Consolidated Financial Statements
(Stated in Canadian Dollars)

PREMIER
Gold Mines Limited

December 31, 2013 and 2012

Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Premier Gold Mines Limited

We have audited the accompanying consolidated financial statements of Premier Gold Mines Limited, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Premier Gold Mines Limited as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Thunder Bay, Canada
March 28, 2014

Chartered Accountants
Licensed Public Accountants

PREMIER Gold Mines Limited
(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian Dollars)

As at December 31,

	Note	2013 $	2012 $
ASSETS			
Current assets			
Cash and cash equivalents	*4*	**52,552,321**	85,101,642
Accounts receivable		**1,285,757**	600,911
Prepaids and deposits		**251,630**	194,129
Investments held for sale	*5*	**17,381,833**	2,082,490
Total current assets		**71,471,541**	87,979,172
Assets included in disposal group classified as held for sale	*15*	**-**	75,131,370
Non-current assets			
Restricted cash and cash equivalents	*6*	**3,935,272**	2,884,414
Investments	*5*	**134,857**	267,582
Property, plant and equipment	*7*	**3,247,546**	5,737,581
Exploration and evaluation assets	*8*	**329,703,082**	308,411,808
Total non-current assets		**337,020,757**	317,301,385
Total assets		**408,492,298**	480,411,927
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**3,094,360**	3,167,233
Taxes payable		**-**	24,806
Current portion of long term debt	*9*	**9,627,200**	9,247,326
Deferred premium on flow-through shares		**-**	2,889,206
Total current liabilities		**12,721,560**	15,328,571
Liabilities included in disposal group classified as held for sale	*15*	**-**	6,271,925
Non-current liabilities			
Deferred taxes	*16*	**34,113,763**	32,670,536
Long term debt	*9*	**151,828**	9,257,607
Provision for environmental rehabilitation	*10*	**3,703,380**	2,449,004
Total non-current liabilities		**37,968,971**	44,377,147
Total liabilities		**50,690,531**	65,977,643
Equity			
Share capital	*11*	**417,211,022**	410,425,866
Reserves	*11*	**37,936,321**	31,419,166
Deficit		**(97,345,576)**	(68,047,891)
Equity attributable to owners of the parent		**357,801,767**	373,797,141
Non-controlling interest in disposal group		**-**	40,637,143
Total equity		**357,801,767**	414,434,284
Total liabilities and equity		**408,492,298**	480,411,927

Commitments [note 18]
Contingencies [note 21]

See accompanying notes to the consolidated financial statements
Approved by the Board of Directors and authorized for issue on March 21, 2014:

"John Seaman"
Director

"Ewan Downie"
Director

PREMIER
Gold Mines Limited
(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF LOSS
(Stated in Canadian Dollars)

For the years ended December 31,

	Note	2013 $	2012 $
EXPENSES			
Depreciation and impairment loss on property, plant and equipment	*7*	**2,537,509**	59,535
Impairment loss on exploration and evaluation assets	*8*	**17,758,606**	-
Share-based payments	*11*	**4,677,871**	5,824,586
Flow-through interest penalty		**18,766**	120,671
General and administrative	*17*	**4,259,155**	4,700,787
Professional fees		**753,494**	859,349
Exploration expenses		**252,783**	412,941
Property maintenance		**526,950**	572,929
Long term debt accretion	*9*	**1,311,618**	963,494
Environmental rehabilitation accretion	*10*	**49,519**	48,537
Loss before the following		**(32,146,271)**	(13,562,829)
Investment income		**725,868**	742,850
Other income		**52,572**	86,501
Unrealized loss on investments	*5*	**(28,866,557)**	(391,809)
Foreign exchange gain		**112,553**	32,644
Interest on long term debt		**(21,142)**	(368,483)
Loss on sale of investments	*5*	**(10,031,876)**	(1,250)
Gain on sale of Premier Royalty	*15*	**37,978,038**	-
Gain on disposal of exploration and evaluation assets		**-**	135,422
Loss on disposal of property, plant and equipment	*7*	**(15,065)**	(4,501)
		(65,609)	231,374
Loss before income taxes		**(32,211,880)**	(13,331,455)
Current tax expense	*16*	**(29,538)**	(4,416)
Deferred tax recovery/(expense)	*16*	**2,996,945**	(8,082,791)
Loss for the year from continuing operations		**(29,244,473)**	(21,418,662)
Loss for the year from discontinued operations	*15*	**(82,230)**	(19,472,853)
Loss for the year		**(29,326,703)**	(40,891,515)
Loss for the year attributable to:			
Non-controlling interest	*15*	**(29,018)**	(8,779,849)
Owners of the parent		**(29,297,685)**	(32,111,666)
Loss for the year		**(29,326,703)**	(40,891,515)
Basic and diluted loss per share			
Loss from continuing operations	*12*	(0.19)	(0.15)
Loss from discontinued operations	*12*	-	(0.14)
Total		(0.19)	(0.29)

See accompanying notes to the consolidated financial statements

PREMIER
Gold Mines Limited
(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Stated in Canadian Dollars)

For the years ended December 31,

	Note	**2013** **$**	**2012** $
Loss for the year		**(29,326,703)**	(40,891,515)
Exchange difference on translation of foreign operations		**3,858,685**	(1,302,241)
Deferred tax expense	*16*	**(1,446,895)**	-
Total comprehensive loss for the year		**(26,914,913)**	(42,193,756)
Comprehensive loss for the year			
Comprehensive loss from continuing operations		**(26,832,683)**	**(22,720,903)**
Comprehensive loss from discontinued operations		**(82,230)**	**(19,472,853)**
Loss and comprehensive loss for the year		**(26,914,913)**	**(42,193,756)**
Comprehensive loss for the year attributable to:			
Non-controlling interest		**(29,018)**	**(8,779,849)**
Owners of the parent		**(26,885,895)**	**(33,413,907)**
Loss and comprehensive loss for the year		**(26,914,913)**	**(42,193,756)**

See accompanying notes to the consolidated financial statements

PREMIER
Gold Mines Limited
(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

For the years ended December 31,

	Note	2013 $	2012 $
OPERATING ACTIVITIES			
Loss for the year from continuing operations		**(29,244,473)**	(21,418,662)
Items not affecting cash			
Depreciation and impairment loss on property, plant and equipment		**2,537,509**	59,535
Impairment loss on exploration and evaluation assets		**17,758,606**	-
Share-based payments		**4,677,871**	5,824,586
Long term debt accretion		**1,311,618**	963,494
Environmental rehabilitation accretion		**49,519**	48,537
Unrealized loss on investments		**28,866,557**	391,809
Foreign exchange loss		**129,799**	-
(Gain) loss on sale of investments		**(27,946,162)**	1,250
Gain on disposal of exploration and evaluation assets		**-**	(135,422)
Loss on disposal of property, plant and equipment		**15,065**	4,501
Deferred tax (recovery)/expense		**(2,996,945)**	8,082,791
		(4,841,036)	(6,177,581)
Cash flow from discontinued operations		**-**	369,796
		(4,841,036)	(5,807,785)
Changes in non-cash working capital balances related to operations			
Accounts receivable		**(684,846)**	323,233
Prepaids and deposits		**(57,501)**	(97,144)
Accounts payable and accrued liabilities		**(26,685)**	(281,211)
Taxes payable		**(24,806)**	(60,568)
Cash used in operating activities		**(5,634,874)**	(5,923,475)
INVESTMENT ACTIVITIES			
Exploration and evaluation assets		**(34,417,830)**	(24,468,959)
Acquisition of Cove mineral property		**-**	(5,410,939)
Costs associated with sale of Premier Royalty Inc.		**(39,384)**	-
Net change in investments		**12,121,463**	(3,832,032)
Net change in restricted cash and cash equivalents		**(1,025,868)**	-
Acquisition of royalty interest included in disposal group assets held for sale		**-**	(20,545,345)
Purchase of property, plant and equipment		**(206,716)**	(598,864)
Cash used in investment activities		**(23,568,335)**	(54,856,139)
FINANCING ACTIVITIES			
Shares issued in public offerings		**-**	121,517,446
Proceeds from the exercise of stock options		**889,450**	1,780,110
Share issue costs		**-**	(6,858,065)
Repayment of long term debt		**(5,049,508)**	(9,570,241)
Cash provided by (used in) financing activities		**(4,160,058)**	106,869,250
Increase (decrease) in cash and cash equivalents during year		**(33,363,267)**	46,089,636
Cash and cash equivalents, beginning of the year		**85,101,642**	39,012,006
Effect of exchange rate changes on cash and cash equivalents		**813,946**	-
Cash and cash equivalents, end of the year		**52,552,321**	85,101,642

Supplemental cash flow information [Note 13]
See accompanying notes to the consolidated financial statements

PREMIER
Gold Mines Limited

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)

		Share capital		Reserves							
Issued and outstanding:	Note	Number of shares	Share capital	Warrants	Equity settled employee benefits	Contributed surplus	Foreign currency translation	Deficit	Equity attributable to owners of the parent	Non-controlling interest	Total Equity
Balance as at December 31, 2011		127,420,478	291,498,818	750,933	19,768,271	-	72,604	(35,936,225)	276,154,401	-	276,154,401
Public offerings	*12*	20,034,950	121,517,446	-	-	-	-	-	121,517,446	-	121,517,446
Deferred flow through premium on shares issued in public offering	*12*	-	(3,004,950)						(3,004,950)		(3,004,950)
Exercise of stock options	*12*	609,050	2,731,901	-	(893,332)	-	-	-	1,838,569	-	1,838,569
Shares issued as compensation	*12*	61,377	275,922	-	-	-	-	-	275,922	-	275,922
Shares issued for mineral properties	*12*	9,000	41,580	-	-	-	-	-	41,580	-	41,580
Share issue costs		-	(6,858,065)	-	-	-	-	-	(6,858,065)	-	(6,858,065)
Expiry of obligation shares		-	-	-	(58,459)	-	-	-	(58,459)	-	(58,459)
Share issued for Cove	12	892,857	4,223,214	-	-	-	-	-	4,223,214	-	4,223,214
Share based payments		-	-	-	5,541,627	-	-	-	5,541,627	-	5,541,627
Non-controlling interest arising from Premier Royalty / Bridgeport arrangement		-	-	-	-	7,539,763	-	-	7,539,763	49,416,992	56,956,755
Comprehensive loss for the year		-	-	-	-	-	(1,302,241)	(32,111,666)	(33,413,907)	(8,779,849)	(42,193,756)
Balance as at December 30, 2012		149,027,712	410,425,866	750,933	24,358,107	7,539,763	(1,229,637)	(68,047,891)	373,797,141	40,637,143	414,434,284
Exercise of stock options	*12*	472,000	1,330,145	-	(440,695)	-	-	-	889,450	-	889,450
Shares issued for Broulan Reef	*12*	160,000	323,200	-	-	-	-	-	323,200	-	323,200
Shares issued for Cove debt repayment	*12*	2,142,612	5,000,000	-	-	-	-	-	5,000,000	-	5,000,000
Share-based payments	-	-	-	-	4,546,060	-	-	-	4,546,060	-	4,546,060
Surrender of shares by Goldstone Resources Inc.	*12*	(400,000)	-	-	-	-	-	-	-	-	-
Shares issued as compensation	-	94,151	131,811	-	-	-	-	-	131,811	-	131,811
Non-controlling interest eliminated on sale of Premier Royalty Inc.	*15*	-	-	-	-	-	-	-	-	(40,608,125)	(40,608,125)
Comprehensive loss for the year	-	-	-	-	-	-	2,411,790	(29,297,685)	(26,885,895)	(29,018)	(26,914,913)
Balance as at December 31, 2013		**151,496,475**	**417,211,022**	**750,933**	**28,463,472**	**7,539,763**	**1,182,153**	**(97,345,576)**	**357,801,767**	**-**	**357,801,767**

See accompanying notes to the consolidated financial statements

PREMIER Gold Mines Limited
(Incorporated under the laws of Ontario)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

For the years ended December 31, 2013 and 2012

1. NATURE OF BUSINESS

Premier Gold Mines Limited (the “Corporation”), a Canadian based mineral exploration company publicly listed on the Toronto Stock Exchange, is focused on exploring for and development of gold deposits in Canada, the United States and Mexico. The Corporation’s principal assets include the Hardrock and Brookbank properties located along the Trans-Canada highway, the Rahill-Bonanza and East Bay properties in the Red Lake mining district and PQ North in the Musselwhite Mine area, all in Northwestern Ontario, Canada and the Cove and Saddle properties located in Nevada in the United States.

Premier Gold Mines Limited's head office is located at Suite 200, 1100 Russell Street, Thunder Bay, Ontario, P7B 5N2.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements of the Corporation have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Corporation for the year ended December 31, 2013 were approved and authorized for issue by the Board of Directors on March 21, 2014.

Basis of Presentation

The consolidated annual financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. Measurement bases are more fully described in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Basis of Consolidation

The Corporation's financial statements consolidate those of the parent Corporation and all of its subsidiary undertakings drawn up to December 31, 2013. Subsidiaries are all entities over which the Corporation has the power to control the financial and operating policies. The Corporation obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of December 31. The Corporation's subsidiaries are:

	Percentage of ownership	Jurisdiction	Principal activity
Premier Gold Mines USA Inc.	100%	United States	Mineral exploration
Premier Gold Mines Nevada Inc.	100%	United States	Mineral exploration
Au-reka Gold Corporation	100%	United States	Mineral exploration
Goldstone Resources Inc.	100%	Canada	Mineral exploration
2295196 Ontario Inc.	100%	Canada	Mineral exploration
2295197 Ontario Inc.	100%	Canada	Mineral exploration
Cherbourg Gold Inc.	85.7%	Canada	Mineral exploration
Barraute Gold Inc.	100%	Canada	Mineral exploration
Oro Premier de Mexico S.A. de C.V.	100%	Mexico	Mineral exploration

All transactions and balances between the Corporation and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Business Combinations

For business combinations occurring since January 1, 2010, the requirements of IFRS 3 have been applied. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized as profit immediately.

Joint Operations

Operations that are jointly controlled by the Corporation and other venturers independent of the Corporation (joint ventures) are accounted for by recognizing the Corporation's share of the assets, liabilities, income and expenses included line by line in the consolidated financial statements.

Amounts reported in the financial statements for joint operations have been adjusted where necessary to ensure consistency with the accounting policies of the Corporation.

The Corporation participates in co-ownership agreements with other parties which are labelled joint venture agreements. These agreements do not constitute joint arrangements for purposes of applying IFRS 11 in that the percentage ownership in the jointly held property is such that control resides with the majority ownership interest. In that case, the Corporation records their share of the assets, liabilities, income and the expenses related to the venture.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars (CDN), which is also the functional currency of the parent Corporation.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective Corporation, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at period-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Foreign currency translations

In the Corporation's consolidated financial statements, all assets, liabilities and transactions of the Corporation's subsidiaries with a functional currency other than the $CDN (the Corporation's presentation currency) are translated into $CDN upon consolidation. The functional currency of the entities in the Corporation has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into $CDN at the closing rate at the reporting date. Income and expenses have been translated into the Corporation's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into $CDN at the closing rate.

Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, and subsequently accounted for at amortized cost, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- held-to-maturity investments
- available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that the recoverable amount of a financial asset or a group of financial assets exceeds its carrying amount. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within 'investment income' or 'other income'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Corporation's cash and cash equivalents, accounts receivables and restricted cash and cash equivalents fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty may default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The Corporation's investments fall into this category of financial instrument.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Corporation has the intention and ability to hold them until maturity. The Corporation currently does not hold any investments designated into this category.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All other available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'finance income'. The corporation currently does not hold any investments designated into this category.

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Financial liabilities

The Corporation's financial liabilities include borrowings and accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'general and administrative costs'.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment have been impacted. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default of delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization

For certain categories of financial assets, such as amounts receivable and deposits, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment loses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Non-current assets and liabilities classified as held for sale and discontinued operations

When the Corporation intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 months is highly probably, the asset or disposal group is classified as held for sale and presented separately in the statement of financial position. Liabilities are classified as held for sale and presented as such in the statement of financial position if they are directly associated with a disposal group.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Corporation's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale or remeasurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

Exploration and evaluation

Exploration and evaluation assets include the costs of acquiring rights and licenses, costs associated with exploration and evaluation activity (e.g. geological, geophysical studies, exploratory drilling and sampling), and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or asset purchase. The Corporation follows the practice of capitalizing all costs related to the acquisition of, exploration for and evaluation of mineral claims and crediting revenue received until production is achieved against the cost of related claims. Costs incurred before the Corporation has obtained the legal rights to explore an area are recognized in the statement of comprehensive loss.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Property, plant and equipment

Buildings and equipment are stated at historical cost less accumulated depreciation and any provision for impairment in value. Cost includes the purchase price, any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the present value of the estimated costs of decommissioning and restoration, if applicable. Costs relating to major upgrades are included in buildings and equipment if it is probable that future economic benefits associated with the expenditure will flow to the Corporation. Depreciation commences on property plant and equipment when the asset is available for use.

Depreciation on buildings, exploration equipment and office equipment is recognized on a declining balance basis to write down the cost or valuation less estimated residual value. The rates generally applicable are:

Buildings	4 - 10%
Exploration equipment	20%
Office equipment	30%

Depreciation on leasehold improvements is recognized on a straight-line basis over the estimated useful life of the assets, which is fifteen years.

Depreciation on the mill and mining equipment is done using the unit-of-production method once commercial production begins. There has been no depreciation recorded on the mill and mining assets as the Corporation has not started commercial production.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the equipment and are recognized in profit or loss within 'other income' or 'other expenses'.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Corporation's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less that its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

Share capital represents the fair value of consideration received. Equity instruments are contracts that give a residual interest in the net assets of the Corporation. Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Corporation’s common shares, stock options, and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares, options or warrants are also shown in equity as a deduction.

The Corporation periodically issues units to investors consisting of common shares and warrants in non-brokered private placements. Each whole warrant issued entitles the holder to acquire a common share of the Corporation, at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Corporation’s investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. “bifurcation”) of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, no accounting entry is recorded.

Share-based payment transactions

The Corporation operates equity-settled share-based remuneration plans for its employees, directors and consultants. None of the Corporation's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is determined at the grant date.

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to 'reserves'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are fewer then that estimated on vesting.

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit or other current tax activities, which differs from profit or loss in the financial statements. Calculation of current tax expense is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Corporation and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilised against future taxable income. To the extent that the Corporation does not consider it probable that a future tax asset will be recovered, it is not recognized in the financial statements.

Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Provisions

Provisions are recognized when the Corporation or its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Contingent liabilities are not recognized in the financial statements, if not estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

Environmental rehabilitation

Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed each reporting period for changes in cost estimates, discount rates and operating lives. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expenses. For closed sites, changes to estimated costs are recognized immediately in profit and loss.

Loss from discontinued operations

A discontinued operation is a component of the Corporation that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale

Loss from discontinued operations, including prior year components of loss, is presented in a single amount in the statement of loss. This amount, which comprises the post-tax loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale. The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date of the latest period presented.

Loss per share

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Corporation has identified its reportable segments on the basis of their geographic location. As a result the Corporation discloses information geographically based on the location of each of its operations.

Significant accounting judgements and estimates

In the application of the Corporation's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant judgements in applying the Corporation's accounting policies

Exploration and evaluation assets

The most significant judgement that members of management have made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements is the policy on exploration and evaluation assets.

In particular, management is required to assess exploration and evaluation assets for impairment. Note 8 discloses the carrying values of such assets. As part of this assessment, management has carried out an assessment whether there are indicators of impairment. If there are indicators, management performs an impairment test on the major assets within this balance.

The recoverability of exploration and evaluation assets is dependent on a number of factors common to the natural resource sector. These include the extent to which the Corporation can continue to renew its exploration and future development licenses with local or other authorities, establish economically recoverable reserves on its properties, the availability of the Corporation to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Corporation will use the evaluation work of professional geologists, geophysicists and engineers for estimates in determining whether to commence or continue mining and processing. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralisation.

Functional currency of foreign subsidiaries

Another significant judgement that members of management have made in the process of applying the Corporation's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements is the policy on functional currency of foreign subsidiaries.

Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

Significant estimates

The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Significant estimates include:

- the inputs used in accounting for share purchase option expense in the consolidated statements of loss; and;
- the provision for income taxes which is included in the consolidated statements of loss and comprehensive loss and composition of deferred income tax liabilities included in the consolidated statements of financial position which have not yet been confirmed by the taxation authorities and;

- the provision for environmental rehabilitation which is included in the consolidated statements of financial position and;
- the estimated useful lives of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss and comprehensive loss and;
- the discount rate used to determine the carrying value of long term debt

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

Flow through shares

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Corporation allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in deferred tax expense. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The accounting policies adopted in the preparation of these consolidated financial statements have been prepared on the basis of all IFRS and interpretations effective as at December 31, 2013.

Accounting standards issued and effective January 1, 2013

The following standards were applied for the periods beginning on or after January 1, 2013 and had no effect on the Corporation's financial performance:

- IFRS 7, Financial Instruments: Disclosures (amended 2011)
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- IAS 19, Employee Benefits (amended 2011)
- IAS 27, Separate Financial Statements (amended 2011)
- IAS 28, Investments in Associates (amended 2011)
- IFRIC 20, Stripping Costs in the Production Phase of a Mine (amended 2011)

The additional required disclosures of applying the above standards were incorporated in the notes of these consolidated financial statements.

Accounting standards issued and effective January 1, 2014

The Corporation has not applied the following revised or new IFRS that have been issued but were not yet effective at December 31, 2013. These accounting standards are not expected to have a significant effect on the

(Stated in Canadian Dollars)

Corporation's accounting policies or consolidated financial statements:

- IAS 32, Financial Instruments: Presentation clarifies the application of offsetting rules and requires additional disclosure on financial instruments subject to netting arrangements.
- IAS 36, Impairment of Assets modifies some of the disclosure requirements regarding the recoverable amount of non-financial assets.
- IFRIC 21, Levies provides guidance on when to recognise a liability for a levy imposed by a government, other than those levies within the scope of the other standards.

Accounting standards issued and effective for annual periods beginning on or after July 1, 2014

The Corporation is currently assessing the impact that the following changes to accounting standards will have on the consolidated financial statements:

- IFRS 2, Share-based Payments clarifies the definition of a vesting condition and separately defines performance and service conditions.
- IFRS 3, Business Combinations requires that an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as a financial liability or as equity on the basis of definitions of IAS 32 and additionally clarifies that IFRS 3 does not apply to the formation of any joint arrangement and that the scope exemption only applies in the financial statements of the joint arrangement itself.
- IFRS 8, Operations Segments requires disclosure of the judgements made by management in aggregating operating segments, and a reconciliation of segment assets to the total assets when segment assets are reported.
- IFRS 13, Fair Value Measurement clarifies that the portfolio exception in IFRS 13, which allows fair measurement as a group of financial assets and liabilities on a net basis, applies to all contracts within the scope of IAS 39 or IFRS 9.
- IAS 19, Employee Benefits clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.
- IAS 24, Related Party Disclosures requires a reporting entity to include as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Accounting standards issued and effective January 1, 2015

The Corporation is currently assessing the impact that the following changes to accounting standards will have on the consolidated financial statements:

- IFRS 7, Financial Instruments Disclosures requires new disclosures resulting from amendments to IFRS 9.
- IFRS 9, Financial Instruments introduces new requirements for the classification and measurement of financial assets and liabilities.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and in banks including money market savings accounts and short term deposits that have a one year maturity but that are cashable after 30 days or less into a known amount of cash.

	2013	2012
	$	$
Cash	**7,374,587**	19,731,935
Short-term money market investments	**45,177,734**	65,369,707
	52,552,321	85,101,642

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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For the years ended December 31, 2013 and 2012

5. INVESTMENTS

	2013		2012	
	Market $	**Cost $**	Market $	Cost $
Equities				
Canadian equities held for sale (*) (**)	**17,381,833**	**45,854,880**	2,082,490	1,821,706
Canadian equities (*)	**134,857**	**1,283,775**	244,782	1,283,775
	17,516,690	**47,138,655**	2,327,272	3,105,481
Other Financial Assets				
Warrants (***)	**-**	**-**	22,800	277,400
	17,516,690	**47,138,655**	2,350,072	3,382,881

(*) Canadian equities consist of common shares held in Canadian publicly traded corporations. Fair values of equities are determined as the bid price at December 31, 2013. Investments that are held for short term trading are classified as held for sale and are included in current assets.

(**) On January 28, 2013 the Corporation entered into a share purchase agreement with Sandstorm Gold Ltd. ("Sandstorm") pursuant to which Sandstorm acquired 33,655,821 common shares and 6,965,676 warrants of Premier Royalty Inc. from the Corporation, representing the Corporation's entire position in Premier Royalty Inc. The resulting consideration for the Premier Royalty Units was satisfied by the issuance of 5,604,277 special warrants in the capital of Sandstorm, all of which have been exercised for no additional consideration into one common share each of Sandstorm in accordance with the terms thereof.

Included on the statement of loss is an unrealized loss of $27,119,042 and a realized loss of $9,844,840 on the Sandstorm shares for the year ended December 31, 2013 (2012 - nil).

(***) On July 15, 2011 the Corporation participated in a private placement with Golden Dory Inc. The Corporation invested $494,000 in Golden Dory through the purchase of 3,800,000 units at $0.13. Each unit consisted of one common share in the capital of the Golden Dory and one common share purchase warrant. Each full warrant entitled the Corporation to purchase one additional share at a price of $0.20 cents per share for the period of 18 months from the date of issuance. On the date of grant the warrants had an estimated fair value of $277,400, which was based on an expected volatility of 123%, risk free rate of 1.16%, no dividends to be paid, and remaining life of 18 months. These warrants expired unexercised during the year, and any remaining value was written down to zero.

6. RESTRICTED CASH AND CASH EQUIVALENTS

The Corporation has a $633,089 standby letter of credit outstanding in favour of the Ontario Ministry of Northern Development and Mines relating to reclamation obligations of the Transcanada property in Ontario. Security for the standby letter of credit is held with the Royal Bank of Canada.

The Corporation's wholly owned subsidiary, Premier Gold Mines USA Inc., has $10,442USD ($11,106CDN) held in trust with the State of Nevada, Department of Conservation and Natural Resources, Division of Environmental Protection for the reclamation obligations associated with the Saddle Property in Nevada.

The Corporation has a total of $2,225,789 in restricted cash and cash equivalents relating to reclamation obligations associated with the Northern Empire mill in Ontario including:

- a $150,000 standby letter of credit with the Toronto Dominion Bank in the name of the Corporations' wholly owned subsidiary, Goldstone Resources Inc., and payable in favour of the Ontario Ministry of Northern Development and Mines (MNDM)
- a $1,678,494 standby letter of credit with the Royal Bank of Canada and payable in favour of the MNDM
- $397,295 in financial assurance held directly by the MNDM

(Stated in Canadian Dollars)

The Corporation's wholly owned subsidiary, Au-reka Gold Corporation has a total of $1,001,584USD ($1,065,288CDN) in restricted cash related to reclamation obligations associated with the Cove property in Nevada including:

- $976,584USD ($1,038,698CDN) held in trust with the United States Department of the Interior, Bureau of Land Management
- a $25,000USD ($26,590CDN) deposit with Newmont Mining Corporation

7. PROPERTY, PLANT AND EQUIPMENT

Costs	Buildings $	Leasehold improvements $	Exploration equipment $	Mill and mining equipment $	Office equipment $	Total $
Balance, December 31, 2011	160,976	-	83,735	4,561,675	133,635	4,940,021
Assets acquired	100,000	227,994	56,355	-	210,010	594,359
Provision for rehabilitation	-	-	-	348,610	-	348,610
Balance, December 31, 2012	260,976	227,994	140,090	4,910,285	343,645	5,882,990
Assets acquired	50,695	103,447	-	-	52,573	206,715
Provision for rehabilitation	-	-	-	(147,338)	-	(147,338)
Assets disposed	-	-	-	-	(32,282)	(32,282)
Foreign currency adjustment	-	-	3,886	-	-	3,886
Balance, December 31, 2013	**311,671**	**331,441**	**143,976**	**4,762,947**	**363,936**	**5,913,971**

Accumulated depreciation	Buildings $	Leasehold improvements $	Exploration equipment $	Mill and mining equipment $	Office equipment $	Total $
Balance, December 31, 2011	1,659	-	4,231	-	79,984	85,874
Depreciation for the year	6,373	8,078	19,047	-	26,037	59,535
Balance, December 31, 2012	8,032	8,078	23,278	-	106,021	145,409
Depreciation for the year	12,146	21,059	23,740	-	70,098	127,043
Impairment loss	17,340	-	39,350	2,353,776	-	2,410,466
Assets disposed	-	-	-	-	(17,217)	(17,217)
Foreign currency adjustment	-	172	552	-	-	724
Balance, December 31, 2013	**37,518**	**29,309**	**86,920**	**2,353,776**	**158,902**	**2,666,425**

Carrying amounts	Buildings $	Leasehold improvements $	Exploration equipment $	Mill and mining equipment $	Office equipment $	Total $
December 31, 2012	252,944	219,916	116,812	4,910,285	237,624	5,737,581
December 31, 2013	**274,153**	**302,132**	**57,056**	**2,409,171**	**205,034**	**3,247,546**

The Corporation recognized an impairment loss of $2,410,466 to reduce the carrying value of the buildings, exploration equipment and the mill and mining equipment during the year. The Corporation determined there was evidence that the carrying value of the asset was impaired and the loss was recorded to reduce the carrying cost to the estimated fair value less the cost to sell.

During the year the Corporation wrote off computer equipment and office furniture with a net book value of $15,065 (2012 - $4,501).

All depreciation and impairment charges are included in depreciation and impairment loss on the consolidated statements of loss.

(Incorporated under the laws of Ontario)

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8. EXPLORATION AND EVALUATION ASSETS

Property	December 31, 2012 $	Additions $	Impairment $	Currency Adjustment $	**December 31, 2013 $**
Rahill-Bonanza, Ontario	33,074,799	2,762,826	-	-	**35,837,625**
East Bay, Ontario	7,531,970	361,570	-	-	**7,893,540**
PQ North, Ontario	12,674,857	-	-	-	**12,674,857**
Hardrock, Ontario	151,403,519	22,540,637	-	-	**173,944,156**
Brookbank, Ontario	16,062,085	577,213	-	-	**16,639,298**
Cove, Nevada	29,183,911	8,729,802	-	2,014,532	**39,928,245**
Saddle, Nevada	39,140,569	14,025	-	972,132	**40,126,726**
Other areas	19,340,098	1,037,280	(17,758,606)	39,863	**2,658,635**
	308,411,808	36,023,353	(17,758,606)	3,026,527	**329,703,082**

Property	December 31, 2011 $	Additions $	Transfer $	Currency Adjustment $	December 31, 2012 $
Rahill-Bonanza, Ontario	29,673,194	3,401,605	-	-	33,074,799
East Bay, Ontario	6,995,188	536,782	-	-	7,531,970
PQ North, Ontario	11,283,077	1,391,780	-	-	12,674,857
Hardrock, Ontario	136,831,125	14,572,394	-	-	151,403,519
Brookbank, Ontario	15,343,463	718,622	-	-	16,062,085
Cove, Nevada	-	28,873,939	-	309,972	29,183,911
Saddle, Nevada	49,764,064	1,251,103	(11,220,000)	(654,598)	39,140,569
Other areas	19,397,385	(35,157)	-	(22,130)	19,340,098
	269,287,496	50,711,068	(11,220,000)	(366,756)	308,411,808

The amounts shown represent costs incurred to date, and do not necessarily represent present or future values as these are entirely dependent upon the economic recovery of future ore reserves.

Impairment loss on exploration and evaluation assets

The Corporation regularly reviews the carrying amount of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Mineral property interests are tested for impairment when facts and circumstances suggest that the carrying amount of the mineral property interests exceed their recoverable amounts.

The Corporation has determined that as a result of identifying certain mineral properties as non-core assets that have not been actively explored within the past three years and that have no future exploration plans, it was necessary to record an impairment of the carrying value of those mineral properties as of December 31, 2013. The non-cash loss attributable to the impairment is a charge of $17,758,606 to the consolidated statements of loss.

Transfer of exploration and evaluation assets

During 2012, $11,220,000 of mineral property acquisition costs were transferred from exploration and evaluation assets to royalty interests related to the Saddle property in Nevada and subsequently sold to Premier Royalty Corporation. The costs were transferred when the property began issuing royalty payments. The royalty interest was included in the disposal group assets classified as held for sale and royalty operations included in discontinued operations as discussed in Note 15.

Rahill-Bonanza

The Bonanza property, located in Dome township within the Red Lake mining district of Ontario, is comprised of 12 patented mining claims; 6 of which were formerly known as the Follansbee property.

The property is subject to a 1.7% net smelter return (NSR) in favour of Pure Gold Minerals Inc. ("Pure Gold"), a 0.3% NSR in favour of Eugenic Corp ("Eugenic") which relates to the 6 Bonanza claims, and a 2% NSR in favour of Interquest Incorporated relating to the 6 Follansbee claims.

The Corporation has retained a right to purchase a portion, namely a 1% NSR for $1,000,000 and a first right of refusal to purchase the remaining 0.7% NSR from Pure Gold. The Corporation has also retained a first right of refusal to purchase Eugenic's 0.3% NSR.

On March 1, 2007 the Corporation acquired the Meunier Claim in Red Lake, Ontario from an unrelated party. As consideration, the Corporation paid $50,000 on execution and issued 50,000 common shares, valued at the trading price of the Corporation's shares at the time the agreement was entered into. An additional $50,000 cash and 50,000 common shares were paid on the 18th month anniversary of the agreement. Costs associated with this acquisition are included within the Rahill-Bonanza Project. On February 13, 2012 the Corporation paid Meunier $75,000 cash in lieu of making any annual advance royalty payments. Goldcorp Inc. agreed to participate and reimbursed the Corporation their respective portion.

On May 9, 2007 the Corporation signed an Asset Exchange Agreement (the "Agreement") with Red Lake Gold Mines, an affiliate of Goldcorp Inc. Under the terms of the Agreement, Red Lake Gold Mines agreed to transfer to the Corporation an undivided 50% interest in and to certain mining claims in the Red Lake District known as the Rahill-Wilmar and Kostynuk Properties, and the Corporation agreed to transfer to the Partnership an undivided 50% interest in and to certain mining claims in the Red Lake District known as the Bonanza and Marathon Properties.

On May 29, 2007 the Corporation signed the definitive joint venture Agreement. Pursuant to the agreement, the Corporation funded the initial $1,000,000 in exploration on the project commencing December 1, 2006; the date the original letter of intent was signed. Exploration expenditures in excess of the initial $1,000,000 have been funded on a 50:50 basis. Corporation was the operator during the initial period of $5,000,000 in exploration.

On January 18, 2008, Goldcorp exercised its option pursuant to the joint venture agreement to increase its interest in the joint venture by 1% to 51% by paying the Corporation $440,000. By doing this, Goldcorp took over as primary operator of the joint venture. The Corporation now holds a 49% interest in the property and will continue to participate in the ongoing exploration program.

On May 6, 2013 the Corporation acquired the Broulan Reef Project from Cypress Development Corp. and Skyharbour Resources Ltd. The project, which is located in the Dome Township, of Red Lake Mining District, is immediately adjacent to Goldcorp Inc.'s Bruce Channel deposit and the Corporation / Goldcorp's Rahill-Bonanza Joint Venture. The Corporation acquired the Broulan Reef project for a payment of $1,750,000 cash and the issuance of 160,000 common shares of the Corporation. The property is subject to an existing 2.0% NSR and the vendors shall retain a 0.5% NSR. The Corporation shall have the right to purchase the entire 0.5% NSR at any time for aggregate purchase price of $500,000. Goldcorp Inc. acquired a 51% interest in the Broulan Reef Project by funding 51% of the acquisition costs under the terms of the Rahill-Bonanza joint venture Agreement between the Corporation and Goldcorp Inc. in the amount of $1,076,459.

East Bay

The East Bay property, a joint venture with Goldcorp Canada Ltd. ("Goldcorp"), is comprised of 80 unpatented mineral claims located in Bateman township within the Red Lake mining district of Ontario.

Pursuant to the joint venture agreement, Goldcorp increased its proportionate interest in the joint venture from 50% to 65% by completing, at its own expense, a feasibility study during the year ended December 31, 2007.

On March 22, 2012 the Corporation acquired two patented claims from Belmont Resources and International

Montoro Resources Inc., located in the East Bay region of Red Lake. As consideration, the Corporation paid $20,000 in cash and issued 5,000 shares valued at $21,300. These claims have a 3% Net Smelter Return royalty subject to a 1% buy-back for $500,000,

On March 22, 2012 the Corporation entered into an option agreement to acquire four key patented claims from William Ehlers, located in the Easy Bay region of Red Lake. As consideration, the Corporation paid $20,000 in cash and issued 4,000 shares valued at $20,280. These claims have a 2% Net Smelter Return royalty subject to a 1% buy-back for $500,000.

PQ North

The PQ North Project is located in the Musselwhite District of Northwestern Ontario, some 300 kilometres northeast of Red Lake, proximal to Goldcorp's Musselwhite Mine. The property is within 10 kilometres of the Musselwhite Mine surface infrastructure and is accessed by road in winter and by road and lake in summer. The Corporation holds the right to a 100% interest in the PQ North Property subject to a 2% net smelter return royalty.

On April 4, 2011 the Corporation exercised its option to acquire the 2% Net Smelter Returns Royalty from the vendor. As compensation, the Corporation paid $100,000 cash and issued 150,000 shares as well as 50,000 common share purchase warrants exercisable at $6.62 with a term to expiry of three years (see Note 11).

Hardrock

The Hardrock project is located in the Greenstone district of Northwestern Ontario, some 300 kilometres east of Thunder Bay Ontario and is comprised of the Corporation's Hardrock and Key Lake properties.

The Hardrock property was acquired from Lac Properties Inc. ("Lac"), a wholly-owned subsidiary of Barrick Gold Corporation in 2008. The property which is comprised of the mining claims commonly known as Geraldton, Ozone Creek and Eva Summers is subject to a ranging royalty obligation from 1.0% net smelter return royalty (the "NSR Royalty") to 5.0% net profit interest ("NPI") on production from the property.

The Corporation retains a 100% interest in the Key Lake property located in Lindsley Township near Geraldton, Ontario. The property is contiguous to the Hardrock property and is subject to a varying NSR in the range of 1.0% to 2.25% under certain conditions.

On September 12, 2013 the Corporation acquired the Argonaut claims from Argonaut Gold Inc. The claims which are located in the Errington Township, of the Thunder Bay Mining District, are included with the Hardrock project. The Corporation acquired the Argonaut claims for a payment of $40,000 cash. This property is subject to a 3% NSR. The Corporation has the right to purchase up to 2% NSR at any time for an aggregate purchase price of $1,000,000 for the first 1% and $1,500,000 for the second 1%.

Brookbank

The Brookbank project is located in the Greenstone district of Northwestern Ontario some 250 kilometers east of Thunder Bay, Ontario and is comprised of the Brookbank and Cherbourg Fox properties.

The Corporation has a 100% interest in the Brookbank property subject to a 1% NSR in favour of Metalore Resources Limited on certain mineral claims.

The Corporation has a 74% interest in the Cherbourg-Fox Ear property. The remaining 26% interest which is held by Metalore can be acquired by the Corporation at the incremental rate of 1% for each $20,000 in exploration expenditures incurred by the Corporation for which Metalore does not remit its proportionate share of the expenditures. The Corporation and Metalore are currently in discussion regarding adjustments to the relative ownership percentages in relation to exploration expenditures incurred in 2009 and 2010.

The Corporation has a 79% interest in certain Staked Claims (the "Staked Claim Option"). The remaining 21% interest which is held by Metalore can be acquired by the Corporation at the incremental rate of 1% for each $20,000 in exploration expenditures incurred by the Corporation for which Metalore does not remit its proportionate share of the expenditures. The Corporation and Metalore are currently in discussion regarding adjustments to the relative ownership percentages in relation to exploration expenditures incurred in 2009 and 2010.

The Corporation also has a right of first refusal with respect to the mineral rights for six leased claims in Walters Township owned by Metalore.

Cove

On June 13, 2012 the Corporation's wholly owned subsidiary Au-reka Gold Corporation acquired a 100% interest in the Cove Gold Project, located in the Battle Mountain-Eureka Trend in Nevada, U.S.A from Victoria Gold Corp.

Total consideration for the acquisition included a $20,000,000 non-interest bearing promissory note issued in favour of Victoria Gold, $4,000,000 in cash, and the issuance 892,857 common shares valued at $4,223,214. In addition, the Corporation also reimbursed Victoria US$1,206,277 in respect of actual exploration costs incurred by Victoria between March 15, 2012 and the closing date of the acquisition.

Saddle

On June 14, 2010 the Corporation acquired Saddle Gold Inc. ("Saddle"). Saddle owns, among other things, the mineral rights in respect of a majority portion of the Saddle Gold Deposit (the "Saddle Property"). The Saddle Property is located in the heart of the Carlin Trend in Elko, County, Nevada.

Other areas

Other mineral interests held by the Corporation include:

- a 100% interest in the Faymar property located in Deloro Township in the Timmins Gold Camp subject to a 1% NSR
- a 100% interest in the Bartec property located in Barraute township, in the Val d'Or district of Quebec
- a 100% interest in the Nortoba-Tyson property located in Dorothea Township in the Thunder Bay Mining District
- a 100% interest in Northern Empire West Extension property subject to a 3% NSR for which the Corporation has retained the right to purchase up to 1% of the NSR under certain conditions
- a 100% interest in the Northern Empire property located in McComber and Summers Township in the Thunder Bay Mining District subject to a 2.75% NSR
- a 100% interest in the Leitch-Sand River property located near Beardmore, Ontario subject to a varying NSR in the range of 1 - 2% on certain claims under certain conditions, for which the Corporation has retained the right to purchase up to one half of the ranging NSR's under prescribed conditions
- a 100% interest in the Santa Teresa Mineral Concession and Quasaro located in Mexico
- a 100% interest in Raingold Property, comprised of 6 Patented mining claims
- a 100% interest in Blue Sage mineral claim rights within the Rain Sub-district of Carlin Trend, in Elko County, Nevada, the rights are subject to a 1% NSR royalty
- a 100% interest in Golden Edge Project located in Humboldt County, Nevada, USA

Dispositions

<u>2012</u>

On January 16, 2012 the Corporation sold its interest in the Newman-Madsen property in Red Lake to Sabina Silver Corporation. Terms of the agreement included payment to the Corporation of $500,000, and retention of a 0.50% net smelter return royalty on the property.

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9. LONG-TERM DEBT

The Corporation, through its wholly owned subsidiary, Premier Gold Mines Nevada Inc. holds a non-interest bearing promissory note issued by various parties related to the acquisition of South Africa Platinum Inc. The promissory note is secured by a deed of trust on the Blue Sage property. At December 31, 2013, the outstanding principal of the promissory note is $250,000USD ($265,900CDN). The current portion of the promissory note is $50,000USD (discounted at a rate of 15% $38,460CDN). The remaining balance of the promissory note of $200,000USD (discounted at a rate of 15% $151,828CDN), will be repaid over the next 5 years. The present value of the debt, using a discount rate of 15% is $190,288CDN. The value of the debt is being accreted to the face value of the promissory note at its maturity date, with the charge to the statement of comprehensive loss as a form of interest expense over the term of the note.

Anniversary Date	Total payment ($USD)	Total payment ($CDN)	Discounted principal ($CDN)	Accreted interest ($CDN)
July 19, 2014	50,000	53,180	38,460	14,720
July 19, 2015	50,000	53,180	30,406	22,774
July 19, 2016	50,000	53,180	34,967	18,213
July 19, 2017	50,000	53,180	40,212	12,968
July 19, 2018	50,000	53,180	46,243	6,937
Total	**250,000**	**265,900**	**190,288**	**75,612**

Pursuant to the acquisition of the Cove Gold Project, the Corporation issued a $20,000,000 non-interest bearing promissory note in favour of Victoria Resources (US) Inc., through its wholly owned subsidiary, Au-reka Gold Corporation. $10,000,000 was repaid on June 13, 2013, and the outstanding principal of $10,000,000 (the present value of the promissory note, using a discount rate of 10% is $9,588,740) must be repaid by June 13, 2014. The value of the debt is being accreted to the face value of the promissory note at its maturity date, with the charge to the statement of comprehensive loss as a form of interest expense over the term of the note. The Corporation is entitled to make up to one-half of the payment in consideration shares issued by the Corporation on behalf of Au-reka Gold Corporation.

Anniversary Date	Total payment ($CDN)	Discounted principal ($CDN)	Accreted interest ($CDN)
June 13, 2014	10,000,000	9,588,740	411,260

10. PROVISION FOR ENVIRONMENTAL REHABILITATION

The Corporation's provision results from an ownership interest in a mill, mining equipment and previously mined property interests. The provision consists primarily of costs associated with mine reclamation and closure activities. These activities, which tend to be site specific, generally include costs for decommissioning the mill complex and related infrastructure, physical and chemical stability of the tailings area and post-closure site security and monitoring costs. In determining the estimated costs, the Corporation considers such factors as changes in laws and regulations and requirements under existing permits. Such analysis is performed on an ongoing basis.

The Corporation estimates the future value of the cash flows required to settle the provision is $4,093,509. In calculating the fair value of the Corporation's provision, management used a risk free interest rate of 2.384% and 2.612%. A reconciliation of the discounted provision is provided below:

	2013 $	2012 $
Balance, beginning of the year	**2,449,004**	2,051,858
Change in estimate	**-**	348,609
New obligation	**1,352,195**	-
Accretion expense	**49,519**	48,537
Adjustment due to change in interest rate	**(147,338)**	-
	3,703,380	2,449,004

The new obligation accounted for during the year is related to the Faymar mineral property interest acquired as a result of the 2011 Goldstone acquisition and referenced in Note 8 under "Other areas". The property was subject to a site visit by the MNDM during 2013 and identified as requiring reclamation including building foundations, crown pillar and tailings basin stability. These costs were capitalized to the related mineral property which was subsequently impaired as further discussed in Note 8.

The adjustment due to the change in interest rate was related to the existing Northern Empire mill provision and resulted in a decrease to the related asset included in mill and mining equipment.

11. SHARE CAPITAL AND RESERVES

Authorized

The Corporation is authorized to issue an unlimited number of common shares.

Details of share issuances

<u>2013</u>

Shares issued for mineral property

On May 6, 2013 the Corporation issued 160,000 common shares, valued at $323,200 for the Broulan Reef property located in the Red Lake Mining District. Goldcorp Inc. acquired a 51% interest in the Broulan Reef Project under the terms of the Rahill-Bonanza Joint Venture Agreement between the Corporation and Goldcorp Inc. Purchase details are described in Note 9.

Shares issued as payment

On June 13, 2013 the Corporation issued 2,142,612 common shares, valued at $5,000,000 on behalf of its wholly owned subsidiary Au-reka Gold Corporation for partial repayment of the promissory note pursuant to the Cove property acquisition completed in 2012.

Shares issued as compensation

On December 31, 2013 the Corporation issued 94,151 common shares valued at $131,811 to officers and management as compensation.

<u>2012</u>

Public Offering #1

On February 27, 2012 the Corporation completed a bought deal public offering of 10,000,000 common shares (the "Common Shares") at a price of $5.75 per Common Share for gross proceeds of $57.5 million (the "Offering") through a syndicate of underwriters led by RBC Capital Markets and including Canaccord Genuity Corp., Scotia Capital Inc., CIBC World Markets Inc., Goldman Sachs Canada Inc., Stonecap Securities Inc., Octagon Capital Corporation and Versant Partners Inc. The Offering included the issue of 1,000,000 Common Shares at the offering price upon the exercise of the over-allotment option granted by the Company to the Underwriters under the Offering.

Public Offering #2

On October 22, 2012 the Corporation completed a bought deal public offering of 7,030,000 common shares (the "Common Shares") at a price of $6.08 per Common Share and 3,004,950 flow-through common shares (the "Flow-Through Shares") at a price of $7.08 per Flow-Through Share for aggregate gross proceeds of $64,017,446 (net proceeds of $60,715,616) (the "Offering"). The Offering included the issue of 450,000 Common Shares at the

Common Share offering price and 391,950 Flow-Through Shares at the Flow-Through Share offering price upon the exercise of the over-allotment option granted by the Corporation.

Shares issued for mineral property

On March 22, 2012 the Corporation issued 9,000 common shares, valued at $41,580, for acquisition of a 100% interest in two key patented claim groups Ehlers and Belmont-Montoro, located on the East Bay Ultramafic Trend in Red Lake, Ontario.

On June 13, 2012 the Corporation issued 892,857 common shares, valued at $4,223,214, on behalf of its wholly owned subsidiary Au-reka Gold Corporation for a 100% interest in the Cove property located in Nevada, USA.

Shares issued as compensation

On January 5, 2012 the Corporation issued 11,377 common shares valued at $51,422 to an officer and director as compensation.

On July 11, 2012 the Corporation issued 50,000 common shares valued at $224,500 to a director as compensation.

Warrants

The Corporation currently has 50,000 warrants outstanding at an exercise price of 6.62. The warrants were issued on April 5, 2011 and expire on April 5, 2014.

The Corporation applies the fair value method of accounting for all warrants issued. There were no warrants issued during the year ended December 31, 2013 or 2012.

Share option plan

The Corporation has a share option plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

(Stated in Canadian Dollars)

The following table reflects the stock options outstanding as at December 31, 2013:

Expiry Date	Exercise Price $	2013 Opening Balance #	Granted #	Exercised #	Expired/ Cancelled #	2013 Closing Balance #
March 10, 2013	4.00	100,000	-	-	(100,000)	-
April 25, 2013	2.00	385,000	-	(360,000)	(25,000)	-
July 24, 2013	6.00	53,338	-	-	(53,338)	-
July 29, 2013	2.59	20,000	-	-	(20,000)	-
October 15, 2013	2.00	10,000	-	-	(10,000)	-
November 7, 2013	2.34	3,146	-	-	(3,146)	-
December 24, 2013	1.50	107,000	-	(107,000)	-	-
January 6, 2014	2.34	34,136	-	-	-	34,136
May 27, 2014	2.50	47,640	-	-	-	47,640
June 17, 2014	2.66	1,741,500	-	-	-	1,741,500
November 21, 2014	4.95	194,200	-	-	-	194,200
April 13, 2015	4.20	2,648,000	-	-	-	2,648,000
September 17, 2015	3.44	48,003	-	-	-	48,003
October 5, 2015	3.69	22,401	-	-	-	22,401
October 16, 2015	4.25	20,001	-	-	-	20,001
December 8, 2015	7.45	60,000	-	-	-	60,000
June 24, 2016	5.25	16,001	-	-	-	16,001
July 28, 2016	6.01	1,327,000	-	-	-	1,327,000
August 10, 2016	6.05	630,000	-	-	-	630,000
August 25, 2016	6.20	431,666	-	-	-	431,666
October 19, 2016	5.27	325,000	-	-	(105,000)	220,000
December 20, 2016	4.43	35,000	-	-	-	35,000
March 5, 2017	5.20	125,000	-	-	-	125,000
May 2, 2017	4.78	150,000	-	-	-	150,000
May 8, 2017	4.50	550,000	-	-	-	550,000
June 13, 2017	4.69	300,000	-	-	-	300,000
August 13, 2017	4.45	715,000	-	-	-	715,000
October 24, 2017	5.40	60,000	-	-	-	60,000
January 28, 2018	3.65	-	250,000	-	-	250,000
February 28, 2018	2.95	-	150,000	-	-	150,000
March 6, 2018	2.75	-	685,000	-	-	685,000
March 18, 2018	3.11	-	125,000	-	-	125,000
April 8, 2013	2.60	-	150,000	-	-	150,000
August 8, 2018	1.79	-	1,384,500	(5,000)	-	1,379,500
August 13, 2018	2.27	-	150,000	-	-	150,000
September 20, 2018	2.41	-	150,000	-	-	150,000
September 24, 2018	2.03	-	8,000	-	-	8,000
October 22, 2018	2.14	-	150,000	-	-	150,000
December 18, 2018	1.40	-	250,000	-	-	250,000
		10,159,032	3,452,500	(472,000)	(316,484)	12,823,048
Weighted average exercise price		4.39	2.28	1.88	4.43	3.91

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Total exercisable stock options at December 31, 2013 were 11,928,048 with a weighted average exercise price of $3.98 (2012, 9,194,032 with a weighted average exercise price of $4.30).

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $4,677,871 was recorded for options and shares issued as compensation during the period (2012 - $5,824,586 was recorded as compensation for the year). As of December 31, 2013 there were 895,000 unvested stock options (965,000 at December 31, 2012).

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	2013	2012
Risk-free interest rate	1.34% - 1.89%	1.3% - 1.61%
Annualized volatility	58% - 64%	59% - 60%
Expected dividend	nil	nil
Expected option life	5 years	5 years

Treasury shares

During the year Goldstone Resources Inc., a wholly owned subsidiary of the Corporation, surrendered 400,000 shares of the Corporation previously held by them for $nil consideration.

12. LOSS PER SHARE

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Corporation as the numerator, i.e. no adjustments to profit were necessary in 2013 or 2012.

	2013	2012
Numerator:		
Loss from continuing operations	**(29,244,473)**	(21,418,662)
Loss from discontinued operations	**(82,230)**	(19,472,853)
	(29,326,703)	(40,891,515)
Denominator:		
Weighted average number of common shares	**150,480,513**	138,675,356
Basic and diluted loss per share		
Loss from continuing operations	**(0.19)**	(0.15)
Loss from discontinued operations	**-**	(0.14)
Total	**(0.19)**	(0.29)

13. SUPPLEMENTAL CASH FLOW INFORMATION

The significant non-cash financing and investing activities during the period are as follows:

As at December 31,	Note	**2013** $	2012 $
Fair value of shares issued for compensation	*11*	**131,811**	275,922
Fair value of stock options allocated to share capital upon exercise	*11*	**440,695**	951,791
Fair value of shares issued for the purchase of evaluation and exploration assets	*11*	**323,200**	4,264,794
Fair value of shares issued for repayment of promissory note	*11*	**5,000,000**	-

PREMIER Gold Mines Limited
(Incorporated under the laws of Ontario)

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14. SEGMENTED INFORMATION

The Corporation's significant segments, which are represented by its separately identifiable exploration and evaluation properties described in Note 8, operate in three distinct geographic areas. The Canadian operations, which are located in Ontario, are managed from the Corporation's head office in Thunder Bay. The United States operations are managed from an office in Nevada. The Mexican operations are managed from an office in Mexico City. The South African operations related to royalty interest in mineral properties were previously included in the Canadian operations as they were managed by the head office in Ontario, Canada. This operation is now classified as discontinued operations due to the transaction discussed in Note 15.

Reportable segment details are as follows:

For the year ended December 31,		**2013**		
	Canada $	U.S.A. $	Mexico $	**Total** **$**
Depreciation and impairment	(19,485,860)	(129,689)	(695,630)	**(20,311,179)**
Net finance costs	-	(1,332,760)	-	**(1,332,760)**
Overhead costs	(9,601,481)	(87,446)	(20,359)	**(9,709,286)**
Exploration and maintenance	(829,252)	-	-	**(829,252)**
Other income/(expenses)	99,982	(129,385)	-	**(29,403)**
Loss before income taxes	(29,816,611)	(1,679,280)	(715,989)	**(32,211,880)**
Current tax	(29,476)	(62)	-	**(29,538)**
Deferred tax	(1,931,630)	4,928,575	-	**2,996,945**
Net earnings	(31,777,717)	3,249,233	(715,989)	**(29,244,473)**
Loss for the year from discontinued operations	(82,230)	-	-	**(82,230)**
Loss for the year	(31,859,947)	3,249,233	(715,989)	**(29,326,703)**
Mineral property additions (net)	10,244,052	11,675,297	(628,075)	**21,291,274**

For the year ended December 31,		2012		
	Canada $	U.S.A. $	Mexico $	Total $
Depreciation and impairment	(61,232)	(2,804)	-	(64,036)
Net finance costs	(377)	(1,331,600)	-	(1,331,977)
Overhead costs	(10,880,155)	(603,767)	(21,471)	(11,505,393)
Exploration and maintenance	(974,099)	(60,308)	-	(1,034,407)
Other income/(expenses)	568,548	35,810	-	604,358
Loss before income taxes	(11,347,315)	(1,962,669)	(21,471)	(13,331,455)
Current tax	14,311	(18,727)	-	(4,416)
Deferred tax	(4,669,832)	(3,412,959)	-	(8,082,791)
Net earnings	(16,002,836)	(5,394,355)	(21,471)	(21,418,662)
Loss for the year from discontinued operations	(19,472,853)	-	-	(19,472,853)
Loss for the year	(35,475,689)	(5,394,355)	(21,471)	(40,891,515)
Mineral property additions (net)	20,532,756	18,553,546	38,010	39,124,312

(Stated in Canadian Dollars)

As at December 31,		**2013**		
	Canada	U.S.A.	Mexico	**Total**
	$	$	$	**$**
Mineral properties	247,489,475	82,213,607	-	**329,703,082**
Total assets	322,476,025	86,009,531	6,742	**408,492,298**
Total liabilities	40,466,269	10,224,262	-	**50,690,531**

As at December 31,		2012		
	Canada	U.S.A.	Mexico	Total
	$	$	$	$
Mineral properties	237,245,424	70,538,309	628,075	308,411,808
Total assets	396,947,466	82,799,127	665,334	480,411,927
Total liabilities	43,375,519	22,600,355	1,769	65,977,643

15. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

(a) Disposal of Premier Royalty Inc.

On August 7, 2012 the Corporation's wholly owned subsidiary, Premier Royalty Corporation entered into an agreement (the "Transaction") with Bridgeport Ventures Inc. ("Bridgeport") and its shareholders to acquire 100% of the issued and outstanding shares of Bridgeport. Bridgeport was incorporated under the laws of the Province of Ontario on May 10, 2007 and held, among other assets, interests in mineral properties located in Ontario.

On December 4, 2012, the Corporation filed articles of arrangement identifying the completion of the business combination of Premier Royalty Corporation and Bridgeport to form a new publicly traded entity, Premier Royalty Inc. continuing on the Toronto Stock Exchange.

In connection with the Transaction:

- Common shares of Bridgeport were consolidated on the basis of one post consolidation share (a "Premier Royalty Share") for every four pre consolidation shares;
- Premier Royalty issued 0.375 of a warrant (each whole warrant, a "Premier Royalty Warrant") for each Premier Royalty Share held by shareholders of record on December 4, 2012. Each Premier Royalty Warrant is exercisable at a price of $2.00 per Premier Royalty Share for a period commencing on June 4, 2013 and ending December 4, 2016, subject to early expiry upon the occurrence of certain events;
- Existing warrants of Bridgeport were adjusted to reflect the four to one consolidation and exercise prices increased by a factor of four;
- Existing Bridgeport stock options were adjusted to reflect the four to one consolidation and exercise prices were increased by a factor of four. All existing Bridgeport stock options terminated on or prior to March 4, 2013.

As a result of the foregoing Transaction, Premier Royalty Corporation for accounting purposes was considered to have acquired control of Bridgeport. Accordingly, the transaction with Bridgeport was accounted for on the basis of a reverse takeover that was not a business combination and effectively was a capital transaction of Premier Royalty Corporation. Premier Royalty Corporation was treated as the accounting parent company (legal subsidiary) and Bridgeport was treated as the accounting subsidiary (legal parent). As Premier Royalty Corporation was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value and Bridgeport's results of operations have been included from December 4, 2012, the date of the Transaction, to the date of disposal, January 28, 2013.

(Stated in Canadian Dollars)

For purposes of the Transaction, the net assets acquired were based on the fair value of the net assets of Bridgeport which on December 4, 2012 was $20,546,281. This amount was calculated as follows:

Cash and cash equivalents	16,418,283
Accounts receivable	232,097
Mineral properties	4,275,545
Investments	15,375
Accounts payable	(395,019)
Net Assets acquired	**20,546,281**
Fair value of 12,644,900 common shares issued to former Bridgeport shareholders	26,236,587
Fair value of 4,741,837 warrants issued to former Bridgeport shareholders	5,628,560
Fair value of 1,643,750 warrants granted to previous Bridgeport warrant holders	1,512,250
Fair value of 437,501 options granted to previous option holders	203,355
Net assets acquired	**33,580,752**
Fair value of consideration paid in excess of net assets acquired	13,034,471
Transaction costs incurred	611,211
Charges related to public company listing	**13,645,682**

The fair value of the 4,741,837 share purchase warrants issued ($5,628,560) was estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model were as follows: risk-free interest rate – 1.29%; expected life – 4.0 years; expected volatility – 50.0%; expected forfeitures – nil%; and expected dividends – nil.

The fair value of the 1,643,750 share purchase warrants issued ($1,512,250) was estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model were as follows: risk-free interest rate – 1.16%; expected life – 1.9 years; expected volatility – 50.0%; expected forfeitures – nil%; and expected dividends – nil.

The fair value of the 437,501 stock options issued ($203,355) was estimated using the Black Scholes option-pricing years; expected volatility – 50.0%; expected forfeitures – nil%; and expected dividends – nil.

As the Transaction was characterized as an issuance of shares, warrants and options by Premier Royalty in exchange for net assets as well as a listing, 41.4% of the associated transaction costs have been allocated to the listing and 58.6% of the costs have been allocated to the equity issuance.

Costs allocated to the equity issuance are deducted from equity. The public company listing does not meet the criteria for recognition of an intangible asset in accordance with IAS 38, Intangible Assets. Accordingly, the Corporation charged $13,645,682 to the statement of loss and comprehensive loss on the date of the Transaction.

Subsequent to the reverse takeover transaction the Corporation entered into an agreement to sell the resulting shares of Premier Royalty Inc. As such, on January 28, 2013, the Corporation entered into a share purchase agreement (the "Agreement") with Sandstorm Gold Ltd. ("Sandstorm") pursuant to which Sandstorm acquired 33,655,821 common shares (the "Common Shares") and 6,965,676 warrants (the "Warrants") of Premier Royalty Inc. from the Corporation, representing the Corporation's entire position in Premier Royalty.

Pursuant to the terms of the Agreement, each one Common Share and 0.207 of a Warrant (together, a "Premier Royalty Unit") were transferred to Sandstorm. The resulting consideration for the Premier Royalty Units were satisfied by the issuance of 5,604,277 special warrants in the capital of Sandstorm, each being exercisable for no additional consideration into one common share of Sandstorm in accordance with the terms thereof. In connection with the transaction, Sandstorm had also provided the Corporation with a temporary six month credit facility up to US$70,000,000, which was not utilized by the Corporation.

(Stated in Canadian Dollars)

Based on the share price of the Sandstorm shares at the date of the transaction, the proceeds from disposition of the Premier Royalty Inc. shares was $66,186,511 and the resulting gain included in the loss from continuing operations of the Corporation was $37,978,038.

(b) Disposal group classified as held for sale and discontinued operations

The incorporation of Premier Royalty Corporation and the subsequent reverse takeover transaction with Bridgeport was intended to disaggregate Premier's royalty interests from its core exploration and evaluation business with a view to a possible future sale of the resulting entity. Consequently, the assets and liabilities held by Premier Royalty Inc. at December 31, 2012 and included in the audited consolidated financial statements of the Corporation were classified as a disposal group. As discussed above, the sale of the Premier Royalty Inc. shares was completed on January 28, 2013.

Revenue and expenses relating to the discontinuation of this disposal group have been eliminated from the continuing operations of the Corporation and are shown as a single line item on the face of the consolidated statement of loss and comprehensive loss (see loss for the year from discontinued operations).

The discontinued operations are comprised of the revenue and expenses of royalties held directly by the Corporation and the revenue and expenses related to Premier Royalty Corporation prior to the business combination and the revenue and expenses of Premier Royalty Inc. subsequent to the business combination up to the date of disposition as follows:

As at December 31,	**2013**	2012
	$	$
Revenue	**441,549**	3,233,031
Expenses:		
Depletion	**(245,654)**	(1,454,691)
Interest and accretion on long term debt	**-**	(1,238,223)
General and administration	**(223,777)**	(1,651,950)
Charge related to public company listing	**-**	(13,687,585)
Stock based compensation	**(104,429)**	(2,037,001)
Other income	**9,267**	40,855
Foreign exchange loss	**40,814**	(77,285)
Total Expenses	**(523,779)**	(20,105,880)
Loss for the year	**(82,230)**	(16,872,849)
Deferred income tax expense	**-**	(2,600,000)
Loss and comprehensive loss for the year	**(82,230)**	(19,472,849)
Discontinued operations attributable to:		
Non-controlling interest in Premier Royalty Inc.	**(29,018)**	(8,779,849)
Owners of the parent	**(53,212)**	(10,693,004)
	(82,230)	(19,472,853)

(Stated in Canadian Dollars)

16. INCOME TAXES

(a) The major components of income tax expense (benefit) are as follows:

	2013 **$**	2012 $
Current income tax	**12,712**	28,051
Origination and reversal of temporary differences	**1,880,566**	4,630,168
Effect of change in tax rates	**14,320**	866,572
Deferred tax liability incurred on renouncement expenses	**5,420,728**	5,437,536
Reversal of deferred flow through premium	**(2,889,206)**	(3,062,534)
Recognition of previously unrecognized tax assets	**(7,059,083)**	-
Other	**(347,444)**	187,414
	(2,967,407)	8,087,207

(b) The Corporation's income tax expense (benefit) differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to loss before income taxes as a result of the following:

	2013 **$**	2012 $
Loss for the year	**(32,211,880)**	(13,331,455)
Statutory rates (i)	**26.50%**	26.50%
Income tax recovery computed at statutory rates	**(8,536,148)**	(3,532,836)
Difference in foreign tax rates	**(166,304)**	(122,791)
Increase in deferred tax assets not recognized	**10,171,905**	6,619,167
Non-deductible items	**411,113**	1,691,659
Effect of change in tax rates	**14,320**	866,572
Impact of attributes renounced to shareholders (flow-through shares)	**5,420,729**	5,437,536
Impact of flow-through share premium	**(2,889,206)**	(3,062,534)
Recognition of previously unrecognized tax assets from renouncement of flow-through shares	**(7,059,083)**	-
Other	**(334,733)**	190,434
	(2,967,407)	8,087,207

	2013 **$**	2012 $
Exchange difference on translation of foreign operations through other comprehensive income (ii)	**3,858,685**	(1,302,241)
Statutory tax rates	**35%**	35%
Income tax recovery computed at statutory rates	**1,350,540**	(455,784)
Exchange difference not subject to income tax	**96,355**	455,784
Income tax expense (recovery)	**1,446,895**	-

(i) The Corporation operates in multiple industries and jurisdictions, and the related income is subject to varying rates of taxation. The combined Canadian federal and provincial tax rate reflects the tax rates in effect in Ontario, Canada for each applicable tax year. The combined rate declined in 2012 to reflect (1) a 1.5% decrease in the federal tax rate from 16.5% to 15%, effective January 1, 2012 and (2) a 0.5% decrease in the Ontario tax rate from

(Stated in Canadian Dollars)

12% to 11.5%, effective July 1, 2011. The corporation operates in Mexico, which reflects a 30% tax rate for the current year. As well, the corporation operates in Nevada, USA and reflects a 35% tax rate for each applicable tax year.

(ii) A tax rate of 35% is applicable to the exchange difference on translation of foreign operations as it relates to timing difference originating from the subsidiaries operations in Nevada, USA.

(c) The deferred income tax liabilities reported on the balance sheet are comprised of temporary differences as presented below:

	31-Dec-13	31-Dec-12
	$	$
Deferred income tax assets		
Non-capital losses	**8,268,794**	-
Deferred tax assets set off against deferred tax liabilities	**(8,268,794)**	-
Deferred tax asset	**-**	-
Deferred income tax liabilities		
Exploration and evaluation	**(41,086,169)**	(32,342,989)
Investments	**(1,232,166)**	(97,123)
Other	**(64,222)**	(230,424)
Gross deferred tax liabilities	**(42,382,557)**	(32,670,536)
Deferred tax assets set off against deferred tax liabilities	**8,268,794**	-
Deferred tax liabilities per balance sheet	**(34,113,763)**	(32,670,536)
Balance at the beginning of the year	**(32,670,536)**	(21,525,288)
Effect of exchange rate differences	**(120,270)**	-
Recognized in loss	**2,967,407**	(8,082,791)
Deferred premium on flow-through shares	**(2,889,206)**	(3,062,534)
Deferred tax liability not subject to initial recognition exemption	**(1,446,892)**	-
Other	**45,734**	77
Balance at the end of the year	**(34,113,763)**	(32,670,536)

(Stated in Canadian Dollars)

(d) Deferred tax assets not recognized

Management believes that it is not probable that sufficient taxable profits will be available in future years to allow the benefit of the following deferred tax assets to be utilized:

	31-Dec-13	31-Dec-12
	$	$
Deferred tax assets not recognized		
Non-capital losses	**9,865,516**	11,629,954
Common share issue costs	**1,485,432**	2,212,971
Exploration and evaluation	**5,172,878**	-
Investments	**3,866,221**	189,809
Pre-Production ITC	**342,445**	182,425
Other	**6,360**	660,807
	20,738,852	14,875,966
Unused operating tax losses (i)		
Canada	**24,729,717**	28,076,657
U.S.A	**25,115,360**	11,902,564
Mexico	**105,155**	84,796
	49,950,232	40,064,017
Potential tax benefit at tax rate between 26.5% and 35%	**15,373,194**	11,629,955

(i) At December 31, 2013, Canadian unused operating tax losses will expire between 2022 and 2033; U.S. operating losses will expire between 2027 and 2033; and Mexican operating losses will expire between 2020 and 2023.

17. RELATED PARTY TRANSACTIONS

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described in Note 3 and below.

	Nature of transactions
DSA Corporate Services	Corporate secretarial services
DSA Filing Services	Filing services
DRAX Services Limited	Corporate secretarial services
The Alyris Group	Corporate accounting and IT services
Hall Mineral Services LLP	Consulting
Alyris Leasing Inc.	Facilities rental
Apex Security and Investigation Inc.	Security services
Mega Precious Metals Inc.	Facilities rental

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

(a) Included in general and administrative expenses are amounts totalling $87,930 (2012 - $29,389) for corporate secretarial and filing services provided by DSA Corporate Services, DSA Filing Services and DRAX Services Limited, all of which are or have been related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation.

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(b) Included in general and administrative expenditures are amounts totalling $110,358 (2012 - $349,672) and included in the exploration and evaluation assets are amounts totalling $nil (2012 - $58,785) for rent, facilities related charges, IT consulting, and accounting and management services provided by 1752466 Ontario Inc., O/A The Alyris Group a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, and Steve Filipovic, Chief Financial Officer of the Corporation.

(c) Included in other revenue are amounts totaling $31,800 (2012 - $31,800) for rental of a core shack paid by Mega Precious Metals Inc., a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, who is also a director of Mega Precious Metals Inc.

(d) Included in general and administrative expenses are amounts totalling $nil (2012 - $36,942) for consulting fees paid to Hall Mineral Services LLP, a company related to the Corporation through Ritch Hall, the former Chairman of the Corporation.

(e) Included in exploration and evaluation assets are amounts totalling $12,728 (2012 - $22,429) for security related services paid to Apex Security and Investigation Inc., a company related to the Corporation through John Seaman, Director of the Corporation.

(f) Included in property, plant and equipment additions are amounts totalling $nil (2012 - $217,800) and included in general and administrative expenditures are amounts totalling $162,510 (2012 - $105,631) for leasehold improvements and rental charges paid to Alyris Leasing Inc., a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, and Steve Filipovic, Chief Financial Officer of the Corporation.

Transactions with key management personnel

Key management personnel remuneration includes the following amounts:

	2013 **$**	2012 $
Salary and wages	**1,521,782**	1,079,927
Share-based payments	**1,007,621**	1,079,625
Other compensation	**-**	18,474
	2,529,403	2,178,026

(Stated in Canadian Dollars)

18. COMMITMENTS

(a) The Corporation has commitments relating to operating and facilities leases extending to 2017.

The minimum annual contractual and lease payments for the five years are as follows:

	$
2014	359,446
2015	302,685
2016	224,939
2017	73,258
2018	-
	960,328

(b) The Corporation has spent all of the required flow-through obligations prior to December 31, 2013.

19. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Corporation's operations include the acquisition and exploration of mineral properties in Canada, the United States and Mexico. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Credit Risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

(i) Trade credit risk
The Corporation is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Corporation is not exposed to significant credit risk and overall the Corporation's credit risk has not changed significantly from the prior year.

(ii) Cash and cash equivalents
In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of one year or less. Limits are also established based on the type of investment, the counterparty and the credit rate.

(iii) Derivative financial instruments
As at December 31, 2013, the Corporation has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage credit risk, it will only enter into derivative financial instruments with highly rate investment grade counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure.

As at December 31, 2013 the Corporation's liabilities that have contractual maturities are as follows:

	2014 $	2015 $	2016 $	2017 $	2018 $	Total $
Account payable and accrued liabilities	3,094,360	-	-	-	-	3,094,360
Long term debt	10,053,180	53,180	53,180	53,180	53,180	10,265,900
	13,147,540	53,180	53,180	53,180	53,180	13,360,260

(c) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates. The interest rate risk associated with the Corporation's long term debt relates to the fixed nature of the interest rate. Should there be a significant decrease in the market interest rate, there is potential exposure due to the Corporation locking in at a higher rate.

(ii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Corporation's measurement currency. The Corporation's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The functional currency and reporting currency of the Corporation is the Canadian dollar. The Corporation's capitalized exploration and evaluation assets and expenses also include amounts incurred in U.S. dollars and to a lesser extent, the Mexican peso which are the functional currencies of these operations. The Corporation's exchange risk is therefore related to movement between these currencies. Changes in the currency exchange rates between the Canadian dollar relative to the U.S. dollar and the Mexican peso have an effect on the Corporation's results of operations through comprehensive income (loss), financial position or cash flows.

The Corporation has mitigated this risk by diversifying its cash resources in the U.S. dollar and Mexican peso roughly in proportion to expected future expenditure over the following twelve months. The carrying amounts of the Company's U.S. dollar denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2013 $	2012 $
Cash and cash equivalents	**7,948,582**	12,959,108
Restricted cash and cash equivalents	**1,076,391**	363,755
Accounts receivable & prepaids	**46,018**	42,717
Accounts payable	**409,959**	682,541
Long term promissory note	**190,288**	200,959

There are no significant financial instruments in Mexican pesos.

During the year ended December 31, 2013, the Corporation recognized a net foreign exchange income of $112,553 and an exchange gain on the translation of foreign operations in comprehensive loss of $3,894,665 respectively. As of December 31, 2013, if the Canadian dollar to the U.S. dollar exchange rate increases or decreases by 10%, the Corporation's net loss will increase or decrease by $540,354 and the

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Corporation's other comprehensive income (loss) will increase or decrease by $5,480,493.

(iii) Security price risk
Security price risk is the risk that the fair value or future cash flow of the Corporation's financial instruments will fluctuate because of the changes in the market price. In situations where the Corporation has taken a position in the securities of another entity, the Corporation manages its exposure to price risk by monitoring the market(s) where the entity's securities trade and planning the divestiture accordingly.

The Corporation only takes a position in another entity where it has a strategic objective; or as a result of a purchase or sale transaction.

The Corporation does not invest in derivatives to mitigate these risks.

(d) Fair value

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Corporation's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1		Level 2		Total	
	2013	2012	**2013**	2012	**2013**	2012
Assets	**$**	$	**$**	$	**$**	$
Investments	**17,516,690**	2,327,272	**-**	22,800	**17,516,690**	2,350,072

Set out below are the Corporation's financial assets by category:

	Fair value through profit or loss		Loans and receivables		Total	
	2013	2012	**2013**	2012	**2013**	2012
	$	$	**$**	$	**$**	$
Cash and cash equivalents	**-**	-	**52,552,321**	85,101,642	**52,552,321**	85,101,642
Accounts receivable	**-**	-	**1,285,757**	600,911	**1,285,757**	600,911
Investments held for sale	**17,381,833**	2,082,490	**-**	-	**17,381,833**	2,082,490
Restricted cash and cash equivalents	**-**	-	**3,935,272**	2,884,414	**3,935,272**	2,884,414
Investments	**134,857**	267,582	**-**	-	**134,857**	267,582
	17,516,690	2,350,072	**57,773,350**	88,586,967	**75,290,040**	90,937,039

(Stated in Canadian Dollars)

Set out below are the Corporation's financial liabilities by category:

	Fair value through profit or loss		Other financial liabilities		Total	
	2013	2012	**2013**	2012	**2013**	2012
	$	$	**$**	$	**$**	$
Accounts payable and accrued liabilities	**-**	-	**3,094,360**	3,167,233	**3,094,360**	3,167,233
Long term debt	**-**	-	**9,779,028**	18,504,933	**9,779,028**	18,504,933
	-	-	**12,873,388**	21,672,166	**12,873,388**	21,672,166

The fair value of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying value due to their short term nature. The fair value of the Corporations long term debt is approximated by its carrying value.

20. MANAGEMENT OF CAPITAL

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going-concern in order to pursue the exploration and development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, acquire or dispose of assets or acquire new debt.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.

To effectively manage its capital requirements, the Corporation has in place a planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its operating and growth objectives. The Corporation expects its current capital resources will be sufficient to carry out its exploration and evaluation plans through 2015.

21. CONTINGENCIES

Legal claims:

In October 2010, prior to the Goldstone Arrangement, Patrick Sheridan, the former President and Chief Executive Officer and a director of Goldstone, and Gary Conn, a former senior officer and director of Goldstone, together with their respective management companies, commenced legal actions against Goldstone. Mr. Sheridan alleged breach of contract and sought damages of up to $1.4 million, including punitive damages, plus costs and interest. Mr. Conn alleged breach of a consulting agreement or, alternatively, wrongful dismissal and other causes of action and is seeking damages of up to approximately $3.4 million, plus costs and interest.

With respect to the Sheridan Action, the parties have agreed to a settlement. Pursuant to such settlement, Goldstone paid a sum to Mr. Sheridan, which was included in general and administrative expenses in 2012. Goldstone had also commenced third party claims against Mr. Conn and three former directors in order to seek contribution and indemnity for any amounts that it may be found liable to pay Mr. Sheridan and his management company in the Sheridan Action - which third party claims have been dismissed.

Goldstone dismissed Mr. Conn for cause on October 1, 2010. In its counterclaim against Mr. Conn (the “Conn Counterclaim”), Goldstone is seeking damages from Mr. Conn and his management company in the amount of $5 million for breach of fiduciary duty and duty of care, fraud, misrepresentation, conflict of interest, unjust enrichment, gross negligence, negligence and breach of contract; and $100,000 in punitive damages. Goldstone has also alleged other causes of action, plus costs and interest.

In January 2011, Mr. Conn commenced a legal action (the “Defamation Claim”) against Goldstone, four of its directors, and other individuals, seeking damages of $2.5 million based on alleged conspiracy, libel, defamation and intentional infliction of mental suffering arising from alleged improper publication of certain allegations contained in the Conn Counterclaim. On May 24, 2011, the Superior Court of Justice (Ontario) granted Goldstone’s motion for summary judgment. The summary judgment concluded that the allegations in the Conn Counterclaim which, in Goldstone’s view justified Mr. Conn’s termination for cause, but which according to Mr. Conn were allegedly defamatory, were true. Mr. Conn sought to appeal the judgment, but the Ontario Court of Appeal dismissed his appeal on November 18, 2011.

With respect to the Conn Action, Goldstone launched a summary judgment motion on the basis that certain allegations which were relied upon to justify cause for Mr. Conn’s dismissal have already been proven in a related proceeding being the Defamation Claim. Goldstone’s motion for summary judgment was unsuccessful and the parties will now continue with the Conn Action and related Conn Counterclaim.