Condensed Consolidated Interim Financial Statements
March 31, 2014

(Unaudited)

(Stated in Canadian Dollars)

PREMIER
Gold Mines Limited

NOTICE TO SHAREHOLDERS

FOR THE THREE MONTHS ENDED MARCH 31, 2014

PREMIER GOLD MINES LIMITED

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Premier Gold Mines Limited were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Only changes in accounting policies have been disclosed in these unaudited condensed consolidated interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

PREMIER Gold Mines Limited

(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)
(Unaudited)

	Note	**March 31, 2014 $**	December 31, 2013 $
ASSETS			
Current assets			
Cash and cash equivalents	*4*	**62,170,795**	52,552,321
Accounts receivable		**339,532**	1,285,757
Prepaids and deposits		**280,179**	251,630
Investments held for sale	*5*	**8,740,698**	17,381,833
Total current assets		**71,531,204**	71,471,541
Non-current assets			
Restricted cash and cash equivalents	*6*	**3,977,633**	3,935,272
Investments	*5*	**215,812**	134,857
Property, plant and equipment	*7*	**3,242,970**	3,247,546
Exploration and evaluation assets	*8*	**337,342,909**	329,703,082
Total non-current assets		**344,779,324**	337,020,757
Total assets		**416,310,528**	408,492,298
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**3,787,295**	3,094,360
Current portion of long term debt	*9*	**9,862,498**	9,627,200
Total current liabilities		**13,649,793**	12,721,560
Non-current liabilities			
Deferred taxes		**34,858,428**	34,113,763
Long term debt	*9*	**157,803**	151,828
Provision for environmental rehabilitation	*10*	**3,726,223**	3,703,380
Total non-current liabilities		**38,742,454**	37,968,971
Total liabilities		**52,392,247**	50,690,531
EQUITY			
Share capital	*11*	**417,314,335**	417,211,022
Reserves	*11*	**39,813,566**	37,936,321
Deficit		**(93,209,620)**	(97,345,576)
Total equity		**363,918,281**	357,801,767
Total liabilities and equity		**416,310,528**	**408,492,298**

Commitments [note 17]
Contingencies [note 20]
See accompanying notes to condensed consolidated interim financial statements
Approved by the Board of Directors and authorized for issue on May 13, 2014:

"John Seaman"
Director

"Ewan Downie"
Director

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME / (LOSS)

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended March 31,	Note	**2014** $	2013 $
EXPENSES			
Depreciation on property, plant and equipment	*7*	**28,919**	27,336
Share-based payments	*11*	**304,810**	1,910,743
Flow-through interest penalty		**5,635**	29,122
General and administrative	*16*	**940,825**	1,021,920
Professional fees		**126,003**	98,952
Exploration expenses		**35,926**	69,087
Property maintenance		**93,174**	81,069
Long term debt accretion	*9*	**250,201**	438,034
Environmental rehabilitation accretion	*10*	**22,843**	-
		1,808,336	3,676,263
Loss before the following		**(1,808,336)**	(3,676,263)
Investment income		**160,614**	213,635
Other income	*16*	**17,067**	8,717
Unrealized gain / (loss) on investments	*5*	**19,549,913**	(12,701,885)
Unrealized foreign exchange gain		**212,217**	92,488
Gain on sale of Premier Royalty	*15*	**-**	37,978,038
Gain / (loss) on sale of investments	*5*	**(13,954,677)**	1,594
		5,985,134	25,592,587
Income before income taxes		**4,176,798**	21,916,324
Current tax expense		**19**	19,359
Deferred tax expense		**40,823**	1,763,001
Income for the period from continuing operations		**4,135,956**	20,133,964
Loss for the period from discontinued operations	*15*	**-**	(82,230)
Income for the period		**4,135,956**	20,051,734
Income / (loss) for the period attributable to:			
Non-controlling interest	*15*	**-**	(29,018)
Owners of parent		**4,135,956**	20,080,752
Income for the period		**4,135,956**	20,051,734
Basic and diluted income per share			
Income from continuing operations	*12*	**0.03**	0.14
Income from discontinued operations	*12*	**-**	-
Total		**0.03**	0.14

See accompanying notes to condensed consolidated interim financial statements

PREMIER Gold Mines Limited

(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended March 31,	Note	**2014** $	2013 $
Income for the period		**4,135,956**	20,051,734
Exchange differences on translation of foreign operations		**2,309,813**	1,153,528
Deferred tax expense		**(701,190)**	-
Total comprehensive income for the period		**5,744,579**	21,205,262
Comprehensive income / (loss) for the period			
From continuing operations		**5,744,579**	21,287,492
From discontinued operations	*15*	**-**	(82,230)
Total comprehensive income for the period		**5,744,579**	21,205,262
Comprehensive income / (loss) for the period attributable to:			
Non-controlling interest	*15*	**-**	(29,018)
Owners of the parent		**5,744,579**	21,234,280
Total comprehensive income for the period		**5,744,579**	21,205,262

See accompanying notes to condensed consolidated interim financial statements

PREMIER
Gold Mines Limited

(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended March 31,

	Note	**2014** $	2013 $
OPERATING ACTIVITIES			
Income for the period from continuing operations		**4,135,956**	20,133,964
Items not affecting cash			
Depreciation on property, plant and equipment	*7*	**28,919**	27,336
Share-based payments	*11*	**304,810**	1,910,743
Long term debt accretion	*9*	**250,201**	438,034
Environmental rehabilitation accretion	*10*	**22,843**	-
Unrealized (gain) / loss on investments	*5*	**(19,549,913)**	12,701,885
Gain on sale of Premier Royalty	*15*	**-**	(37,978,038)
Unrealized foreign exchange gain		**(212,217)**	(92,488)
(Gain) / loss on sale of investments	*5*	**13,954,677**	(1,594)
Deferred tax expense		**40,823**	1,763,001
		(1,023,901)	(1,097,157)
Changes in non-cash working capital balances related to operations			
Accounts receivable		**946,225**	24,095
Prepaids and deposits		**(28,549)**	(23,119)
Accounts payable and accrued liabilities		**692,935**	1,127,109
Cash provided by operating activities		**586,710**	30,928
INVESTMENT ACTIVITIES			
Exploration and evaluation assets		**(5,484,318)**	(7,290,025)
Costs associated with the sale of Premier Royalty Inc.		**-**	(39,384)
Proceeds from sale of investments		**14,155,416**	-
Purchase of investments		**-**	340,604
Purchase of property, plant and equipment	*7*	**(19,297)**	(13,228)
Cash provided by / (used in) investment activities		**8,651,801**	(7,002,033)
FINANCING ACTIVITIES			
Proceeds from the exercise of stock options		**67,125**	585,000
Cash provided by financing activities		**67,125**	585,000
Increase / (decrease) in cash and cash equivalents during the period		**9,305,636**	(6,386,105)
Cash and cash equivalents, beginning of the year		**52,552,321**	85,101,642
Effect of exchange rate changes on cash and cash equivalents		**312,838**	306,097
Cash and cash equivalents, end of period		**62,170,795**	79,021,634

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

PREMIER Gold Mines Limited

(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)
(Unaudited)

Issued and outstanding:	Note	Share Capital: Number of Shares	Share Capital: Share Capital	Reserves: Warrants	Reserves: Equity Settled Employee Benefits	Reserves: Contributed surplus	Reserves: Foreign currency translation	Deficit	Equity attributable to owners of the parent	Non-controlling interest	Total Equity
Balance as at December 31, 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	*11*	300,000	871,200	-	(286,200)	-	-	-	585,000	-	585,000
Share based payment		-	-	-	1,910,743	-	-	-	1,910,743	-	1,910,743
Non-controlling interest eliminated on sale of Premier Royalty Inc.	*15*	-	-	-	-	-	-	-	-	(40,666,161)	(40,666,161)
Deferred tax on share issue costs		-	1,150,606	-	-	-	-	-	1,150,606	-	1,150,606
Comprehensive loss for the period		-	-	-	-	-	1,153,528	20,080,752	21,234,280	29,018	21,263,298
Balance as at March 31, 2013		149,327,712	412,447,672	750,933	25,982,650	7,539,763	(76,109)	(47,967,139)	398,677,770	-	398,677,770
Exercise of stock options	*11*	172,000	458,945	-	(154,495)	-	-	-	304,450	-	304,450
Shares issued for Broulan Reef	*11*	160,000	323,200	-	-	-	-	-	323,200	-	323,200
Shares issued for Cove debt repayment	*11*	2,142,612	5,000,000	-	-	-	-	-	5,000,000	-	5,000,000
Share-based payments		-	-	-	2,635,317	-	-	-	2,635,317	-	2,635,317
Surrender of shares by Goldstone Resources Inc.	*11*	(400,000)	-	-	-	-	-	-	-	-	-
Shares issued as compensation	*11*	94,151	131,811	-	-	-	-	-	131,811	-	131,811
Deferred tax on share issue costs		-	(1,150,606)	-	-	-	-	-	(1,150,606)	-	(1,150,606)
Comprehensive loss for the period		-	-	-	-	-	1,258,262	(49,378,437)	(48,120,175)	-	(48,120,175)
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
Exercise of stock options	*11*	37,500	103,313	-	(36,188)	-	-	-	67,125	-	67,125
Share based payments		-	-	-	304,810	-	-	-	304,810	-	304,810
Comprehensive loss for the period		-	-	-	-	-	1,608,623	4,135,956	5,744,579	-	5,744,579
Balance as at March 31, 2014		**151,533,975**	**417,314,335**	**750,933**	**28,732,094**	**7,539,763**	**2,790,776**	**(93,209,620)**	**363,918,281**	**-**	**363,918,281**

See accompanying notes to the condensed consolidated interim financial statements

PREMIER
Gold Mines Limited

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended March 31, 2014
(with comparative figures for the year ended December 31, 2013)

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. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2013.

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2013, with the exception of certain amendments to accounting standards issued by the IASB, which were effective January 1, 2014. These amendments did not have a significant impact on the Corporation's unaudited condensed consolidated interim financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Corporation's assets and liabilities are accounted for prospectively. The critical judgements and estimates applied in the preparation of the Corporation's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in note 2 of the Corporation's audited consolidated financial statements for the year ended December 31, 2013.

The unaudited condensed consolidated interim financial statements of the Corporation for the period ended March 31, 2014 were approved and authorized by the Board of Directors on May 13, 2014.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended March 31, 2014
(with comparative figures for the year ended December 31, 2013)

Basis of Consolidation

The Corporation's unaudited condensed consolidated interim financial statements consolidate those of the parent Corporation and all of its subsidiary undertakings drawn up to March 31, 2014. 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 year end 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
Premier Gold Mines Hardrock Inc.	100%	Canada	Mineral exploration
Premier Gold Mines Brookbank 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

During the period, the Corporation filed articles of amendment to change the names of the subsidiary companies, 2295196 Ontario Inc. and 2295197 Ontario Inc. to Premier Gold Mines Hardrock Inc. and Premier Gold Mines Brookbank Inc. respectively.

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 recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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 January 1, 2014.

Accounting standards issued and effective January 1, 2014

The following standards were applied for the period beginning on January 1, 2014 and had no effect on the Corporation's financial performance:

- 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.

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

(Stated in Canadian Dollars)

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

The Corporation has not applied the following revised or new IFRS that have been issued but were not yet effective at March 31, 2014. These accounting standards are not expected to have a significant effect on the Corporation's accounting policies or 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 16, Property, Plant and Equipment and IAS 38, Intangible Assets clarifies the requirements for the revaluation method in these standards to address concerns about the calculation of the accumulated depreciation or amortization at the date of revaluation.
- 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 change to IFRS 7, Financial Instruments Disclosures may have on the consolidated financial statements. The change to IFRS 7 requires new disclosures on gross amounts subject to rights of set-off, amounts set-off and net credit exposure.

Accounting standards issued and effective January 1, 2018

The Corporation continues to assess the impact that the changes to IFRS 9, Financial Instruments may have on the consolidated financial statements. The changes to IFRS 9 introduce new requirements for the classification and measurement of financial assets and liabilities. The IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018 although early adoption is permitted.

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.

	2014 **$**	2013 $
Cash	**7,153,321**	7,374,587
Short-term money market investments	**55,017,474**	45,177,734
	62,170,795	52,552,321

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended March 31, 2014
(with comparative figures for the year ended December 31, 2013)

5. INVESTMENTS

	2014		2013	
	Market $	**Cost $**	Market $	Cost $
Equities				
Canadian equities held for sale(*) (**)	**8,740,698**	**17,744,787**	17,381,833	45,854,880
Canadian equities(*)	**215,812**	**1,283,775**	134,857	1,283,775
	8,956,510	**19,028,562**	17,516,690	47,138,655

(*) Canadian equities consist of common shares held in Canadian publicly traded corporations. Fair values of equities are determined as the bid price at March 31, 2014. 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 income / (loss) is an unrealized gain of $19,388,462 and a realized loss of $13,945,625 on the Sandstorm shares for the period ended March 31, 2014 (2013, unrealized loss of $12,273,367 and nil respectively).

6. RESTRICTED CASH AND CASH EQUIVALENTS

Property	**2014 $**	2013 $
Hardrock, Ontario (i)	**633,089**	633,089
Saddle, Nevada (ii)	**11,543**	11,106
Northern Empire Mill, Ontario (iii)	**2,225,789**	2,225,789
Cove, Nevada (iv)	**1,107,212**	1,065,288
	3,977,633	3,935,272

(i) 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 Hardrock property in Ontario. Security for the standby letter of credit is held with the Royal Bank of Canada.

(ii) The Corporation's wholly owned subsidiary, Premier Gold Mines USA Inc., has $10,442USD ($11,543CDN) 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.

(Stated in Canadian Dollars)

(iii) 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

(iv) The Corporation's wholly owned subsidiary, Au-reka Gold Corporation has a total of $1,001,584USD ($1,107,212CDN) in restricted cash related to reclamation obligations associated with the Cove property in Nevada including:
- $976,584USD ($1,079,575CDN) held in trust with the United States Department of the Interior, Bureau of Land Management
- a $25,000USD ($27,637CDN) deposit with Newmont Mining Corporation

7. PROPERTY, PLANT AND EQUIPMENT

Costs	Building $	Leasehold improvements $	Exploration equipment $	Mill and mining equipment $	Office equipment $	Total $
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
Assets acquired	-	-	19,297	-	-	19,297
Foreign currency adjustment	-	3,470	2,371	-	-	5,841
Balance, March 31, 2014	**311,671**	**334,911**	**165,644**	**4,762,947**	**363,936**	**5,939,109**

Accumulated depreciation	Building $	Leasehold improvements $	Exploration equipment $	Mill and mining equipment $	Office equipment $	Total $
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
Depreciation for the year	5,062	6,916	2,939	-	14,002	28,919
Foreign currency adjustment	-	222	573	-	-	795
Balance, March 31, 2014	**42,580**	**36,447**	**90,432**	**2,353,776**	**172,904**	**2,696,139**

Carrying amounts	Building $	Leasehold improvements $	Exploration equipment $	Mill and mining equipment $	Office equipment $	Total $
Balance, December 31, 2013	274,153	302,132	57,056	2,409,171	205,034	3,247,546
Balance, March 31, 2014	**269,091**	**298,464**	**75,212**	**2,409,171**	**191,032**	**3,242,970**

PREMIER Gold Mines Limited

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended March 31, 2014
(with comparative figures for the year ended December 31, 2013)

8. EXPLORATION AND EVALUATION ASSETS

Property	December 31, 2013 $	Additions $	Impairment $	Currency Adjustment $	March 31, 2014 $
Rahill-Bonanza, Ontario	35,837,625	193,769	-	-	**36,031,394**
East Bay, Ontario	7,893,540	157,700	-	-	**8,051,240**
PQ North, Ontario	12,674,857	-	-	-	**12,674,857**
Hardrock, Ontario	173,944,156	2,665,146	-	-	**176,609,302**
Brookbank, Ontario	16,639,298	6,198	-	-	**16,645,496**
Cove, Nevada	39,928,245	2,437,024	-	1,571,354	**43,936,623**
Saddle, Nevada	40,126,726	-	-	593,047	**40,719,773**
Other areas	2,658,635	9,556	-	6,033	**2,674,224**
	329,703,082	**5,469,393**	**-**	**2,170,434**	**337,342,909**

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

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 during the year ended December 31, 2013.

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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 March 31, 2014, the outstanding principal of the promissory note is $250,000USD ($276,365CDN). The current portion of the promissory note is $50,000USD (discounted at a rate of 15% $46,922CDN). The remaining balance of the promissory note of $200,000USD (discounted at a rate of 15% $157,803CDN), will be repaid over the next 4 years. The present value of the debt, using a discount rate of 15% is $204,725CDN. 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 income / (loss) as a form of interest expense over the term of the note.

Anniversary Date	Total payment ($USD)	Total payment ($CDN)	Discounted Principal ($CDN)	Accredited interest ($CDN)
July 19, 2014	50,000	55,273	46,922	8,351
July 19, 2015	50,000	55,273	31,603	23,670
July 19, 2016	50,000	55,273	36,342	18,931
July 19, 2017	50,000	55,273	41,794	13,479
July 19, 2018	50,000	55,273	48,064	7,209
Total	250,000	276,365	204,725	71,640

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 $9,815,576) 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 income / (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)	Accredited interest ($CDN)
June 13, 2014	10,000,000	9,815,576	184,424

(Stated in Canadian Dollars)

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:

	2014	2013
	$	$
Balance, beginning of the period	**3,703,380**	2,449,004
New obligation	**-**	1,352,195
Accretion expense	**22,843**	49,519
Adjustment due to change in interest rate	**-**	(147,338)
	3,726,223	3,703,380

The obligation accounted for during the year ended December 31, 2013 is related to the Faymar mineral property interest acquired as a result of the 2011 Goldstone acquisition and referenced in Note 8 of the December 31, 2013 audited consolidated fiancial statements 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 9 of the December 31, 2013 statements. The Faymar provision at March 31, 2014 is $1,361,024 ($1,352,195 at December 31, 2013).

The 2013 adjustment due to 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. The Northern Empire Mill provision at March 31, 2014 is $2,365,199 ($2,351,185 at December 31, 2013).

11. 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 8 of the December 31, 2013 audited consolidated financial statements.

Shares issued as payment

On June 13, 2013 the Corporation issued 2,142,612 common shares, valued at $5,000,000 on behalf of it's 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.

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 expired on April 5, 2014.

The Corporation applies the fair value method of accounting for all warrants issued. There were no warrants issued during the period ending March 31, 2014 or during the year ended December 31, 2013.

Share option plan

The Corporation has a share purchase compensation 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.

PREMIER Gold Mines Limited

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The following table reflects the stock options outstanding as at March 31, 2014:

Expiry Date	Exercise Price $	2014 Opening Balance #	Granted #	Exercised #	Expired/ Cancelled #	2014 Closing Balance #
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	220,000	-	-	-	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 22, 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, 2018	2.60	150,000	-	-	-	150,000
August 8, 2018	1.79	1,379,500	-	(37,500)	-	1,342,000
August 13, 2018	2.27	150,000	-	-	-	150,000
September 20, 2018	2.41	150,000	-	-	-	150,000
September 20, 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
March 7, 2019	2.51	-	100,000	-	-	100,000
		12,823,048	100,000	(37,500)	(34,136)	12,851,412
Weighted average exercise price		3.91	2.51	1.79	2.34	3.91

Total vested stock options at March 31, 2014 were 12,026,412 with a weighted average exercise price of $3.96 (2013, 11,928,048 with a weighted average exercise price of $3.98).

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $304,810 was recorded for options and shares issued as compensation during the period (three months ended March 31, 2013 - $1,910,743 was recorded as compensation for the period). As of March 31, 2014 there were 825,000 unvested stock options (895,000 at December 31, 2013).

(Stated in Canadian Dollars)

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:

	2014	2013
Risk-free interest rate	1.99%	1.34% - 1.89%
Annualized volatility based on historical volatility	61%	58% - 64%
Expected dividend yield	Nil	Nil
Expected option life	5 years	5 years

Treasury shares

During 2013 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. INCOME / (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. No adjustments to loss were necessary in 2014 or 2013.

	2014 **$**	2013 $
Numerator:		
Income from continuing operations	**4,135,956**	20,133,964
Loss from discontinued operations	**-**	(82,230)
Total income for the year	**4,135,956**	20,051,734
Denominator:		
Weighted average number of common shares	**151,528,475**	146,216,045
Basic and diluted earnings per share:		
Income from continuing operations	**0.03**	0.14
Income from discontinued operations	**-**	-
Total	**0.03**	0.14

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

As at March 31,	Note	**2014** **$**	2013 $
Fair value of shares issued for compensation	*11*	**304,810**	1,910,743
Fair value of stock options allocated to share capital upon exercise	*11*	**36,188**	286,200

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14. SEGMENTED INFORMATION

The Corporation's significant segments that are represented by its separately identifiable exploration and evaluation properties as described in Note 8 that 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 of America (U.S.A.) operations are managed from an office in Nevada. The Mexican operations are managed from an office in Mexico City. South African operations related to a royalty interest in a mineral property 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 transactions discussed in Note 15.

For the three months ended March 31,		**2014**		
	Canada $	U.S.A. $	Mexico $	**Total** **$**
Depreciation	(23,685)	(5,234)	-	**(28,919)**
Net finance costs	-	(250,201)	-	**(250,201)**
Overhead costs	(1,363,093)	(6,243)	(7,937)	**(1,377,273)**
Exploration and maintenance costs	(137,005)	-	(14,938)	**(151,943)**
Other income / (expenses)	5,974,036	11,098	-	**5,985,134**
Income / (loss) before income taxes	4,450,253	(250,580)	(22,875)	**4,176,798**
Current tax	-	(19)	-	**(19)**
Deferred tax	(39,773)	(1,050)	-	**(40,823)**
Income / (loss) for the period	4,410,480	(251,649)	(22,875)	**4,135,956**
Mineral property additions (net)	3,032,372	4,607,455	-	**7,639,827**

For the three months ended March 31,		2013		
	Canada $	U.S.A. $	Mexico $	Total $
Depreciation	(24,620)	(2,716)	-	(27,336)
Net finance costs	-	(438,034)	-	(438,034)
Overhead costs	(3,017,117)	(39,648)	(3,972)	(3,060,737)
Exploration and maintenance costs	(150,156)	-	-	(150,156)
Other income / (expenses)	25,592,569	18	-	25,592,587
Income / (loss) before income taxes	22,400,676	(480,380)	(3,972)	21,916,324
Current tax	(19,359)	-	-	(19,359)
Deferred tax	(1,741,408)	(21,593)	-	(1,763,001)
Income / (loss) for the period from continuing operations	20,639,909	(501,973)	(3,972)	20,133,964
Loss for the period from discontinued operations	(82,230)	-	-	(82,230)
Income / (loss) for the period	20,557,679	(501,973)	(3,972)	20,051,734
Mineral property additions (net)	4,597,154	3,631,046	54,696	8,282,896

(Stated in Canadian Dollars)

As at March 31,		**2014**		
	Canada	U.S.A.	Mexico	**Total**
	$	$	$	**$**
Mineral properties	250,521,848	86,821,061	-	**337,342,909**
Total assets	327,258,385	89,034,299	17,844	**416,310,528**
Total liabilities	40,505,055	11,878,120	9,072	**52,392,247**

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

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

The incorporation of Premier Royalty Corporation and the subsequent reverse takeover transaction with Bridgeport in 2012 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:

For the three months ended March 31,	**2014**	2013
	$	$
Revenue	-	441,549
Expenses:		
Depletion	-	(245,654)
General and administration	-	(223,777)
Stock based compensation	-	(104,429)
Other income	-	9,267
Foreign exchange loss	-	40,814
Total expenses	-	(523,779)
Loss and comprehensive loss for the period	-	(82,230)
Discontinued operations attributable to:		
Non-controlling interest	-	(29,018)
Owners of the parent	-	(53,212)
	-	(82,230)

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16. 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 2 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
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.

The figures noted below are for the three months ended March 31, 2014 with the comparative figures for the three months ended March 31, 2013.

(a) Included in general and administrative expenses are amounts totalling $8,912 (2013 - $10,618) 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.

(b) Included in general and administrative expenditures are amounts totalling $28,669 (2013 - $69,668) for IT consulting, and accounting 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 income are amounts totaling $5,300 (2013 - $7,950) 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 exploration and evaluation assets are amounts totalling $nil (2013 - $12,728) for security related services paid to Apex Security and Investigation Inc., a company related to the Corporation through John Seaman, Director of the Corporation.

(e) Included in general and administrative expenditures are amounts totalling $41,191 (2013 - $41,234) for 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.

(Stated in Canadian Dollars)

Transactions with key management personnel

Key management personnel remuneration includes the following amounts:

	2014	2013
	$	$
Salary and wages	**320,302**	380,402
Share-based payments	**-**	678,650
	320,302	1,059,052

17. COMMITMENTS

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

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

	$
2014	265,781
2015	304,192
2016	224,939
2017	73,258
	868,170

18. 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 March 31, 2014, 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.

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(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 March 31, 2014 the Corporation's liabilities that have contractual maturities are as follows:

	2014	2015	2016	2017	2018	Total
	$	$	$	$	$	$
Accounts payable and accrued liabilities	3,787,295	-	-	-	-	3,787,295
Long term debt	10,055,273	55,273	55,273	55,273	55,273	10,276,365
	13,842,568	55,273	55,273	55,273	55,273	14,063,660

(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 in Canadian dollars at the end of the reporting period are as follows:

	2014	2013
	$	$
Cash and cash equivalents	**6,450,551**	7,948,582
Restricted cash and cash equivalents	**1,118,755**	1,076,391
Accounts receivable & prepaids	**45,815**	46,018
Accounts payable	**1,117,654**	409,959
Long term promissory note	**204,726**	190,288

There are no significant financial instruments in Mexican pesos.

During the period ended March 31, 2014, the Corporation recognized an unrealized foreign exchange gain of $212,217 and an exchange gain on the translation of foreign operations in comprehensive income of $2,309,813. As of March 31, 2014, if the Canadian dollar to the U.S. dollar exchange rate increases or decreases by 10%, the Corporation's net income or loss will increase or decrease by $556,383 and the Corporation's other comprehensive income (loss) will increase or decrease by $5,070,554.

(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	
	2014	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$
Investments	**8,956,510**	17,516,690	**-**	-	**8,956,510**	17,516,690

(Stated in Canadian Dollars)

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

	Fair value through profit or loss		Loans and receivables		Total	
	2014	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$
Cash and cash equivalents	**-**	-	**62,170,795**	52,552,321	**62,170,795**	52,552,321
Accounts receivable	**-**	-	**339,532**	1,285,757	**339,532**	1,285,757
Investments held for sale	**8,740,698**	17,381,833	**-**	-	**8,740,698**	17,381,833
Restricted cash and cash equivalents	**-**	-	**3,977,633**	3,935,272	**3,977,633**	3,935,272
Investments	**215,812**	134,857	**-**	-	**215,812**	134,857
	8,956,510	17,516,690	**66,487,960**	57,773,350	**75,444,470**	75,290,040

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

	Fair value through profit or loss		Other financial liabilities		Total	
	2014	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$
Accounts payable and accrued liabilities	**-**	-	**3,787,295**	3,094,360	**3,787,295**	3,094,360
Long term debt	**-**	-	**10,020,301**	9,779,028	**10,020,301**	9,779,028
	-	-	**13,807,596**	12,873,388	**13,807,596**	12,873,388

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.

19. MANAGEMENT OF CAPITAL RISK

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended March 31, 2014
(with comparative figures for the year ended December 31, 2013)

20. 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.