Consolidated Financial Statements of

Scorpio Gold Corporation

For the years ended December 31, 2014 and December 31, 2013

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Independent Auditor's Report

To the Shareholders of
Scorpio Gold Corporation

We have audited the accompanying consolidated financial statements of Scorpio Gold Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of operations, 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 entity'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 entity'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 financial position of Scorpio Gold Corporation as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) Deloitte LLP

Chartered Accountants
April 28, 2015
Vancouver, Canada

Scorpio Gold Corporation
Consolidated financial statements of operations
Years ended December 31, 2014 and December 31, 2013
(In thousands of US dollars except for shares and per share amounts)

	2014	2013
	$	$
Revenue	**52,026**	54,646
Cost of sales excluding depletion and amortization (Note 5)	**(37,879)**	(27,541)
Depletion and amortization	**(11,092)**	(16,264)
Mine operating earnings	**3,055**	10,841
Expenses		
General and administrative (Note 6)	**(1,904)**	(2,449)
Impairments of mining assets (Note 3 (e) 2) i))	**(26,900)**	(12,593)
Gain on disposal of mining assets (Note 10)	**572**	13
Operating loss	**(25,177)**	(4,188)
Other income (expenses)		
Finance costs (Note 7)	**(556)**	(1,189)
Foreign exchange (loss) gain	**(98)**	8
Finance income	**58**	5
Impairment of available-for-sale investments (Note 10)	**(1,279)**	(48)
	(1,875)	(1,224)
Loss before income taxes	**(27,052)**	(5,412)
Income tax expense (Note 13)	**(362)**	(1,431)
Net loss for the year	**(27,414)**	(6,843)
Net loss attributable to:		
Shareholders of the Company	**(20,139)**	(6,790)
Non-controlling interest	**(7,275)**	(53)
	(27,414)	(6,843)
Loss per share		
Basic	**(0.16)**	(0.05)
Diluted	**(0.16)**	(0.05)
Weighted average number of shares outstanding (Note 8)		
Basic	**124,948,235**	124,948,235
Diluted	**124,948,235**	124,948,235

See accompanying notes to the consolidated financial statements

(In thousands of US dollars)

	2014	2013
	$	$
Net loss for the year	**(27,414)**	(6,843)
Other comprehensive income (loss)		
Items that may subsequently be reversed to statement of operations:		
Change in fair value of available-for-sale investments (net of tax) (Note 10)	**(1,278)**	(1)
Reclassification to statement of operations	**1,279**	-
Comprehensive loss for the year	**(27,413)**	(6,844)
Comprehensive loss attributable to:		
Shareholders of the Company	**(20,138)**	(6,791)
Non-controlling interest	**(7,275)**	(53)
	(27,413)	(6,844)

See accompanying notes to the consolidated financial statements

Scorpio Gold Corporation

Consolidated statements of financial position
As at December 31,
(In thousands of US dollars)

	2014	2013
	$	$
Assets		
Current assets		
Cash	**1,114**	2,775
Trade and other receivables	**89**	134
Prepaid expenses and other	**542**	359
Inventories (Note 9)	**9,568**	15,521
Investments (Note 10)	**5,264**	3
Assets held for sale (Note 12)	**-**	11,459
Total current assets	**16,577**	30,251
Producing mining assets (Note 11)	**7,178**	21,867
Non-producing mining assets and other (Note 12)	**11,831**	18,027
Reclamation bonds (Note 15)	**5,357**	6,401
Total assets	**40,943**	76,546
Equity and liabilities		
Current liabilities		
Trade and other payables	**5,264**	5,002
Liabilities held for sale (Note 12)	**-**	44
Income taxes payable	**145**	215
Current portion of long-term debt (Note 14)	**3,126**	5,225
Total current liabilities	**8,535**	10,486
Long-term debt (Note 14)	**312**	5,922
Provision for environmental rehabilitation (Note 15)	**5,745**	5,241
Total liabilities	**14,592**	21,649
Equity		
Share capital (Note 16)	**51,449**	51,449
Equity reserve	**6,184**	6,181
Investment valuation reserve	**1**	-
Foreign currency translation reserve	**(194)**	(194)
Deficit	**(29,821)**	(9,682)
Equity attributable to shareholders of the Company	**27,619**	47,754
Non-controlling interest	**(1,268)**	7,143
Total equity	**26,351**	54,897
Total liabilities and equity	**40,943**	76,546

Commitments and Contingencies (Notes 21 and 23)
Subsequent events (Notes 10, 14,16 and 24)
APPROVED BY THE BOARD

Director

Director

See accompanying notes to the consolidated financial statements

Scorpio Gold Corporation
Consolidated statements of changes in equity
Years ended December 31, 2014 and December 31, 2013
(In thousands of US dollars, shares in thousands)

	Share capital		Equity	Investment valuation	Foreign currency translation		Non-controlling	Total
	Number	Amount	reserve	reserve	reserve	Deficit	interest	equity
		$	$	$	$	$	$	$
Balance, December 31, 2013	124,948	51,449	6,181	-	(194)	(9,682)	7,143	54,897
Net loss for the year	-	-	-	-	-	(20,139)	(7,275)	(27,414)
Distributions to non-controlling interest	-	-	-	-	-	-	(1,136)	(1,136)
Change in fair value of available-for-sale investments (net of tax)	-	-	-	(1,278)	-	-	-	(1,278)
Reclassification of losses on available-for-sale investments to statement of operations	-	-	-	1,279	-	-	-	1,279
Share-based compensation	-	-	3	-	-	-	-	3
Balance, December 31, 2014	124,948	51,449	6,184	1	(194)	(29,821)	(1,268)	26,351

	Share capital		Equity	Investment valuation	Foreign currency translation		Non-controlling	Total
	Number	Amount	reserve	reserve	reserve	Deficit	interest	equity
		$	$	$	$	$	$	$
Balance, December 31, 2012	124,948	51,449	5,612	(47)	(194)	(2,892)	9,182	63,110
Net loss for the year	-	-	-	-	-	(6,790)	(53)	(6,843)
Distributions to non-controlling interest	-	-	-	-	-	-	(1,986)	(1,986)
Change in fair value of available-for-sale investments	-	-	-	(1)	-	-	-	(1)
Reclassification of losses on available-for-sale investments to statement of operations	-	-	-	48	-	-	-	48
Share-based compensation	-	-	569	-	-	-	-	569
Balance, December 31, 2013	124,948	51,449	6,181	-	(194)	(9,682)	7,143	54,897

See accompanying notes to the consolidated financial statements

Scorpio Gold Corporation
Consolidated statements of cash flows
Years ended December 31, 2014 and December 31, 2013
(In thousands of US dollars)

	2014	2013
	$	$
Operating activities		
Loss for the year before taxes	**(27,052)**	(5,412)
Adjustment for:		
Income tax paid	**(431)**	(1,183)
Environmental rehabilitation expenditures (Note 15(b))	**(27)**	(103)
Items not involving cash:		
Finance costs	**556**	1,189
Finance income	**(58)**	(5)
Impairments of mining assets	**26,900**	12,593
Impairment of available-for-sale investments	**1,279**	48
Gain on disposal of mining assets	**(572)**	(13)
Share-based compensation	**3**	569
Depletion and amortization	**11,101**	16,274
Cash flows from operating activities before movements in working capital:	**11,699**	23,957
Decrease in trade and other receivables	**49**	1,564
(Increase) decrease in prepaid expenses and other	**(231)**	99
Decrease (increase) in inventories	**5,952**	(3,879)
(Decrease) increase in trade and other payables	**(1,282)**	1,148
	16,187	22,889
Investing activities		
Additions to non-producing mining assets	**(13,683)**	(9,617)
Proceeds from disposal of mining assets (Note (10))	**5,413**	162
Additions to producing mining assets	**(1,455)**	(4,259)
Additions to reclamation bonds	**(2,502)**	(49)
Reductions to reclamation bonds	**3,549**	-
Finance income received	**51**	-
	(8,627)	(13,763)
Financing activities		
Repayment of long-term debt	**(7,728)**	(5,333)
Payment of finance cost	**(451)**	(1,081)
Distributions to non-controlling interest	**(1,136)**	(1,986)
	(9,315)	(8,400)
Effect of foreign exchange rate changes on cash	**94**	-
(Decrease) increase in cash	**(1,661)**	726
Cash, beginning of year	**2,775**	2,049
Cash, end of year	**1,114**	2,775

Supplemental cash flow information (Note 17)
See accompanying notes to the consolidated financial statements

1. Continuation of operations

Scorpio Gold Corporation ("Scorpio Gold" or the "Company") and its subsidiaries conduct mineral exploitation, exploration and development in the United States.

The Company is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange. The address of the Company's registered office is 206-595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5 and its administrative office is located at 1462, de la Quebecoise, Val-d'Or, Quebec, Canada, J9P 5H4.

2. Statement of compliance and basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with and in full compliance with International Financial Reporting Standards ("IFRS") for all periods presented.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 28, 2015.

3. Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a) Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis except for the following items which are stated at their fair value:

- Investments classified as available-for-sale
- Assets and liabilities held for sale
- Mineral Ridge property which was impaired at year-end
- Certain non-producing mining assets were impaired during 2013

b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its United States based wholly-owned subsidiaries, Scorpio Gold (US) Corporation, Pinon LLC and Goldwedge LLC. They also include its United States based 70% owned subsidiary Mineral Ridge Gold LLC, the owner of the Mineral Ridge mine.

Control exists when the Company has the power over its investees, is exposed or has rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Profit and loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interest.

All intercompany accounts, revenues and expenses transactions have been eliminated.

3. Significant accounting policies (Continued)

c) Change in accounting policies

i) Financial Instruments: Presentation ("IAS 32")

On January 1, 2014, the Company adopted IAS 32. Amendments to IAS 32 provide specific guidance for when an entity can offset financial assets and liabilities by clarifying when a legally enforceable right to do so exists, and when an entity meets the criterion for the intent to settle on a net basis. The adoption of this new standard did not have any significant impact on the presentation of the Company's financial statements.

ii) Levies ("IFRIC 21")

On January 1, 2014, the Company adopted IFRIC 21. This interpretation addresses when an entity should recognize a liability to pay a government levy (other than income taxes). IFRIC 21 is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets ("IAS 37").* 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 (known as an 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. The adoption of this new standard did not have any significant impact on the presentation of the Company's financial statements.

d) Foreign currency translation

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of operations.

(e) Management judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

1) Critical judgments:

i) Capitalization of exploration and evaluation costs and determination of economic viability of a project

Management has determined that exploration, development and evaluation costs incurred which were capitalized have future economic benefits. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefit including geological and metallurgical information, accessible facilities, existing permits and life of mine plans.

3. Significant accounting policies (Continued)

(e) Management judgments and estimates (Continued)

1) Critical judgments (Continued):

ii) Determination of functional currency

The functional currency of the Company and its US subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that its functional currency and its US subsidiaries' functional currency is the US dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment in which the entity operates and the Company reconsiders its functional currency and that of its entities if there is a change in events and conditions which determined the primary economic environment.

iii) Commencement of commercial production

Prior to reaching commercial production of a mine, costs incurred are capitalized as part of the costs of related non-producing mining assets and proceeds from precious metal sales are offset against costs capitalized. Depletion of capitalized costs for mining properties begins when commercial production has been reached.

Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of the mine and plant is completed, operating results are being achieved consistently for a period of time and there are indications that these operating results will be continued.

The Company determines commencement of commercial production based on the following factors which indicate that planned principal operations have commenced:

(a) A significant portion of plant capacity is consistently achieved,
(b) All necessary permits have been obtained; and,
(c) A pre-determined, reasonable period of time has passed.

iv) Commencement of commercial production of an open pit

Prior to reaching commercial production for an open pit, costs incurred are capitalized as part of the costs of related non-producing mining assets. Depletion of capitalized costs for mining properties begins when commercial production has been reached.

In order to determine when commercial production of an open pit is deemed to have commenced, management considers various operating results compared to expectations, sustainability of those operating results and other qualitative factors.

2) Estimates:

i) Asset carrying values and impairment

In the determination of carrying values and impairment charges, management considers the recoverable amount which is the greater of fair value less costs to sell and value in use in the case of mining assets or whether there is objective evidence of impairment, such as significant or prolonged decline of fair value, on financial assets. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

3. Significant accounting policies (Continued)

(e) Management judgments and estimates (Continued)

2) Estimates (Continued):

i) Asset carrying values and impairment (Continued)

Mineral Ridge mine

The Company performs impairment testing when impairment indicators are present. The continued decline in metal prices and the decrease in the Company's market capitalization in 2014 was an indicator of impairment. In determining the recoverable amount of the Mineral Ridge cash-generating unit ("CGU"), the Company determined the recoverable value using the fair value less costs to sell. Impairment testing is performed using life of mine discounted cash flow projections derived from expected future production, which incorporate reasonable estimates of future metal prices, operating costs and capital expenditures. The Company also includes in its estimate an amount representing the value for potential discovery of additional resources on its property and an estimated amount for costs to sell the CGU. The determination of the fair value less costs to sell used Level 3 valuation techniques.

Based on its assessment, the Company recorded during the year ended December 31, 2014 a non-cash impairment charge of $26.9 million (2013; 9.4 million), using a discount rate of 9% (2013; 12.5%) along with an average gold price assumption of $1,250 (2013; $1,300) over the life of mine.

During the year ended December 31, 2013, the Company also recognized a non-cash impairment loss of $0.3 million on producing plant and equipment idle assets.

The Company has performed a sensitivity analysis to identify the impact of changes in long-term gold price which is the key assumption that impacts the impairment calculation at the Mineral Ridge mine. The Company considered a 10% change in the gold price assumption taking the gold price from $1,250 per ounce to $1,125 per ounce (2013; $1,300 per ounce to $1,170 per ounce). Using the foregoing impairment testing model and holding all other assumptions constant, the decrease in recoverable value would be increased by $8.4 million (2013; $20.9 million).

Should there be a significant decline in the gold price, the Company would take actions to assess the implications on its life of mine plans, including the determination of mineral reserves and resources, and the appropriate cost structure for its operations. The recoverable amount of the operating assets would also be impacted by other market factors such as the value for potential discovery of additional resources.

Assets held for sale – Pinon non-producing mining property and other

In determining the fair value of its assets held for sale as at December 31, 2013 in relation to the Pinon property, the Company estimated the fair value of the proceeds to be received from the transaction which did not include any value for potential bonus consideration that the Company received in 2014. This resulted in an estimated fair value of assets held for sale of $11.5 million which required the Company to record a non-cash impairment charge of $2.7 million in 2013. The Company also recorded a non-cash impairment loss of $0.2 million related to non-producing plant and equipment idle assets.

Impairment of available-for-sale investments

During the year ended December 31, 2014, the Company determined that the significant decline in value of its investments evidenced an impairment and as a consequence, a non-cash impairment charge of $1.3 million (2013; $0.05 million) has been recorded in the statement of operations.

3. Significant accounting policies (Continued)

(e) Management judgments and estimates (Continued)

2) Estimates (Continued):

ii) Estimation of asset lives and residual values

Depletion, depreciation and amortization expenses are allocated based on assumed asset lives and estimated residual values. Should the asset life, residual values, depletion rates or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of operations.

iii) Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, “Standards of Disclosure for Mineral Projects”, issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

iv) Recognition of deferred taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company’s control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates may occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized deferred income tax assets.

v) Estimation of environmental rehabilitation and the timing of expenditure and related accretion

The Company’s provision for environmental rehabilitation represents management’s best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of mine’s life. The provision reflects estimates of future costs, inflation and assumptions of risks associated with the future cash outflows, and the applicable interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to the provision for environmental rehabilitation are recorded with a corresponding change to the carrying amounts of related mining properties. Adjustments to the carrying amounts of related mining properties can result in a change to future depletion expense.

3. Significant accounting policies (Continued)

(e) Management judgments and estimates (Continued)

2) Estimates (Continued):

vi) Share-based compensation

The Company uses the Black Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective estimates including expected stock price volatility, interest rate, expected term and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's recognized amounts.

vii) Stripping activity asset

In the determination of its stripping activity asset and depreciation charge, management uses mineral reserve estimates which are subject to numerous uncertainties inherent in estimating mineral reserves and mineral resources. Differences between management's estimates in mineral reserves and resources could have a material effect in the future on the Company's financial position and results of operation. Changes in estimated strip ratios can also result in a change to the future capitalization of stripping activity asset.

viii) Inventories

In determining cost of inventories, management makes estimates of quantities of ore stacked on leach pad and in process and the recoverable gold in this material to determine the average costs of finished goods sold during the period. Changes in these estimates can result in a change in cost of sales excluding depletion and amortization of future periods and carrying amounts of inventories. As at December 31, 2014, the Company revised its estimated gold recovery rate and consequently the number of recoverable ounces stacked on leach pad and in process. The Company estimated that an additional 3,307 ounces of such inventory was on the leach pad and in process as at December 31, 2014, which will be accounted for prospectively and will positively impact 2015 cost of sales excluding depletion and amortization.

(f) Revenue recognition

Revenue from the sale of metals is recognized when all the following conditions have been satisfied:

a) significant risks and rewards of ownership have been transferred to the buyer;
b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c) the amount of revenue can be measured reliably;
d) it is probable that the economic benefits associated with the transaction will flow to the Company; and
e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

From time to time, the Company's sales are made under provisional pricing arrangements where the final sale prices are determined by quoted market prices in a period subsequent to the date of sale. In these circumstances, revenue from sales is recorded at period end based on latest information about prices and quantities available to management for the expected date of final settlement. Under such arrangements, the Company's receivable changes as the underlying commodity market price varies, this component of the contract is an embedded derivative which is recognized at fair value with changes in fair value recognized in revenues and receivables. Subsequent variations in prices and metal quantities are recognized as revenue adjustments as they occur.

3. Significant accounting policies (Continued)

(f) Revenue recognition (Continued)

Revenue from sales of precious metals prior to mine commissioning or commencement of commercial production of a pit is recorded as a reduction of non-producing mining assets if it can be reliably measured separately from other sales. Subsequent to the commissioning of a mine, revenues are recognized in operations. Since the Company has operated a single leach pad, revenue is recorded in the statement of operations.

(g) Inventories

Supplies are recorded at the lower of cost, using the weighted average cost formula, and net realizable value. In the event that the cost of ore inventory produced using these supplies exceeds its net realizable value, then the supplies are written down to net realizable value. In such circumstances, the Company uses replacement cost as the best available measure of the net realizable value of supplies.

Inventories consisting of ore stockpile, in process and finished goods are valued at the lower of the cost of production and net realizable value. Net realizable value is calculated as the difference between estimated costs to complete production into a saleable form and the estimated future precious metal selling price based on prevailing metal prices.

The cost of production includes an appropriate proportion of depreciation and overhead. Inventories in process represent inventories that are currently in the process of being converted to a saleable product. The assumptions used in the valuation of in-process inventories include estimates of metal contained and recoverable in the ore stacked on the leach pad, the amount of metal included in carbon that is expected to be recovered and an assumption of the precious metal price expected to be realized when the precious metal is recovered. If the cost of inventories is not recoverable due to a decline in selling prices or the costs of completion or the estimated costs to be incurred to make the sale have increased, the Company could be required to write-down the recorded value of its in-process inventories to net realizable value.

Ore in stockpile is comprised of ore extracted from the mine and available for further processing. Costs are added to ore in stockpile at the current mining cost and removed at the accumulated average cost per tonne. Costs are added to ore on the heap leach pad based on current processing costs and removed from the heap leach pad as ounces are recovered in process at the plant based on the average cost per recoverable ounce on the heap leach pad. Although the quantity of recoverable gold placed on the heap leach pad is reconciled by comparing the grades of ore placed on the heap leach pad to the quantities of gold actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As such, engineering estimates are refined based on actual results over time. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis. The ultimate recovery of gold from the heap leach pad will not be known until the leaching process is concluded.

3. Significant accounting policies (Continued)

(h) Assets and liabilities held for sale

Assets and liabilities are classified as held for sale as their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the assets are available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale and current when the criteria described above are met.

Non-current assets and liabilities classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(i) Investments

Investments in companies over which the Company exercises neither control nor significant influence are designated as available-for-sale investments and are recorded at fair value. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive loss, unless there is objective evidence of impairment and the decline in value is significant or prolonged, in which case, the loss is recorded in the statement of operations.

(j) Mining assets

(i) Producing mining assets

Upon reaching commercial production levels, acquisition costs of mining interests, related exploration and development expenditures, accumulated depreciation and write-downs are moved from non-producing to producing assets. Producing mining costs are charged to operations on the unit of production method as a proportion of estimated recoverable mineral reserves.

The Company reviews and evaluates the carrying values of its mining interests and related costs associated with them whenever events or changes in circumstances indicate a possible impairment.

When such conditions exist for its producing mining assets, management looks at the recoverable amount which is the greater of fair value less costs to sell and value in use using life of mine discounted after-tax cash flow projections derived from expected future production, which incorporate reasonable estimates of future metal prices, operating costs and capital expenditures.

Definition drilling and related costs are charged to operations in the period incurred.

3. Significant accounting policies (Continued)

(j) Mining assets (Continued)

(ii) Non-producing mining assets

The Company follows the method of accounting for its mineral properties whereby all costs relating to the acquisition, exploration and development are deferred and capitalized by property up to the point of commercial production. Costs relating to areas of interest abandoned are written off when such a decision is made.

The Company reviews the carrying values of its non-producing mining assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated recoverable amounts. The recoverability of amounts shown is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to finance the development of the properties, and on the future profitable production or proceeds from the disposal thereof. An impairment loss is recognized when the carrying value of those assets exceeds its estimated net recoverable amount, which is the higher of fair value less costs to sell and value in use.

Costs incurred for general exploration that are not project-specific are charged to operations.

(iii) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization and impairment loss, if any. Amortization is calculated using either the straight-line or unit-of-production method over the shorter of the estimated useful life of the asset or the life of mine. The significant classes of depreciable property, plant and equipment and their estimated useful lives are as follows:

Plant and equipment	life of mine
Mobile equipment	5-7 years
Furniture and office equipment	3-4 years

The Company compares the carrying value of property, plant and equipment to its recoverable amount whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is determined based on the expected use of the property, plant and equipment in the conduct of operation activity, the potential for discovery of economically recoverable mineral reserves in the related mining properties on which operation is occurring, alternative uses of the equipment and its potential resale value. Impairment in value would be indicated if the asset's carrying value exceeds its estimated recoverable amount.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized and the component being replaced is derecognized on disposal or when there are no future economic benefits. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use.

The amortization method, useful life and residual values are assessed annually.

Construction in progress is carried at cost and depreciation will start when the asset is brought to a working condition for its intended use. The cost of self-constructed assets includes the cost of materials and direct labour.

3. Significant accounting policies (Continued)

(j) Mining assets (Continued)

The cost of an item of property, plant and equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and borrowing costs related to the acquisition or construction of qualifying assets.

(k) Provision for environmental rehabilitation

The Company recognizes contractual, statutory, legal and constructive obligations associated with retirement of mining properties when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for provision for environmental rehabilitation is recognized at its fair value in the period in which it is incurred which is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. Upon initial recognition of the liability, the corresponding environmental rehabilitation cost is added to the carrying amount of that asset and the cost is amortized as an expense over the economic life of the related asset. Following the initial recognition of the provision for environmental rehabilitation, the carrying amount of the liability is increased for the passage of time and adjusted for changes in regulatory requirements and assumptions regarding the amount or timing of the underlying cash flows to settle the obligation and changes to the discount rate.

(l) Share-based compensation

The Company’s stock option plan allows the Company's employees (including directors and officers) and consultants to acquire common shares of the Company. Accordingly, the fair value of the option is either charged to operations or capitalized to non-producing mining assets, depending on the recipient of the options, with a corresponding increase in equity reserve.

Where equity instruments are issued for goods or services, the consideration is the fair value of the goods or services received unless the value of the goods or services cannot be specifically identified, then consideration is measured at the fair value of the share-based compensation.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognized for equity-settled transactions at each reporting date up to the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest.

(m) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to shareholders of the Company by the weighted average number of common shares outstanding for the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The number of additional shares is calculated using the assumed proceeds upon the exercise of stock options and share purchase warrants that are used to purchase common shares at the average market price during the reporting periods if dilutive.

3. Significant accounting policies (Continued)

(n) Financial instruments

The Company classifies its financial instruments into one of the following categories: fair value through profit or loss ("FVTPL") (assets and liabilities), assets available-for-sale, loans and receivables, assets held-to-maturity and other financial liabilities. All financial instruments are measured at fair value on initial recognition.

Financial assets and liabilities designated as FVTPL are subsequently measured at fair value with changes in fair value recognized in earnings. Financial assets designated as "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. Transaction costs for FVTPL financial assets and liabilities are recognized in earnings when incurred.

Financial assets that meet the criteria to be classified as "held-to-maturity" or "loans and receivables", and financial liabilities designated as "other financial liabilities" are recorded at amortized cost. Transaction costs from loans and receivables and other financial liabilities offset the carrying amount of the related financial assets or liabilities.

Cash, trade and other receivables as well as reclamation bonds are classified as "loans and receivables", investments are classified as "available-for-sale" and trade and other payables as well as long-term debt are classified as "other financial liabilities".

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred. Interests payments are presented as financing activities in the statement of cash flows.

(p) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(q) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Significant accounting policies (Continued)

(r) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of operations, except where it relates to items that are recognized in other comprehensive income or directly in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are recorded using the liability method, where deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities are measured using the substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the deferred tax benefit.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(s) Non-controlling interest

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original acquisition plus the non-controlling interest's share of operating results less cash distributions since the date of acquisition.

3. Significant accounting policies (Continued)

(t) Accounting standards issued but not effective

Certain amendments and new standards were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") and are mandatory for annual accounting periods beginning on or after January 1, 2015, unless otherwise indicated. Those not applicable to or that do not have a significant impact on the Company have been excluded from the list below. The following is a description of the new or amended standards that have not yet been adopted by the Company.

i) Financial instruments ("IFRS 9")

Financial instruments ("IFRS 9") was issued by the IASB and will replace *Financial instruments: recognition and measurement* ("IAS 39"). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this new standard on its financial statements.

ii) Consolidated Financial Statements and Investments in Associates and Joint Ventures ("IFRS 10" and "IAS 28")

The amendments to IFRS 10 and IAS 28 include requiring a full gain or loss to be recognized when a transaction between an investor and its associate or joint venture involves assets that constitute a business. The amendments also require that a partial gain or loss be recognized when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company is currently assessing the impact of these amendments on its financial statements.

iii) Joint arrangements: Accounting for acquisitions of interests in joint operations ("IFRS 11")

The objective of the amendments to this standard is to add new guidance to IFRS 11 on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, *Business Combinations* ("IFRS 3"). Acquirers of such interests are to apply the relevant principles on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. These amendments are effective for annual periods beginning after January 1, 2016. The Company is currently assessing the impact of these amendments on its financial statements.

iv) Revenue from contracts with customers ("IFRS 15")

The core principle of this new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. These amendments are effective for annual periods beginning after January 1, 2017. The Company is currently assessing the impact of this new standard on its financial statements.

3. Significant accounting policies (Continued)

(t) Accounting standards issued but not effective (Continued)

v) Property, plant and equipment and Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortisation ("IAS 16" and "IAS 38")

Amendments to IAS 16 and IAS 38 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments are effective for annual periods beginning after January 1, 2016. The Company is currently assessing the impact of these amendments on its financial statements.

4. Financial instruments

a) Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is attributable to cash, trade and other receivables, a promissory note and reclamation bonds. The credit risk on cash and reclamation bonds is limited because the Company invests its cash and reclamation bonds in deposits with well capitalized financial institutions with strong credit ratings. Trade receivables on regular precious metal sales are generally received within a week after delivery. The Company has no past due accounts and has not recorded a provision for doubtful accounts. The promissory note with a book value of $2.2 million was secured against title to the Pinon property. In March 2015, the debt evidenced by the promissory note was repaid in full to the Company.

(Tabular amounts in thousands of US dollars unless otherwise noted)

4. Financial instruments (Continued)

a) Financial risk factors (Continued)

(ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's current policy to manage liquidity risk is to keep cash in bank accounts.

The following table outlines the expected maturity of the Company's significant financial liabilities into relevant maturity grouping based on the remaining period from the date of the statement of financial position to the contractual maturity date:

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
	$	$	$	$	$
Trade and other payables	5,264	5,264	-	-	-
Long-term debt[(1)]	3,438	3,126	312	-	-
Provision for environmental rehabilitation	6,300	-	409	3,094	2,797

[(1)] In March 2015, the Company received proceeds from the sale of its investment in common shares of Gold Standard Ventures Corp. ("Gold Standard") and the repayment of the CAD$2.5 million promissory note outstanding as part of the sale of the Pinon property. A portion of these proceeds were applied against the outstanding long-term debt balance and as such, the Company retired its long-term debt. These transactions are not reflected in the table above.

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

1) 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 Company's senior secured credit agreement fixes interest at 8% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest. The CAD$2.5 million promissory note bears interest at 3% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest. Both of these amounts have been settled subsequent to December 31, 2014.

The Company does not use financial derivatives to manage its exposure to interest rate risk.

4. Financial instruments (Continued)

a) *Financial risk factors (Continued)*

(iii) Market risk (Continued)

2) Currency Risk

As at December 31, 2014, the Company is exposed to foreign currency risk through the following financial assets and liabilities denominated in Canadian dollars ("CAD$") and presented in thousands of US dollars.

	$
Cash	**110**
Value added tax and other receivables	**3**
Promissory note receivable and accrued interest	**2,176**
Trade and other payables	**(58)**

A sensitivity analysis as at December 31, 2014, using a reasonably possible change in the USD/CAD exchange rate of 10%, returns an approximate impact on net earnings and comprehensive income of $0.2 million. As of December 31, 2014 the USD/CAD exchange rate was 1.16009.

The Company does not use derivatives to manage its exposure to currency risk.

3) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments in the market. The Company is not exposed to price risk as at December 31, 2014. The Company does not use derivatives to manage its exposure to price risk.

b) *Fair Value*

The fair value of cash, trade and other receivables, promissory note, reclamation bonds, trade and other payables approximate their carrying amount due to their short-term nature. Investments, which are designated as available-for-sale, are recorded at fair value. Fair value of long-term debt is not significantly different from its carrying amount since interest rates in the market have not materially changed since the Company assumed the debt in December 2012.

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

- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.

- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company's investments in common shares of publicly listed companies are classified as Level 1 in the fair value hierarchy. The Company has no financial instruments classified as Level 2 or Level 3.

(Tabular amounts in thousands of US dollars unless otherwise noted)

5. Cost of sales

Cost of sales excluding depletion and amortization includes the following:

	2014	2013
	$	$
Contractor charges	**12,721**	12,907
Labour	**8,940**	8,536
Fuel and reagents	**3,386**	3,329
Mechanical parts	**3,277**	3,044
Change in ore stockpile, metals in process and finished goods inventories	**6,107**	(3,862)
Other	**3,448**	3,587
	37,879	27,541

6. General and administrative

	2014	2013
	$	$
Salaries and benefits	**1,031**	1,069
Investor relations	**217**	259
Professional fees	**189**	332
Directors fees	**168**	141
Insurance, travel and office related	**154**	189
Consultants	**60**	72
Project evaluation	**45**	56
Transfer agent and listing fees	**28**	36
Amortization	**9**	10
Share-based compensation	**3**	285
	1,904	2,449

7. Finance costs

	2014	2013
	$	$
Interest on long-term debt	**470**	1,126
Unwinding of discount of provision for environmental rehabilitation	**86**	63
	556	1,189

(Tabular amounts in thousands of US dollars unless otherwise noted)

8. Weighted average number of shares and dilutive share equivalents

	2014	2013
Basic weighted average number of shares	**124,948,235**	124,948,235
Effect of dilutive securities:		
Stock options	**-**	-
Diluted weighted average number of shares	**124,948,235**	124,948,235

The following potentially dilutive securities were excluded from the dilutive number of shares outstanding for the following years as they are anti-dilutive:

	2014	2013
Stock options	**9,170,000**	12,227,000

9. Inventories

	2014	2013
	$	$
Supplies	**1,183**	1,029
Ore stockpile	**356**	294
Metals in process	**7,862**	12,874
Finished goods	**167**	1,324
	9,568	15,521

During the year ended December 31, 2014, inventory included as cost of sales is $48.9 million (2013; $43.8 million).

The Company expects all inventories to be recovered within the next year. At December 31, 2014 and 2013, no inventories were recorded at their net realizable value. There were no impairments or reversal of impairments on inventories recognized in the years ended December 31, 2014 and December 31, 2013.

(Tabular amounts in thousands of US dollars unless otherwise noted)

10. Investments

	2014	2013
	$	$
Investment in common shares of Gold Standard Ventures Corp. ("Gold Standard")		
Balance, beginning of year	**-**	-
Addition [(1)]	**4,363**	-
Change in fair value during the year	**(1,279)**	-
Balance, end of year	**3,084**	-
Promissory note receivable from Gold Standard and accrued interest[(1)]	**2,176**	-
Other investment in shares		
Balance, beginning of year	**3**	4
Change in fair value during the year	**1**	(1)
Balance, end of year	**4**	3
	5,264	3

[(1)] On March 5, 2014, the Company completed the sale of its Pinon non-producing asset to an affiliate of Gold Standard for consideration of $7.7 million (CAD$8.5 million) in cash and 5.5 million common shares of Gold Standard. Of the cash consideration, $5.4 million (CAD$6.0 million) was paid at or before closing and was applied to the Company's long term debt and a $2.2 million (CAD$2.5 million) amount in the form of a promissory note bearing interest at 3% was to be paid a maximum of one year after closing. The sale agreement provides for bonus consideration to be paid to the Company if certain levels of mineral resources are established on the Pinon property or if Gold Standard or its properties are sold for certain minimum amounts.

On October 24, 2014, Gold Standard published a technical report disclosing an initial mineral resource estimate on the Pinon property including indicated mineral resources of 423,000 troy ounces of gold and inferred mineral resources of 1,022,000 troy ounces of gold, thereby triggering an obligation under the purchase agreement in respect of the Pinon property to pay the Company bonus consideration consisting of 1,250,000 common shares of Gold Standard. Scorpio Gold received the bonus shares on November 5, 2014, which resulted in a gain on disposal of mining assets of $0.6 million.

The investment in Gold Standard common shares is accounted for as an available-for-sale financial asset which is reviewed for significant or prolonged decline in fair value requiring impairment. This review includes an analysis of the facts and circumstances of this financial asset, its market price, the severity of loss and the length of time the fair value has been below cost. During the year ended December 31, 2014, the Company determined that the significant decline in value of its investments in Gold Standard evidenced an impairment and as a consequence, a non-cash impairment charge of $1.3 million has been recorded in the statement of operations.

During the first quarter of 2015, the Company sold its investment in the common shares of Gold Standard for aggregate net proceeds of $3.3 million and received payment of the CAD$2.5 million promissory note received as part of the sale of the Pinon property.

(Tabular amounts in thousands of US dollars unless otherwise noted)

11. Producing mining assets

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Cost	$	$	$	$	$
Balance, December 31, 2012	23,068	10,363	771	755	34,957
Additions	3,534	144	261	47	3,986
Disposal	-	(279)	(19)	-	(298)
Change in provision for environmental rehabilitation	913	-	-	-	913
Transfer from non-producing mining assets	9,279	9,199	3	-	18,481
Balance, December 31, 2013	36,794	19,427	1,016	802	58,039
Additions	1,280	100	24	37	1,441
Disposal	-	(151)	(59)	(108)	(318)
Change in provision for environmental rehabilitation	356	-	-	-	356
Transfer from non-producing mining assets	-	3,789	182	7	3,978
Balance, December 31, 2014	38,430	23,165	1,163	738	63,496

Accumulated depreciation and impairments

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Total
Balance, December 31, 2012	8,336	2,284	170	346	11,136
Depletion and amortization	12,831	3,064	157	213	16,265
Disposal	-	(135)	(13)	-	(148)
Impairments	4,743	4,176	-	-	8,919
Balance, December 31, 2013	25,910	9,389	314	559	36,172
Disposal	-	(100)	(45)	(104)	(249)
Transfer from non-producing mining assets	-	37	59	4	100
Impairments	3,632	5,426	145	-	9,203
Depletion and amortization	8,701	2,012	207	172	11,092
Balance, December 31, 2014	38,243	16,764	680	631	56,318

Net book value					
December 31, 2013	10,884	10,038	702	243	21,867
December 31, 2014	187	6,401	483	107	7,178

(Tabular amounts in thousands of US dollars unless otherwise noted)

11. Producing mining assets (Continued)

Producing mining assets is detailed by property as follows:

	Mineral Ridge	Goldwedge	Total
Cost	$	$	$
Balance, December 31, 2012	34,957	-	34,957
Additions	3,986	-	3,986
Disposal	(298)	-	(298)
Change in provision for environmental rehabilitation	913	-	913
Transfer from non-producing mining assets	18,481	-	18,481
Balance, December 31, 2013	58,039	-	58,039
Transfer from non-producing mining assets	1,372	2,606	3,978
Additions	1,441	-	1,441
Disposal	(318)	-	(318)
Change in provision for environmental rehabilitation	356	-	356
Balance, December 31, 2014	60,890	2,606	63,496

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Total
Balance, December 31, 2012	11,136	-	11,136
Depletion and amortization	16,265	-	16,265
Disposal	(148)	-	(148)
Impairment	8,919	-	8,919
Balance, December 31, 2013	36,172	-	36,172
Disposal	(249)	-	(249)
Transfer from non-producing mining assets	-	100	100
Impairments	9,203	-	9,203
Depletion and amortization	11,086	6	11,092
Balance, December 31, 2014	56,212	106	56,318

Net book value			
December 31, 2013	21,867	-	21,867
December 31, 2014	4,678	2,500	7,178

(Tabular amounts in thousands of US dollars unless otherwise noted)

12. Non-producing mining assets and other

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Cost	$	$	$	$	$	$
Balance, December 31, 2012	33,718	3,615	-	41	5,704	43,078
Reclassification	-	(760)	755	5	-	-
Additions	4,814	175	19	4	4,300	9,312
Transfer to producing mining assets	(9,279)	-	(3)	-	(9,199)	(18,481)
Change in provision for environmental rehabilitation	(13)	-	-	-	-	(13)
Transfer to assets held for sale [(a)]	(14,156)	-	-	-	-	(14,156)
Balance, December 31, 2013	15,084	3,030	771	50	805	19,740
Additions	13,097	3	-	-	2,285	15,385
Change in provision for environmental rehabilitation	82	-	-	-	-	82
Transfer	602	569	-	-	(1,171)	-
Transfer to producing mining assets	-	(2,417)	(182)	(7)	(1,372)	(3,978)
Balance, December 31, 2014	28,865	1,185	589	43	547	31,229

Accumulated depreciation and impairments

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Balance, December 31, 2012	392	255	-	10	-	657
Impairments	3,503	171	-	-	-	3,674
Transfer to assets held for sale [(a)]	(2,697)	-	-	-	-	(2,697)
Amortization	-	35	32	12	-	79
Balance, December 31, 2013	1,198	461	32	22	-	1,713
Transfer to producing mining assets	-	(37)	(59)	(4)	-	(100)
Impairments	17,697	-	-	-	-	17,697
Amortization	-	38	39	11	-	88
Balance, December 31, 2014	18,895	462	12	29	-	19,398

Net book value						
December 31, 2013	13,886	2,569	739	28	805	18,027
December 31, 2014	9,970	723	577	14	547	11,831

Depreciation of certain plant and equipment and construction in progress will commence when such plant and equipment are in the condition and location necessary for their intended use.

(Tabular amounts in thousands of US dollars unless otherwise noted)

12. Non-producing mining assets and other (Continued)

Non-producing mining assets is detailed by property as follows:

	Mineral Ridge[b]	Goldwedge [c]	Other	Pinon	Total
Cost	$	$	$	$	$
Balance, December 31, 2012	18,894	9,691	540	13,953	43,078
Additions	7,610	1,497	-	205	9,312
Transfer to producing mining assets	(18,478)	(3)	-	-	(18,481)
Change in provision for environmental rehabilitation	-	(11)	-	(2)	(13)
Transfer to assets held for sale [a]	-	-	-	(14,156)	(14,156)
Balance, December 31, 2013	8,026	11,174	540	-	19,740
Change in provision for environmental rehabilitation	-	82	-	-	82
Additions	13,697	1,688	-	-	15,385
Transfer to producing mining assets	(1,372)	(2,606)	-	-	(3,978)
Balance, December 31, 2014	20,351	10,338	540	-	31,229

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Other	Pinon	Total
Balance, December 31, 2012	392	-	265	-	657
Impairment	806	-	171	2,697	3,674
Transfer to assets held for sale [a]	-	-		(2,697)	(2,697)
Amortization	-	69	10	-	79
Balance, December 31, 2013	1,198	69	446	-	1,713
Transfer to producing mining assets	-	(100)	-	-	(100)
Impairments	17,697	-	-	-	17,697
Amortization	-	79	9	-	88
Balance, December 31, 2014	18,895	48	455	-	19,398

Net book value					
December 31, 2013	6,828	11,105	94	-	18,027
December 31, 2014	1,456	10,290	85	-	11,831

(a) During 2013, the Company entered into discussions with Gold Standard regarding the sale of its interest in the Pinon non-producing mining asset group. As a consequence, as of December 31, 2013, the Company classified the assets and liabilities related to this property as held for sale. The sale of the Pinon property to Gold Standard was completed on March 5, 2014.

(b) A net smelter returns royalty of two and a half percent (2.5%) is payable from the production and sale of any gold and silver recovered from the Missouri claim.

(c) As part of the acquisition of the Goldwedge property, the Company granted Waterton a 2% NSR royalty. The NSR may be reduced by half (to a 1% NSR) for a cash payment to Waterton of $1 million, and then eliminated for a further cash payment of $2 million. Certain areas of the Goldwedge property are further subject to net smelter return royalties of up to 4% payable to other parties.

During the years ended December 31, 2014 and December 31, 2013, no payments have been required pursuant to royalties.

(Tabular amounts in thousands of US dollars unless otherwise noted)

13. Income taxes

The provision for income taxes differs from the amount that would have resulted by applying the Canadian federal and provincial statutory Income tax rates of 26.9% (2013: 26.9%) to applicable earnings by the following items:

	2014	2013
	$	$
Loss before income taxes	**(27,052)**	(5,412)
Expected tax benefit	**(7,277)**	(1,456)
Effect of higher tax rate in foreign jurisdiction	**(2,166)**	(524)
Tax deductions in excess of accounting amounts and non-deductible amounts	**(309)**	(923)
Deferred tax assets not recognized	**9,416**	3,267
True-ups	**(498)**	698
Tax attributable to non-controlling interest	**834**	(769)
Nevada net proceeds tax	**346**	1,138
Alternative minimum tax	**16**	-
Total income tax expense	**362**	1,431
Current income tax expense	**362**	1,249
Deferred income tax expense	**-**	182

The significant components of the Company's deferred tax liabilities and recognized deferred tax assets are as follows:

	2014	2013
	$	$
Non-capital loss carryforwards	**7**	3,214
Provision for environmental rehabilitation	**1,442**	1,326
Non-producing mining assets	**-**	844
Interest deductions upon payment and other	**98**	208
Share-based compensation	**-**	473
Recognized deferred tax assets	**1,547**	6,065
Producing mining assets	**(37)**	(5,272)
Non-producing mining assets and other	**(1,510)**	(793)
Deferred tax liabilities	**(1,547)**	(6,065)
Net deferred income tax asset recognized	**-**	-

(Tabular amounts in thousands of US dollars unless otherwise noted)

13. Income taxes (continued)

Significant components of the Company's deductible temporary differences and unused tax losses, the benefits of which have not been recognized, are as follows:

	2014	2013
	$	$
Deferred tax assets		
Share issue costs and financing costs	**200**	766
Non-capital loss carryforwards	**29,041**	11,763
Provision for environmental rehabilitation	**-**	286
Non-producing mining assets and other	**4,227**	893
Producing mining assets	**2,388**	-
Capital losses	**303**	303
Share based compensation	**1,351**	-
Interest deductions upon payment	**3,183**	-
Investments	**1,278**	-
Foreign exchange	**-**	759
Total deferred tax assets not recognized	**41,971**	14,770

The Company's tax loss expiry dates are as follows:

	Canada	USA	Total
	$	$	$
2029	102	1	103
2030	706	4,130	4,836
2031	443	11,158	11,601
2032	15	1,737	1,752
2033	-	3,584	3,584
2034	-	7,165	7,165
	1,266	27,775	29,041

14. Long-term debt

	2014	2013
	$	$
Senior secured credit agreement [a)]	**3,438**	11,147
Current portion	**(3,126)**	(5,225)
Long-term portion	**312**	5,922

Future principal repayments are as follows:

2015 $3,126
2016 $312

(Tabular amounts in thousands of US dollars unless otherwise noted)

14. Long-term debt (Continued)

a) Senior secured credit agreement

In connection with the acquisition of the Goldwedge and Pinon properties from Royal Standard Minerals Inc. (“Royal Standard”) in December 2012, the Company assumed Royal Standard’s debt pursuant to the terms of a senior secured credit agreement (the "Credit Agreement") with Waterton Global Value, L.P. (“Waterton”), which provides that the Company will be indebted to Waterton (the “Scorpio Debt”) in the principal amount of $16 million, but that the principal amount will increase to $16.25 million if not repaid within one year, and increase to $16.5 million if not repaid within two years. Under the terms of the Credit Agreement, the Scorpio Debt accrues interest at a rate of 8% per annum, is repayable in monthly instalments over a 36 month period, is secured against all of the Company's assets, and may be repaid by the Company at any time without penalty. Any proceeds from the sale of the common shares of Gold Standard or payments of the CAD$2.5 million amount outstanding under the promissory note must be applied against the then outstanding debt balance, if any. The Credit Agreement also provides that the Company will be required to use 50% of any net revenues from the Goldwedge property and 100% of any net toll-milling revenues from the mill located on the Goldwedge property to pre-pay the Scorpio Debt.

There are certain restrictions placed on the Company pursuant to the Credit Agreement, including, among others, a limitation on additional debt that can be incurred by the Company and the requirement that the Company’s trade payables not exceed $7.5 million.

As part of the sale of the Pinon non-producing assets completed on March 5, 2014, cash proceeds of $5.2 million were applied against the long-term debt (Note 10).

On March 11, 2015, the Company fully repaid the long-term debt owing to Waterton.

15. Reclamation bonds and provision for environmental rehabilitation

a) Reclamation bonds

	2014	2013
	$	$
Mineral Ridge [1]		
0.13%	**-**	2,183
Money market	**-**	3,762
0.06 % to 0.1%	**5,143**	-
	5,143	5,945
Goldwedge	**214**	399
Pinon	**-**	57
	5,357	6,401

[1] As at December 31, 2013, the Company held a commutation account of $2.2 million as part of a reclamation insurance policy bearing interest at a one year constant maturity treasury rate. The insurance policy provided coverage, until May 2015, for future reclamation and mine closure costs related to disturbances in existence at May 30, 2003, if they exceed those funded by the commutation account up to a maximum of $4 million.

In 2014, the Mineral Ridge mine received regulatory approval for its updated plan of operations which includes, among other things, the planned expansion of the Mary pit. As part of the requirements of such regulatory approval, the Company increased its reclamation bonds by $2.5 million to $10.2 million. In order to maximize its available cash, the Company cancelled its above mentioned reclamation insurance policy and entered into an agreement with a new surety under which the cash collateral requirement was significantly reduced. As a result, the Company reduced the cash collateral by approximately $0.8 million during 2014 to $5.1 million while increasing the reclamation bonds.

15. Reclamation bonds and provision for environmental rehabilitation (Continued)

(b) Provision for environmental rehabilitation

The provision for environmental rehabilitation consists of mine closure, reclamation and retirement obligations for mine facilities and infrastructure. The Company has recorded the following provision for environmental rehabilitation.

	2014	2013
	$	$
Balance, beginning of year	**5,241**	4,418
Unwinding of discount	**93**	70
Reclamation activities	**(27)**	(103)
Change in estimates	**438**	900
Transfer to liability held for sale-Pinon (Note 12)	**-**	(44)
Balance, end of year	**5,745**	5,241

The total undiscounted amount of estimated cash flows required to settle the provision for environmental rehabilitation at Mineral Ridge is approximately $5.7 million (2013: $5.3 million). The total undiscounted amount of estimated cash flows required to settle the provisions for environmental rehabilitation at Goldwedge is approximately $0.4 million (2013: $0.3 million). All environmental rehabilitation obligations are not expected to be paid for several years in the future and are intended to be funded from cash balances at the time of the rehabilitation and from reclamation bonds.

16. Share capital

(a) Authorized

Authorized share capital consists of an unlimited number of common shares without par value.

(b) Stock option plan

A summary of changes in the Company's outstanding stock options for the years ended December 31, 2014 and December 31, 2013, are as follows:

	2014		2013	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
	(in thousands)	**CAD$**	(in thousands)	CAD$
Outstanding, beginning of year	**12,227**	**0.61**	9,732	0.70
Granted	**-**	**-**	2,645	0.27
Expired	**(3,057)**	**(0.47)**	(150)	0.80
Outstanding, end of year	**9,170**	**0.65**	12,227	0.61

16. Share capital (Continued)

(b) Stock option plan (Continued)

	2014	2013
	$	$
Weighted average fair value as at grant date	**-**	0.22

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2014:

Exercise price	Weighted average remaining contractual life	Outstanding and exercisable
CAD$	(in years)	(in thousands)
0.205	3.52	100
0.275	8.44	2,340
0.64	2.68	100
0.65	1.03	300
0.75	1.02	4,600
0.91	2.07	1,730
		9,170

On January 15, 2015, the Company granted 2,925,000 incentive stock options to directors, officers, consultants and employees, exercisable at a price of CAD$0.145 per share for a period of five years.

(c) Share-based compensation

The Company used the Black-Scholes model to estimate fair value using the following weighted average assumptions. Expected stock price volatility is based on the historical share price volatility.

	2014	2013
Expected dividend yield	**-**	Nil%
Expected stock price volatility	**-**	87%
Risk free interest rate	**-**	1.75%
Expected life	**-**	8 years
Expected forfeiture rate	**-**	0.00%
Share-based compensation included in:	**$**	$
General and administrative expenses	**3**	285
Cost of sales	**-**	284
Total share-based compensation	**3**	569

(Tabular amounts in thousands of US dollars unless otherwise noted)

17. Supplemental cash flow information

Supplementary information regarding other non-cash investing and financing transactions

	2014	2013
	$	$
Disposal of the Pinon non-producing mining assets:		
By receipt of promissory note receivable	**2,265**	-
By receipt of investment in common shares in Gold Standard	**4,363**	-

18. Capital management

Capital is defined as equity attributable to equity shareholders and long-term debt (including the short-term portion thereof). The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern and to maximize the value for its shareholders.

The Company's activities have been primarily funded so far through cash flows from operating activities and equity and debt financing based on cash needs. The Company typically sells its shares by way of private placement. The Company assumed a long-term debt in connection with the acquisition of the Goldwedge and Pinon properties completed in December 2012. As part of the sale of the Pinon non-producing assets completed on March 5, 2014, cash proceeds of $5.2 million were applied against the long-term debt. On March 11, 2015, following the sale of the Gold Standard investment and receipt of the promissory note, the long-term debt was fully repaid.

The Company manages its capital structure and determines its capital requirements in light of the changing economic conditions and the risk characteristics of its assets. To reach its objectives, the Company may need to maintain or adjust its capital structure by issuing new share capital or new debt.

At this stage of its development, it is the Company's policy to preserve cash to fund its operations and not to pay dividends. As at December 31, 2014, the Company is subject to externally imposed capital requirements as described in Note 14.

The following summarizes the Company's capital structure:

	2014	2013
	$	$
Long-term debt, including current portion[1]	**3,438**	11,147
Equity attributable to shareholders of the Company	**27,619**	47,754
Capital	**31,057**	58,901

[1] Repaid on March 11, 2015

(Tabular amounts in thousands of US dollars unless otherwise noted)

19. Segmented information

(a) Industry information

The Company is engaged in mining exploitation, exploration and development and has one operating mine and a service toll milling facility. During the year ended December 31, 2014, the Company's determination of its reportable operating segments was revised to reflect the fact that Goldwedge toll milling facility was placed in service. The Company has two reportable segments being Mineral Ridge and Goldwedge. The Other category is composed of head office, Scorpio Gold (US) Corporation and Pinon LLC. Segments are operations reviewed by the CEO who is considered to be the chief operating decision maker.

Comparative information have been prepared to conform with the current reportable segment format and definition.

Operating segment details are as follows:

				Year ended December 31, 2014
	Mineral Ridge	Goldwedge	Other	Total
	$	$	$	$
Revenue from precious metal sales	52,026	-	-	52,026
Inter-segment (expense) -management fees	(1,401)	-	1,401	-
Cost of sales excluding depletion and amortization	(37,779)	(100)	-	(37,879)
Depletion and amortization	(11,086)	(6)	-	(11,092)
Mine operating earnings (loss)	1,760	(106)	1,401	3,055
Expenses				
General and administrative	(13)	-	(1,882)	(1,895)
Amortization	-	-	(9)	(9)
Impairments of mining assets	(26,900)	-	-	(26,900)
(Loss) gain on disposal of mining assets	(69)	-	641	572
Operating (loss) earnings	(25,222)	(106)	151	(25,177)
Other income (expenses)				
Finance costs	(86)	-	(470)	(556)
Foreign exchange loss	-	-	(98)	(98)
Finance income	2	-	56	58
Impairment of available-for-sale investments	-	-	(1,279)	(1,279)
	(84)	-	(1,791)	(1,875)
Loss before income taxes	(25,306)	(106)	(1,640)	(27,052)
Income tax expense	(346)	-	(16)	(362)
Net loss for the year	(25,652)	(106)	(1,656)	(27,414)

(Tabular amounts in thousands of US dollars unless otherwise noted)

19. Segmented information (Continued)

	Year ended December 31, 2013			
	Mineral Ridge	Goldwedge	Other	Total
	$	$	$	$
Revenue from precious metal sales	54,646	-	-	54,646
Inter-segment (expense) -management fees	(1,297)	-	1,297	-
Cost of sales excluding depletion and amortization	(27,541)	-	-	(27,541)
Depletion and amortization	(16,264)	-	-	(16,264)
Mine operating earnings	9,544	-	1,297	10,841
Expenses				
General and administrative	-	-	(2,439)	(2,439)
Amortization	-	-	(10)	(10)
Impairments of mining assets	(9,724)	-	(2,869)	(12,593)
Gain on disposal of mining assets	13	-	-	13
Operating loss	(167)	-	(4,021)	(4,188)
Other income (expenses)				
Finance costs	(63)	-	(1,126)	(1,189)
Foreign exchange gain	-	-	8	8
Finance income	5	-	-	5
Impairment of available-for-sale investments	-	-	(48)	(48)
	(58)	-	(1,166)	(1,224)
Loss before income taxes	(225)	-	(5,187)	(5,412)
Income tax expense	(1,249)	-	(182)	(1,431)
Net loss for the year	(1,474)	-	(5,369)	(6,843)

	Year ended December 31, 2014			
	Mineral Ridge	Goldwedge	Other	Total
	$	$	$	$
Total assets	22,226	13,052	5,665	40,943
Total liabilities	10,290	412	3,890	14,592

	Year ended December 31, 2013			
	Mineral Ridge	Goldwedge	Other	Total
	$	$	$	$
Total assets	52,997	11,526	12,023	76,546
Total liabilities	9,542	395	11,712	21,649

(Tabular amounts in thousands of US dollars unless otherwise noted)

19. Segmented information (Continued)

(b) Geographic information

All revenue from the sale of precious metals for the periods ended December 31, 2014 and December 31, 2013 was earned in the United States. Substantially all of the Company's revenues are from one customer (Note 20).

The Company's non-current assets by geographic locations are as follows:

	2014	2013
	$	$
Canada	**86**	98
USA	**24,280**	46,201
	24,366	46,299

20. Related party transactions

a) Compensation of key management personnel and directors

The Company considers its key management personnel to be the CEO and the other individuals having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

The remuneration of directors and key management personnel during the years ended December 31, 2014 and December 31, 2013 is as follows:

	2014	2013
	$	$
Salaries and directors fees	**1,238**	1,219
Consulting fee with a director	**162**	-
Share-based compensation (1)	**-**	283
	1,400	1,502

(1) Share-based compensation is the fair value of options expensed during the years to key management personnel and directors.
As at December 31, 2014, $128,355 (2013, $nil) resulting from these transactions is included in trade and other payables.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2014 and December 31, 2013.

(Tabular amounts in thousands of US dollars unless otherwise noted)

20. Related party transactions (Continued)

b) Waterton Global Value, L.P. ("Waterton")

An affiliate of Waterton, the Company's lender, owns a 30% non-controlling interest in Mineral Ridge Gold, LLC, which holds the Mineral Ridge mine. Management considers that Waterton is a related party.

Related party transactions entered into with Waterton during the years ended December 31, 2014 and December 31, 2013 are as follows:

	2014	2013
	$	$
Sales	**51,307**	54,380
Interest on long-term debt	**470**	1,126

As at December 31, 2014, $nil (2013, $nil) resulting from these transactions is included in trade and other receivables.

21. Commitments

a) The Company has committed to sell its gold and silver produced from the Mineral Ridge mine to Waterton at a price equal to 99.5% of the lesser of the 30 day trailing average price or the prior day settlement price, less $0.50 per ounce of gold and $0.01 per ounce of silver. After May 2016 and for the remaining life of mine, the 0.50% discount will no longer apply.

b) As part of the Goldwedge property acquisition, the Company will be required to sell to Waterton all gold produced at the Goldwedge property until the date that is the later of the date the debt with Waterton is repaid and December 17, 2015, subject to extension for certain force majeure events. Gold from the Goldwedge property sold to Waterton will be priced at the lower of the average settlement price of gold for the 10 trading days prior to the date of sale, and the settlement price of gold on the trading day immediately prior to the date of sale. No gold was produced at the Goldwedge property in the years ended December 31, 2014 and December 31, 2013.

c) Effective May 2, 2011, the Company entered into a service agreement with a mining contractor for contract mining at its Mineral Ridge mine. The initial term of the contract expired May 1, 2012, and is renewable by the parties on an annual basis. Under the current mine plan, this mining contract represents a remaining commitment of approximately $7.6 million for the period from January 1, 2015 to May 1, 2015, though the Company can cancel the agreement at any time by way of a 30-day notice.

(Tabular amounts in thousands of US dollars unless otherwise noted)

22. Summarized financial information for Mineral Ridge Gold, LLC

The Company holds a 70% interest in its United States based subsidiary Mineral Ridge Gold, LLC, the owner of the Mineral Ridge mine. Mineral Ridge Gold, LLC financial year end is December 31. The 30% non-controlling interest in Mineral Ridge Gold, LLC has 40% of the voting rights on the management committee. The non-controlling interest is currently entitled to 20% of the cash distributions paid by Mineral Ridge Gold, LLC. There were no changes to the above percentages during the years ended December 31, 2014 and December 31, 2013. Summarised financial information about the assets, liabilities, profit or loss and cash flows of Mineral Ridge Gold, LLC for the years ended December 31, 2014 and December 31, 2013 are indicated below. Intercompany accounts, revenues and expenses transactions have not been eliminated.

Statement of financial position	**2014**	2013
	$	$
Current assets	**10,948**	18,356
Non-current assets	**11,278**	34,641
Current liabilities	**5,151**	5,005
Non-current liabilities	**5,420**	5,005
Net assets	**11,655**	42,987

Statement of operations and comprehensive income	**2014**	2013
	$	$
Sales	**52,026**	54,646
Mine operating earnings	**1,760**	9,544
Net loss for the year	**(25,652)**	(1,474)
Total comprehensive loss	**(25,652)**	(1,474)

Statement of cash flows	**2014**	2013
	$	$
Net cash from operating activities	**16,860**	23,728
Net cash used in investing activities	**(12,592)**	(12,308)
Distributions to non-controlling interest	**(1,136)**	(1,986)

23. Contingencies

Due to the complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the condensed consolidated financial statements of the Company.

24. Subsequent event

On March 6, 2015, the Company announced a strategic financing to raise $15 million from the issuance of equity to Coral Reef Capital LLC ("Coral Reef"). This financing was thereafter cancelled and as such the Company is obligated to pay a break fee of $500,000 along with approximately $100,000 of related due diligence costs incurred by Coral Reef.