



Condensed interim consolidated financial statements

As at and for the three months ended March 31, 2014 and 2013

(Financial information expressed in Canadian dollars unless otherwise noted)

Notice to Reader

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014, have not been reviewed by an independent reviewer. They have been prepared by Josephine Mining Corp.'s management in accordance with accounting principles generally accepted in Canada, consistent with prior periods. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2013.

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Josephine Mining Corp. (an exploration stage company)
Interim consolidated statements of financial position
As at March 31, 2014 and December 31, 2013
(Interim period is unaudited; Presented in Canadian dollars)

	Notes	March 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents		\$ 8,895	\$ 14,147
Prepaid and other current assets		3,068	130
Total current assets		\$ 11,963	\$ 14,277
Non-current assets			
Mineral properties	4	\$ 2,243,293	\$ 2,243,293
Investment in associate	5	2,012,349	1,882,327
Total non-current assets		4,255,642	4,125,620
Total assets		\$ 4,267,605	\$ 4,139,897
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		\$ 75,426	\$ 90,093
Due to related parties	6(i)	194,262	165,110
Convertible note payable to related party	6(g)	59,716	-
Total current liabilities		\$ 329,404	255,203
Shareholders' equity			
Share capital	7(b)	\$ 7,276,901	\$ 7,276,901
Contributed surplus	7(c)	167,722	167,722
Option reserves	7(d)	798,574	798,574
Warrant reserves	7(e)	3,609,239	3,609,239
Accumulated other comprehensive income attributable to shareholders		198,367	124,541
Accumulated deficit		(8,112,602)	(8,092,283)
Total shareholders' equity		3,938,201	3,884,694
Total liabilities and shareholders' equity		\$ 4,267,605	\$ 4,139,897
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Approved on behalf of the Board of Directors:

"SIGNED"

Robert L. Russell
Director

"SIGNED"

James O'Neil
Director

Josephine Mining Corp. (an exploration stage company)
Interim consolidated statements of comprehensive loss
Three months ended March 31, 2014 and 2013
(Unaudited and presented in Canadian dollars)

	Notes	Three months ended March 31,	
		2014	2013
Operating expenses			
General and administrative		\$ 27,408	\$ 151,093
Exploration		83	7,164
Share-based payments	7(d)	-	41,157
Depreciation		-	5,589
Total operating expenses		\$ 27,491	\$ 205,003
Other income and expense			
Other income		\$ 10,636	\$ -
Interest expense		-	(38,401)
Foreign exchange gain (loss)		27	(93)
Total other income (expense)		\$ 10,663	\$ (38,494)
Loss from investment in associate		\$ 3,491	\$ -
Net loss		\$ (20,319)	\$ (243,497)
Other comprehensive income (loss)		73,826	(11,070)
Total comprehensive income (loss)		\$ 53,507	\$ (254,567)
Net loss per common share, basic and diluted	8	\$ 0.00	\$ (0.01)
Weighted average common shares outstanding, basic and diluted		25,551,010	25,451,010

Josephine Mining Corp. (an exploration stage company)
Interim consolidated statements of changes in equity
Three months ended March 31, 2014 and 2013
(Unaudited and presented in Canadian dollars)

	Notes	Shares	Share capital	Contributed surplus	Option reserves	Warrant reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
Balance, January 1, 2013		25,551,010	\$ 7,276,901	\$ 167,722	\$ 750,087	\$ 3,609,239	\$ (4,956,512)	\$ (64,781)	\$ 6,782,656
Share-based payments	7(d)	-	-	-	41,157	-	-	-	41,157
Net loss for the year		-	-	-	-	-	(243,497)	-	(243,497)
Other comprehensive loss for the period		-	-	-	-	-	-	(11,070)	(11,070)
Balance, March 31, 2013		25,551,010	\$ 7,276,901	\$ 167,722	\$ 791,244	\$ 3,609,239	\$ (5,200,009)	\$ (75,851)	\$ 6,569,246
Balance, January 1, 2014		25,551,010	\$ 7,276,901	\$ 167,722	\$ 798,574	\$ 3,609,239	\$ (8,092,283)	\$ 124,541	\$ 3,884,694
Net loss for the year		-	-	-	-	-	(20,319)	-	(20,319)
Other comprehensive income for the period		-	-	-	-	-	-	73,826	73,826
Balance, March 31, 2014		25,551,010	\$ 7,276,901	\$ 167,722	\$ 798,574	\$ 3,609,239	\$ (8,112,602)	\$ 198,367	\$ 3,938,201

Josephine Mining Corp. (an exploration stage company)
Interim consolidated statements of cash flows
Three months ended March 31, 2014 and 2013
(Unaudited and presented in Canadian dollars)

		Three months ended March 31,	
	Notes	2014	2013
Cash flows from operating activities			
Net loss		\$ (20,319)	\$ (243,497)
Share-based payments	7(d)	-	41,157
Foreign currency translation		29	(11,353)
Depreciation		-	5,589
Loss from investment in associate	5	3,491	-
Changes in assets and liabilities			
Decrease (increase) in prepaid and other current assets		(2,938)	405
Net cash provided (used) by operating activities		\$ (19,737)	\$ (207,699)
Cash flows from investing activities			
Payments toward mineral properties		\$ -	\$ (30,464)
Changes in non-cash working capital		(14,667)	225,905
Payments of deposits		-	(2,521)
Net cash provided (used) by investing activities		\$ (14,667)	\$ 192,920
Cash flows from financing activities			
Accrued interest expense		\$ -	\$ 38,401
Short-term debt financing			48,408
Increase (decrease) in due to related parties		29,152	(74,385)
Net cash provided by financing activities		\$ 29,152	\$ 12,424
Decrease in cash		(5,252)	(2,355)
Cash, beginning of period		14,147	4,596
Cash, end of period		\$ 8,895	\$ 2,241

1. Nature and continuance of operations

Josephine Mining Corp. (the “Company” or “JMC”) was incorporated on June 4, 2007, under the Business Corporations Act of British Columbia and is in the exploration stage. The registered office of the Company is 1000 - 595 Burrard Street - P.O. Box 49290 - Vancouver, British Columbia, Canada V7X 1S8.

The Company’s activities relate to the retention and exploration of mineral properties known as the Turner Gold Property (the “Project” or “Turner”), located in southern Oregon, and other assets as management identifies new opportunities.

2. Going concern

These condensed interim consolidated financial statements, prepared at and for the three months ended March 31, 2014, and 2013 (“Financial Statements”) have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business. The Company earns no operating revenues and has incurred an accumulated deficit of \$8,112,602 through March 31, 2014 (December 31, 2013- \$8,092,283). Further, the Company had a working capital deficit of \$317,441 at March 31, 2014 (December 31, 2013 – \$240,926). These and other factors raise doubt about the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon obtaining necessary financing to complete exploration activities and placement of a mineral property into commercial production. Management intends to complete additional financing, but while the Company has been successful in raising funds from related parties and other private parties in the past, there can be no assurance that it will be able to do so in the future. There can be no objective reliance on continuing support from related parties, which has been essential for the Company’s development. The Financial Statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

In 2013, as a result of the Company’s insolvency and inability to raise funds in public markets, the Company sold 79% of its sole potential cash generating unit, at a material loss, to companies owned and operated by officers, owners and directors who are also officers, owners and directors of the Company. The transaction resulted in a loss of control, deconsolidation and accounting for the retained interest as an investment in an associate (Note 5).

3. Significant accounting policies

(a) *Statement of compliance*

These Financial Statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and its interpretations including International Accounting Standards (“IAS”) prevailing as of March 31, 2014, as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee.

These Financial Statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2013. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company’s annual filings for the year ended December 31, 2013.

These Financial Statements were approved by the Company’s board of directors on May 29 2014.

(b) *Basis of preparation*

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. References to United States dollars are indicated by “US\$.”

(c) *Basis of consolidation*

(i) *Subsidiaries*

The Financial Statements include the accounts of the Company and 0890810 B.C. Ltd. ("0890810"), the Company's wholly-owned subsidiary. Intercompany balances and transactions are eliminated in the preparation of the Financial Statements.

(d) *Recent accounting pronouncements*

Pronouncement	Effective date	Adoption date	Summary of impact
IFRS 9 Financial Instruments This guidance was issued as the first step in its project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and new rules for hedge accounting; as a result of amendments in the current year there is no set date for adoption, however, early adoption is permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting.	No stated effective date		No material impact
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.	Annual periods beginning on or after January 1, 2014	January 1, 2014	No material impact

(e) *Application of new and revised accounting standards*

Pronouncement	Effective date	Adoption date	Summary of impact
International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 21 - Levies In May 2013, the IASB issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.	Annual periods beginning on or after January 1, 2014	January 1, 2014	No material impact

4. Mineral properties

The following is a continuity schedule for the Company's investment in mineral properties.

	March 31, 2014	December 31, 2013
Balance, beginning of period	\$ 2,243,293	\$ 7,847,658
Exchange rate variances	-	386,993
Derecognition upon loss of control of subsidiary (i)	-	(5,991,358)
Balance, end of period	\$ 2,243,293	\$ 2,243,293

- (i) During 2013, the Company sold 79% of its interest in Turner by way of the sale of 79% of its shares in its wholly owned subsidiary, Gold Coast Mining Inc. ("GCM") to related parties.

Management did not identify any indicators of impairment at March 31, 2014, and as such, no impairment expense was recognized.

5. Investment in associate

The Company retained 21% of the common shares of GCM, a formerly consolidated subsidiary. The transaction that resulted in this interest is described at Note 6(f). The Company's interest in GCM represents the Company's remaining interest in the Project, which has been the Company's sole exploration project since the Company's recapitalization in 2011.

At March 31, 2014, the value of JMC's investment in GCM is \$2,012,349 (December 31, 2013 – \$1,882,327). The Company recorded \$3,491 in its proportionate share of GCM's net loss for the three months ended March 31, 2014 (2013 – nil).

The aggregate financial information, acknowledging the fair value adjustments made at the time of loss of control, in respect of the Company's associate is set out below:

Item	March 31, 2014	December 31, 2013
Current assets	\$ 2,950	\$ 5,631
Non-current assets	14,937,071	14,378,319
Current liabilities	(5,641,759)	(5,420,491)
Net assets	\$ 9,298,263	\$ 8,963,459
Share of net assets	21%	21%
Total	\$ 1,952,635	\$ 1,882,327
Additions to basis	59,714	-
Carrying amount on statement of financial position	\$ 2,012,349	\$ 1,882,327
Net loss	\$ (16,626)	\$ -
Foreign exchange translation gain	334,880	-
Comprehensive income	\$ 318,254	\$ -
Share of comprehensive income	21%	21%
Proportionate share of net loss	\$ (3,491)	\$ -
Proportionate share of comprehensive income	\$ 70,325	\$ -

6. Related party transactions

Key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The following entities transacted with the Company in the reporting period of these Financial Statements. The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities at an arm's length basis.

(a) *Russell Mining Corporation ("RMC")*

RMC is a private corporation which owns 10,600,010 shares in the Company and owns 51% of the Turner mineral rights by way of 51% of GCM's (Note 5; Note 6(f)) common shares. RMC's management has owners, officers and directors in common with the Company and BRH (Note 6(b)).

RMC is owed \$59,716 for principal and interest under a convertible note payable agreement with the Company. The note is convertible into shares of the Company at \$0.125 per common share. The note has no specified maturity date and bears interest at the prime interest rate plus 2%.

(b) *Big Rock Holdings ("BRH")*

BRH is a private corporation which owns 28% of the Turner mineral rights by way of 28% of GCM's (Note 5; Note 6(f)) common shares. BRH has owners, officers and directors in common with the Company and RMC.

(c) *St. Augustine Gold and Copper Limited ("SAGC")*

SAGC is a Toronto Stock Exchange registrant which has owners, officers and directors in common with the Company, RMC and BRH. Further, the Company utilizes the services of SAGC's corporate staff, which is billed by SAGC to the Company at terms which approximate market terms for similar services.

(d) *Norton Rose Canada LLP ("NRC")*

NRC is the Company's securities counsel, and a principal of the firm is the Company's corporate secretary.

(e) *Transactions with key management and directors*

The aggregate value of transactions with key management was as follows:

	Three months ended March 31,			
	2014		2013	
Officer compensation and director fees (i)	\$	3,328	\$	51,078
Share-based payments		-		34,207
Total	\$	3,328	\$	85,285

(i) *The expenses incurred during the three months ended March 31, 2014 had not been paid at the end of the period.*

(f) *Disposition of 79% of Turner*

Effective December 31, 2013, management finalized the reduction of 79% of the Company's interest in Turner by way of the sale of 51% of the common shares of the Company's previously wholly owned subsidiary (GCM) and a settlement of debt for 28% of the common shares in GCM. The sale of GCM shares was made to companies owned and operated by individuals who are also officers and owners of the Company. A loss of \$2,487,162 was reported in 2013 as a result of the loss of control of GCM. The Company received total consideration of US\$1,605,421 under the terms of this transaction. Consideration from this transaction was used to cause GCM to own an undivided interest in Turner.

The Company's interest in GCM is reported as an investment in associate at March 31, 2014, at a value of \$2,012,349 (December 31, 2013, \$1,882,327) (Note 5).

(g) *Convertible note payable to RMC*

On September 26, 2012, the Company issued a note payable to RMC for US\$50,000. The principal and accrued interest totaled \$59,716 at March 31, 2014.

RMC was issued 100,000 shares ("Finance Shares"), fair-valued on the grant date at \$12,500 as part of consideration for the note.

(h) *Finder's Agreement*

On June 22, 2009, the Company entered into a finder's agreement with RMC for mining claims located in Josephine County, Oregon. Pursuant to this agreement, RMC agreed to advance the Company funds and provide the technical support to complete a reserve study on the claims. The agreement also contemplates RMC and the Company entering into a management agreement for RMC to provide technical and administrative services to the Company.

When production begins on the Turner Gold Property, US\$1,500,000 is due to RMC in 24 equal installments.

(i) *Summary of other related party transactions*

	Amounts payable at March 31,		Expenses incurred during the three months ended March 31,	
	2014	2013	2014	2013
SAGC	\$ 42,517	\$ 175,953	\$ -	\$ 43,473
RMC	51,107	22,995	24,747	9,220
Norton Rose	100,638	74,607	4,405	-
Totals	\$ 194,262	\$ 273,555	\$ 29,152	\$ 52,693

7. Share capital and reserves

(a) *Authorized share capital*

As at March 31, 2014, the Company's authorized share capital was comprised of an unlimited number of common shares and preferred shares without par value.

(b) *Common shares and share capital*

No shares were issued during the three months ended March 31, 2014 or 2013.

(c) *Contributed surplus*

There were no changes to contributed surplus during the three months ended March 31, 2014 or 2013.

(d) *Option reserves*

The Company has a stock option plan (the "Plan"), under which it is authorized to grant options to directors, officers, consultants or employees of the Company. The number of options granted under the Plan is limited to 10% in the aggregate of the number of issued and outstanding common shares of the Company at the date of the grant of the options. The board of directors has discretion over the vesting of options.

Option reserves remained unchanged at \$798,574 during the three months ended March 31, 2014 since all outstanding options are now fully vested. During the three months ended March 31, 2013 there was an increase of \$41,157 attributable to vesting of share options issued under the Plan.

Josephine Mining Corp. (an exploration stage company)
Condensed notes to the interim consolidated financial statements
For the three months ended March 31, 2014 and 2013
(Interim financial information is unaudited and presented in Canadian dollars unless otherwise noted)

Option continuity schedule	Exercise price range	Number
Balance, January 1, 2013	\$0.30 - \$0.60	2,554,000
Expired	\$0.50 - \$1.00	(754,000)
Balance, December 31, 2013	\$0.50 - \$0.60	1,800,000
Balance, March 31, 2014	\$0.50 - \$0.60	1,800,000

Summary of options outstanding and exercisable as at March 31 2014:

Exercise prices	Number outstanding	Weighted average exercise price	Weighted average remaining years
\$ 0.50	1,400,000	\$ 0.50	1.99
\$ 0.60	400,000	0.60	2.21
Totals	1,800,000	\$ 0.52	2.04

(e) *Warrant reserves*

There were no changes to warrant reserves during the three months ended March 31, 2014 or during the year ended December 31, 2013.

Warrant continuity schedule	Exercise price range	Number
Balance, January 1, 2013	\$0.10 - \$2.00	19,750,500
Expired	\$0.10 - \$0.75	(9,250,500)
Balance, December 31, 2013	\$0.10 - \$2.00	10,500,000
Balance, March 31, 2014	\$0.10 - \$2.00	10,500,000

Summary of warrants outstanding and exercisable as at March 31, 2014:

Exercise price	Number exercisable	Expiry date	Weighted average exercise price	Weighted average remaining years
1.50	5,250,000	March 24, 2016	1.50	1.98
2.00	5,250,000	March 24, 2016	2.00	1.98
	10,500,000		1.75	1.98

8. Earnings (loss) per share ("EPS")

(a) *Basic EPS*

Basic EPS is computed by dividing net loss for a year by the weighted average number of common shares outstanding during that period.

(b) *Diluted EPS*

Diluted EPS is computed by dividing net loss for a period by the diluted number of common shares. Diluted common shares include the effects of instruments, such as share options and warrants, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the three months ended March 31, 2014 and 2013; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of comprehensive loss. Diluted loss per share did not include the effect of share purchase options and warrants as they were anti-dilutive.

9. Capital risk management

The following table summarizes capital under the Company's capital management program:

	March 31, 2014	December 31, 2013
Cash and cash equivalents	\$ 8,895	14,147
Convertible note payable to related party	59,716	-
Share capital	7,276,901	7,276,901
Option reserves	798,574	798,574
Contributed surplus	167,722	167,722
Warrant reserves	3,609,239	3,609,239

The Company's objectives when managing capital are to safeguard the Company's ability to continue exploration of its mineral property and to maintain a flexible capital structure which optimizes the costs of capital.

The Company is not subjected to any internally or externally imposed capital requirements.

Management implements adjustments according to changes in economic conditions and risk characteristics of capital instruments. To maintain or adjust the capital structure, the Company may attempt to issue new shares and acquire or dispose of assets.

When available cash permits, the Company invests in highly liquid, short-term interest-bearing investments.

10. Events after the reporting period

In April 2014, the Company received approximately \$60,000, which was utilized to maintain the Company's regulatory requirements and settle limited trade accounts payable. The terms of the loan were not finalized at the filing of these Financial Statements. When finalized, the terms are expected to approximate arms-length commercial terms for a similar loan.