012	6/19/2017	$ 0.50	-	-	-	-	-	-	3.05
6/29/2012	6/29/2017	$ 1.21	289,980	-	-	-	289,980	289,980	3.08
10/23/2013	10/23/2018	$ 0.87	1,880,814	-	-	-	1,880,814	1,880,814	4.40
			10,985,171	-	-	(1,003,661)	9,981,510	9,981,510	2.17

** Subsequently expired unexercised

16. SHARE CAPITAL (CONTINUED)

b) Option Plan Details (continued)

A summary of the Company's options outstanding and exercisable at February 28, 2014 is presented as follows:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited/ Expired	Closing Balance	Vested and Exercisable	Weighted Average Remaining Life (Years)
4/16/2009	4/16/2014	$ 0.45	1,128,661	-	(125,000)	-	1,003,661	1,003,661	0.13
7/17/2009	7/17/2014	$ 0.38	66,266	-	-	-	66,266	66,266	0.38
8/28/2009	8/28/2014	$ 0.60	456,306	-	-	-	456,306	456,306	0.50
9/18/2009	9/18/2014	$ 0.62	78,287	-	-	-	78,287	78,287	0.55
10/29/2009	10/29/2014	$ 1.25	576,490	-	-	-	576,490	576,490	0.67
2/2/2010	2/2/2015	$ 1.00	1,869,208	-	-	-	1,869,208	1,869,208	0.93
9/27/2010	9/27/2015	$ 1.16	285,947	-	-	(50,000)	235,947	235,947	1.58
11/26/2010	11/26/2015	$ 1.42	568,261	-	-	(20,000)	548,261	548,261	1.74
4/1/2011	4/1/2016	$ 1.22	313,956	-	-	(30,000)	283,956	283,956	2.09
6/20/2011	6/20/2016	$ 1.66	535,790	-	-	(67,500)	480,790	480,790	2.31
7/22/2011	7/22/2016	$ 1.66	606,205	-	-	(30,000)	568,705	568,705	2.40
8/12/2011	8/12/2016	$ 1.52	317,500	-	-	-	317,500	317,500	2.45
2/1/2012	2/1/2017	$ 0.89	2,724,000	-	-	(400,000)	2,329,000	2,329,000	2.93
6/19/2012	6/19/2017	$ 0.50	250,000	-	(250,000)	-	-	-	3.31
6/29/2012	6/29/2017	$ 1.21	379,980	-	-	(80,000)	289,980	289,980	3.33
10/23/2013	10/23/2018	$ 0.87	-	1,880,814	-	-	1,880,814	1,880,814	4.65
			10,156,857	1,880,814	(375,000)	(677,500)	10,985,171	10,985,171	2.21

During the year ended February 28, 2014, the Company granted stock options under its Stock Option Plan to directors, officers employees and service providers exercisable for up to 1,880,814 shares of the Company, with an estimated fair value of $1,351,300 on the grant date. The options are exercisable on or before October 23, 2018, at a price of $0.87 per share. A total of $71,800 of stock based compensation has been recorded in mine operating expense for the year.

16. SHARE CAPITAL (CONTINUED)

c) Fair Value of Options Issued during the period

The fair value of options issued during the year ended February 28, 2014 were determined using a Black-Scholes option pricing model with the following assumptions:

	May 31, 2014	February 28, 2014
Volatility	-	119.07%
Dividend Yield	-	0%
Risk Free Rate	-	2.0%
Expected Life (Year)	-	5

d) Share Purchase Warrants

The following is a summary of changes in warrants from February 29, 2013 to May 31, 2014:

	Number of Warrants	Weighted average exercise price per warrant
Balance, February 28, 2013	16,426,950	$ 1.07
Issue of warrants (Note 15)	9,360,000	0.89
Exercised warrants	(49,000)	0.85
Expired	(16,377,950)	1.07
Balance, May 31 and February 28, 2014	9,360,000	$ 0.89

No warratns were granted during the period ended May 31, 2014. The fair value of warrants granted during the year ended February 28, 2014,were determined using a Black-Scholes option pricing model with the following assumptions:

	May 31, 2014	February 28, 2014
Volatility	-	85.30%
Dividend Yield	-	0%
Risk Free Rate	-	1.59%
Expected Life (Year)	-	2.5

16. SHARE CAPITAL (CONTINUED)

d) Share Purchase Warrants (continued)

As at May 31 and February 28, 2014, the Company had outstanding share purchase warrants as follows:

Expiry Date	Exercise Price	Outstanding and exercisable
April 24, 2016	$0.89	9,360,000
Balance, May 31 and February 28, 2014		**9,360,000**

17. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the period:

a) Exploration costs

Costs of $40,214 (2013: $30,555), incurred in connection with the Company's exploration costs, were paid to a Company controlled by a director.

b) Deferred development costs

Costs of $95,057 (2013: $215,414), incurred in connection with the Company's deferred development costs, were paid to a Company controlled by a director.

c) Reclamation costs

Costs of $9,188 (2013: $Nil), incurred in connection with the Company's reclamation work at the QR Mine and Mill, were paid to a Company controlled by a director.

d) Administration fees

Administration fees of $27,230 (2013: $16,870), incurred in connection with the Company's above-noted exploration, deferred development and reclamation costs, were paid to a Company controlled by a director.

e) Rent

Costs of $19,182 (2013: 24,411), incurred in connection with the Company's office lease were paid to a Company controlled by a director. (note 27)

f) Inventory

Costs of $58,837 (2013: $Nil), incurred in connection with the Company's QR Mine were paid to a company controlled by a director of the Company.

g) Key Management Compensation

Key management personnel compensation comprised:

	May 31, 2014	May 31, 2013
Short term employee benefits and director fees	$ 161,088	$ 126,669
	$ 161,088	$126,669

17. RELATED PARTY TRANSACTIONS (CONTINUED)

h) Balance payable:

The amounts payable to related parties, are summarized as follows:

	May 31, 2014	February 28, 2014
Due to other companies with certain common directors	$ 445,414	$ 20,321
Other amounts due to directors	76,731	-
Total due to related parties	522,145	20,321
Add: loan from director	-	627,933
	$ 522,145	$ 648,254

At May 31, 2014, the balance payable to companies with certain common directors relates primarily to ongoing exploration, reclamation and deferred development costs incurred by the Company. The balance is payable on demand, unsecured and on normal commercial terms.

The other amounts due to director at May 31, 2014, related primarily to development costs incurred by the Company and administration fees paid to the directors for attending meetings. The balance was payable on demand, interest free, and unsecured.

The loan from director arises as a result of the PRO the Company received on December 5, 2012. The Company received approval for the PRO to allow the Company's CEO to loan the Company up to $2.44 million to be used toward payment of outstanding accounts payable and for costs associated with the NI43-101 Technical Report (the "Loan"). As at February 28, 2014, the Company owes $627,933 to the Company's CEO by means of the PRO (February 28, 2013 - $749,482). The amounts bear interest at 20% per annum with all such interest to be payable in full to the lender on repayment of the principal, which shall be on the date which is six months from the date of any such loan. The interest rate shall be reduced to 10% after one year should any Loan remain outstanding for a period of one year from the date of advancement. During the period ended May 31, 2014, a total of $18,441 in interest has been accrued (2013 - $97,507), all of which is outstanding as at May 31, 2014. The loan is collateralized by all of the Company's presently owned and after acquired or held personal property, assets and undertakings. All terms on the Loan were determined to reflect terms that would be appropriate for a similar loan with a non-related party for an entity under similar circumstances.

As at May 31, 2014, the loan balance of $429,633 was reassigned to a company controlled by the Company's CEO. All the terms on Loan remained unchanged.

A director was reimbursed for corporate administration and exploration expenditures incurred on behalf of the Company which included purchases of fuel, property tenure renewals, investor relations and travel expenses for a total of $720,752 (2013: $80,220).

18. 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	
	May 31, 2014	February 28, 2014	May 31, 2014	February 28, 2014	May 31, 2014	February 28, 2014
Cash	$ 477,779	$ 352,275	-	-	-	-
Amounts receivable	-	-	$ 831,980	$ 169,683	-	-
Available for sale investments	-	-	-	-	$ 3,450	$ 3,450
Reclamation deposits	-	-	$3,395,800	$2,730,800	-	-
Total Financial Assets	$ 477,779	$ 352,275	$ 4,227,780	$ 2,900,483	$ 3,450	$ 3,450

	May 31, 2014	February 28, 2014
Financial liabilities at amortized cost:		
Trade and other payables	$ 8,160,347	$ 9,954,356
Due to related parties	522,145	648,254
Gold loan facility (Note 15)	14,124,429	11,425,871
Financial liabilities at fair value:		
Derivative liability (Note 15)	1,526,878	1,526,878
Total Financial Liabilities	$ 24,333,799	$ 23,555,359

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) 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.

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 period ended May 31, 2014 (2013: no exposure).

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.

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.

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.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) 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 $477,779 (2013: $352,275), reclamation deposits of $3,395,800 (2014: $ 2,730,800), and amounts receivable of $831,980 (2014: $ 169,683).

c) 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 May 31, 2014, the Company had a working capital deficit of $15,183,763.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities as at May 31 and February 28, 2014:

	Book Value at May 31, 2014	Within 1 Year	2 to 5 years	Over 5 years	Total
Trade and other payables	8,160,347	8,160,347	-	-	8,160,347
Due to related parties	522,145	522,145	-	-	522,145
Gold loan facility	14,124,429	6,250,000	12,500,000	-	18,750,000
Total	22,806,921	14,932,492	12,500,000	-	27,432,492

	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

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying amounts for amounts receivable, trade and other payables, due to related parties, and loan from director approximate their fair value due to their short-term nature.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair Value Measurements, using:					
	Level 1		Level 2		Level 3	
	May 31, 2014	February 28, 2014	May 31, 2014	February 28, 2014	May 31, 2014	February 28, 2014
Financial Assets						
Cash and cash equivalents	$ 477,779	$ 352,275	-	-	-	-
Reclamation deposits	3,395,800	2,730,800	-	-	-	-
Available for sale investments	3,450	3,450	-	-	-	-
Financial Liabilities						
Derivative liabilities	-	-	(1,526,878)	(1,526,878)	-	-
	$3,877,029	$3,086,525	$ (1,526,878)	$ 1,526,878)	$ -	$ -

Available for sale investments

The available-for-sale investment is based on quoted prices and is therefore considered to be Level 1.

Current and non-current derivative liabilities

The derivative liabilities is the repayment in excess of the $15,000,000 gold loan facility with 10% interest per annum when the gold price is greater than $1,650 per ounce on the repayment date (note 15). The fair value of the Company's derivative liabilities is calculated using forward gold prices and gold option prices traded on the Chicago Mercantile Exchange and is considered to be a Level 2 fair value measurement.

19. MINE OPERATING EXPENSE

Mine Operating Expense for the Company consists of the following components by nature:

	Three months ended			
		May 31, 2014		May 31, 2013
Consulting fees	$	349,401	$	17,361
Depreciation (Note 9)		273,977		321,984
Employee salaries and benefits		603,667		275,877
Office and administration		232,344		144,748
Repairs and maintenance		479,606		173,182
Utilities		60,000		112,774
Total mine operating expense	$	1,998,995	$	1,045,926

20. EXPLORATION

Exploration for the Company consists of the following components by nature:

	Three months ended			
		May 31, 2014		May 31, 2013
Administration fees	$	51,871	$	15,388
Assaying		545,523		87,611
Assessment and tax		37,920		66,945
Depreciation (Note 9)		19,629		18,864
Environmental		1,205		8,381
Equipment and rentals		52,656		20,733
Land fees and permitting		1,763		141,646
Travel		19,217		18,415
Employee salaries and benefits		140,842		131,633
Repairs and maintenance		136,089		-
Recovery of exploration expenditures for mining tax credit received		9,538		-
Total exploration	$	1,016,252	$	509,616

21. CORPORATE ADMINISTRATION

Corporate administration for the Company consists of the following components by nature:

	Three months ended	
	May 31, 2014	May 31, 2013
Consulting fees	$ 112,842	70,785
Depreciation (Note 9)	16,377	13,078
Employee salaries and benefits	273,151	245,955
Legal, audit & accounting	72,915	189,021
Office and administration	94,554	20,331
Shareholder communications and advertising	30,025	44,210
Other corporate administration costs	39,926	130,327
Travel and related expenses	108,742	59,503
Total corporate administration	$ 748,532	$ 773,210

22. FINANCE EXPENSE

The finance expense for the Company is comprised of the following:

	Three months ended	
	May 31, 2014	May 31, 2013
Accretion on provision for site reclamation and closure (Note 14)	$ 39,999	$ 18,145
Bank charges, interest charges and commissions	34,849	87,069
Interest and accretion on debt (Note 15)	1,171,680	-
Total finance expense	$ 1,246,528	$ 105,214

23. CAPITAL MANAGEMENT

The company monitors its cash, common shares, warrants, stock options, and the gold loan as capital. The Company's objectives when maintaining capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business. There were no changes in the Company's approach to capital management during the year.

Under the terms of the Gold Loan Facility, the Company is required to maintain a minimum working capital amount of $1,500,000 commencing August 1, 2014 (Note 15). Subsequent to the May 31, 2014, the lender agreed to waive any events of default under the agreement until August 30, 2014. (Note 28)

The Company's capital consists of the following:

		May 31, 2014		February 28, 2014
Less cash	$	477,779	$	352,275
		(477,779)		(352,275)
Short term gold loan facility		6,107,403		6,107,403
Long term gold loan facility		8,017,026		6,845,346
Share capital		126,783,790		118,659,790
Share-based payments reserve		24,814,417		24,814,417
Accumulated other comprehensive income		(15,870)		(15,870)
Accumulated Deficit		(133,435,337)		(129,162,213)
Capital	$	31,793,650	$	26,896,598

24. SEGMENTED REPORTING

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the Company's chief operating decision maker, and for which discrete financial information is available. The Company has determined that it has one reportable operating segment, the acquisition, exploration, development and production of gold mineral properties, all of which occurs within Canada. The Company's corporate head office earns nominal revenue that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment. The Company's revenue is derived through a refining agreement with a single refiner.

25. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period.

	May 31, 2014	May 31, 2013
Loss attributed to ordinary shareholders	$ 4,273,124	$ 2,532,877
Weighted average number of common shares	120,817,295	109,401,649
Basic and diluted loss per share	$ 0.04	$ 0.02
Weighted Average Number of Common Shares		
Issued Common Shares at February 28	109,851,706	109,401,649
Effect of shares issued for private placements	10,432,256	-
Effect of shares issued for debts	533,333	-
	120,817,295	109,401,649

As at May 31, 2014, there are 9,981,510 options (May 31, 2013 – 10,156,857), 9,360,000 share purchase warrants (May 31, 2013 – 14,319,368), and nil broker warrants (May 31, 2013 – 2,107,582) outstanding. The effect of shares issuable on the exercise of options, share purchase warrants, and broker warrants are anti-dilutive.

26. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from consolidated statements of cash flows. The following transactions are excluded from the consolidated statements of cash flows.

During the period ended May 31, 2014, included in trade and other payables is $1,461,786 related to mineral properties and deferred development costs.

27. COMMITMENT

On April 1, 2014, the Company entered into an Administrative Service Agreement with company owned by the Company's CEO. The Company will pay $10,220 per month for its office lease for $10,220 per month from May 1, 2014 to May 30, 2019.

28. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to May 31, 2014:

a) The Company received the written resignation of Frank Callaghan and reported that Norman Anderson, the Company's current Chairman, has been appointed the interim President and Chief Executive Officer of the Company.

b) The Company negotiated a limited one-month extension and waiver in connection with its existing Gold Loan Facility agreement with its lender. In connection with and in furtherance of the extension, the Lender has agreed to waive any events of default under the agreement until August 30, 2014. During that time period, the parties will be reviewing potential loan amendments. The agreement remains in full force and effect.