Condensed Consolidated Interim Financial Statements of

Scorpio Gold Corporation

For the three months ended
March 31, 2014 and 2013
(unaudited)

Scorpio Gold Corporation

Condensed consolidated interim financial statements of operations
Three months ended March 31, 2014 and March 31, 2013
(In thousands of US dollars except for shares and per share amounts)
(unaudited)

	Three months ended March 31, 2014	Three months ended March 31, 2013 (Note 5)
	$	$
Revenue	**13,249**	11,666
Cost of sales excluding depletion and amortization (Note 5)	**(8,786)**	(4,240)
Depletion and amortization	**(3,133)**	(3,856)
Mine operating earnings	**1,330**	3,570
Expenses		
General and administrative (Note 6)	**(540)**	(567)
Impairment of non-producing mining assets	**-**	(5)
Operating earnings	**790**	2,998
Other (expenses) income		
Finance costs (Note 7)	**(211)**	(330)
Foreign exchange loss	**(5)**	-
Finance income	**5**	2
	(211)	(328)
Earnings before income taxes	**579**	2,670
Current income tax expense	**(201)**	(339)
Deferred income tax expense	**-**	(235)
Net earnings for the period	**378**	2,096
Net earnings attributable to:		
Shareholders of the Company	**46**	1,132
Non-controlling interest	**332**	964
	378	2,096
Earnings per share		
Basic	**0.00**	0.01
Diluted	**0.00**	0.01
Weighted average number of shares outstanding (Note 8)		
Basic	**124,948,235**	124,948,235
Diluted	**125,184,860**	125,464,204

See accompanying notes to the condensed consolidated interim financial statements

(In thousands of US dollars)

	Three months ended March 31, 2014	Three months ended March 31, 2013
	$	$
Net earnings for the period	**378**	2,096
Other comprehensive (loss) income		
Items that may subsequently be reversed to profit or loss:		
Change in fair value of available-for-sale investments (net of tax,nil) (Note 10)	**(448)**	-
Comprehensive (loss) income for the period	**(70)**	2,096
Comprehensive (loss) income attributable to:		
Shareholders of the Company	**(402)**	1,132
Non-controlling interest	**332**	964
	(70)	2,096

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim financial statements of financial position
As at
(In thousands of US dollars)
(unaudited)

	March 31, 2014	December 31, 2013
	$	$
Assets		
Current assets		
Cash	**3,805**	2,775
Trade and other receivables	**147**	134
Prepaid expenses and other	**624**	359
Inventories (Note 9)	**15,119**	15,521
Investments (Note 10)	**5,559**	3
Assets held for sale (Note 12)	**-**	11,459
Total current assets	**25,254**	30,251
Producing mining assets (Note 11)	**19,877**	22,545
Non-producing mining assets and other (Note 12)	**19,060**	17,349
Reclamation bonds	**5,597**	6,401
Total assets	**69,788**	76,546
Equity and liabilities		
Current liabilities		
Trade and other payables	**4,213**	5,002
Liabilities held for sale (Note 12)	**-**	44
Income taxes payable	**205**	215
Current portion of long-term debt (Note 13)	**2,970**	5,225
Total current liabilities	**7,388**	10,486
Long-term debt (Note 13)	**2,661**	5,922
Provision for environmental rehabilitation	**5,263**	5,241
Total liabilities	**15,312**	21,649
Equity		
Share capital (Note 14)	**51,449**	51,449
Equity reserve	**6,184**	6,181
Investment valuation reserve	**(448)**	-
Foreign currency translation reserve	**(194)**	(194)
Deficit	**(9,636)**	(9,682)
Equity attributable to shareholders of the Company	**47,355**	47,754
Non-controlling interest	**7,121**	7,143
Total equity	**54,476**	54,897
Total liabilities and equity	**69,788**	76,546

Contingencies (Note 19)

APPROVED BY THE BOARD

Director

Director

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation

Condensed consolidated interim financial statements of changes in equity
Three months ended March 31, 2014 and March 31, 2013
(In thousands of US dollars, shares in thousands)
(unaudited)

	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 earnings for the period	-	-	-	-	-	46	332	378
Distributions to non-controlling interest	-	-	-	-	-	-	(354)	(354)
Change in fair value of available-for-sale investments (Note 10)	-	-	-	(448)	-	-	-	(448)
Share-based compensation	-	-	3	-	-	-	-	3
Balance, March 31, 2014	124,948	51,449	6,184	(448)	(194)	9,636	7,121	54,476

	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 earnings for the period	-	-	-	-	-	1,132	964	2,096
Distributions to non-controlling interest	-	-	-	-	-	-	(438)	(438)
Share-based compensation	-	-	4	-	-	-	-	4
Balance, March 31, 2013	124,948	51,449	5,616	(47)	(194)	(1,760)	9,708	64,772

See accompanying notes to the condensed consolidated interim financial statements

Scorpio Gold Corporation
Condensed consolidated interim statements of cash flows
Three months ended March 31, 2014 and March 31, 2013
(In thousands of US dollars)
(unaudited)

	Three months ended March 31, 2014	Three months ended March 31, 2013
	$	$
Operating activities		
Net earnings for the period before taxes	**579**	2,670
Adjustments for:		
Income taxes paid	**(211)**	(158)
Environmental rehabilitation expenditures	**(2)**	(12)
Items not involving cash :		
Finance costs	**211**	330
Finance income	**(5)**	-
Impairment of non-producing mining assets	**-**	5
Share-based compensation	**3**	4
Depletion and amortization	**3,135**	3,858
Cash flows from operating activities before movements in working capital:	**3,710**	6,697
(Increase) decrease in trade and other receivables	**(14)**	1,698
(Increase) decrease in prepaid expenses and other	**(306)**	85
Decrease (increase) in inventories	**402**	(2,825)
(Decrease) increase in trade and other payables	**(654)**	419
	3,138	6,074
Investing activities		
Additions to non-producing mining assets	**(1,845)**	(1,913)
Proceeds from disposal of non-producing mining assets	**5,413**	-
Additions to producing mining assets	**(423)**	(2,257)
Reduction (additions) to reclamation bonds	**804**	(51)
	3,949	(4,221)
Financing activities		
Repayment of long-term debt	**(5,521)**	(1,324)
Interest paid	**(185)**	(306)
Distributions to non-controlling interest	**(354)**	(438)
	(6,060)	(2,068)
Effect of foreign exchange rate changes on cash	**3**	-
Increase (decrease) in cash	**1,030**	(215)
Cash, beginning of period	**2,775**	2,049
Cash, end of period	**3,805**	1,834

Supplemental cash flow information (Note 15)

See accompanying notes to the condensed consolidated interim 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 condensed consolidated interim financial statements of the Company, including comparatives, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") using the accounting policies consistent with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on May 16, 2014.

3. Significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2013.

The following policies reflect policies being applied in the current quarter which were not applicable in the 2013 consolidated financial statements.

a) IAS 32, 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.

b) IFRIC 21, 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.

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

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, 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 for a book value of $2.3 million is secured against title to the Pinon property.

(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	4,213	4,213	-	-	-
Income taxes payable	205	205	-	-	-
Long-term debt(1)	5,631	2,970	2,661	-	-
Provision for environmental rehabilitation	5,796	-	411	2,650	2,735

(1) Any proceeds from the sale of the 5.5 million common shares of Gold Standard Ventures Corp. or payment of the CAD$2.5 million note received as part of the sale of the Pinon property is required to be applied against the then outstanding debt balance, if any. Such transactions were 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.

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

4. Financial instruments (continued)

a) Financial risk factors (Continued)

(iii) Market risk (Continued)

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.

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

2) Currency Risk

As at March 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 US dollars.

	$
Cash	**214**
Value added tax and other receivable	**5**
Promissory note receivable	**2,262**
Trade and other payables	**(123)**

A sensitivity analysis as at March 31, 2014, using a reasonably possible change in the USD/CAD exchange rate of 10%, returns an approximate impact on net loss and comprehensive loss of $0.2 million. As of March 31, 2014 the USD/CAD exchange rate was 1.10534.

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 March 31, 2014. The Company does not use derivatives to manage its exposure to price risk.

b) Fair Value

The fair value of cash, reclamation bonds, promissory note, 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.

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

4. Financial instruments (continued)

b) *Fair Value (Continued)*

- 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 are classified as Level 1 in the fair value hierarchy. The Company has no Level 2 inputs.

5. Cost of sales

Cost of sales excluding depletion and amortization includes the following:

	Three months ended March 31, 2014	Three months ended March 31, 2013
	$	$
Contractor charges	**3,778**	2,684
Labour	**2,118**	1,979
Fuel and reagents	**856**	841
Mechanical parts	**853**	751
Other	**1,181**	(2,015)
	8,786	4,240

During the year ended December 31, 2013, the Company reassessed its classification of Nevada net proceeds tax and determined that these amounts met the criteria for income taxes in accordance with IFRS. As a result, the Company has reclassified $0.339 million previously recognized as cost of sales during the three-month period ended March 31, 2013 as an income tax expense. There is no impact on the overall earnings per share or the Company's statement of financial position as a result of this change.

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

6. General and administrative

	Three months ended March 31, 2014	Three months ended March 31, 2013
	$	$
Salaries and benefits	**256**	262
Professional fees	**89**	122
Investor relations	**49**	83
Insurance, travel and office related	**57**	51
Directors fees	**50**	30
Project evaluation	**15**	-
Consultants	**14**	12
Transfer agent and listing fees	**5**	5
Share-based compensation	**3**	-
Amortization	**2**	2
	540	567

7. Finance costs

	Three months ended March 31, 2014	Three months ended March 31, 2013
	$	$
Interest on long-term debt	**190**	314
Unwinding of discount of provision for environmental rehabilitation	**21**	16
	211	330

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

8. Weighted average number of shares and dilutive share equivalents

	Three months ended March 31, 2014	Three months ended March 31, 2013
Basic weighted average number of shares	**124,948,235**	124,948,235
Effect of dilutive securities:		
Stock options	**236,625**	515,969
Diluted weighted average number of shares	**125,184,860**	125,464,204

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Stock options	**9,582,000**	7,345,000
Warrants	**-**	5,000,000

9. Inventories

	March 31, 2014	December 31, 2013
	$	$
Supplies	**1,135**	1,029
Ore stockpile	**344**	294
Metals in process	**12,567**	12,874
Finished goods	**1,073**	1,324
	15,119	15,521

During the three-month period ended March 31, 2014, inventory included as cost of sales is $ 11.9 million (2013, $8.1 million).

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

10. Investments

	March 31, 2014	December 31, 2013
	$	$
Investment in common shares of Gold Standard Ventures Corp. (“Gold Standard”)		
Balance, beginning of period	**-**	-
Addition [1]	**3,737**	-
Change in fair value during the period	**(448)**	-
Balance, end of period	**3,289**	-
Promissory note receivable from Gold Standard and accrued interest[1]	**2,267**	-
Other investment in shares		
Balance, beginning of period	**3**	4
Change in fair value during the period	**-**	(1)
Balance, end of period	**3**	3
	5,559	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 consisting of $5.4 million (CAD$6.0 million) in cash paid at or before closing, a $2.3 million (CAD$2.5 million) promissory note receivable and 5.5 million common shares of Gold Standard. Of the cash consideration, $5.2 million (CAD$5.8 million) was applied to the Company’s long term debt. The $2.3 million (CAD$2.5 million) promissory note receivable bears interest at 3% and is to be paid a maximum of one year after closing. Payment of this amount is secured against the Pinon property. 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. The shares are subject to an orderly sale restriction and voting trust agreement. Any proceeds from the sale of these common shares of Gold Standard or payments of the CAD$2.5 million amount, will be applied against the then outstanding debt balance with Waterton, if any.

The investment in Gold Standard common shares is accounted for as an available-for-sale financial asset which is reviewed quarterly for significant or prolonged decline in fair value requiring impairment and more frequently when economic or market concerns warrant such evaluation. 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.

(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	Construction in progress	Total
Cost	$	$	$	$	$	$
Balance, December 31, 2012	23,068	10,363	771	755	5,704	40,661
Additions	3,534	144	261	47	4,173	8,159
Disposal	-	(279)	(19)	-	-	(298)
Transfer	-	9,199	-	-	(9,199)	-
Change in provision for environmental rehabilitation	913	-	-	-	-	913
Transfer from non-producing mining asset [1]	9,279	-	3	-	-	9,282
Balance, December 31, 2013	36,794	19,427	1,016	802	678	58,717
Additions	187	9	22	6	241	465
Transfer	-	77	-	-	(77)	-
Balance, March 31, 2014	36,981	19,513	1,038	808	842	59,182

Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	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
Depletion and amortization	2,646	388	52	47	-	3,133
Balance, March 31, 2014	28,556	9,777	366	606	-	39,305
Net book value						
December 31, 2013	10,884	10,038	702	243	678	22,545
March 31, 2014	8,425	9,736	672	202	842	19,877

[1] The Mary pit entered into the production phase during 2013, and therefore related asset balances were transferred from non-producing mining assets to producing mining assets.

Depreciation of certain plant and equipment and construction in progress will commence when in condition and location necessary for its intended use.

(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	-	37,374
Reclassification	-	(760)	755	5	-	-
Additions	4,814	175	19	4	127	5,139
Transfer to producing mining assets	(9,279)	-	(3)	-	-	(9,282)
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	127	19,062
Additions	1,654	3	-	-	77	1,734
Balance, March 31, 2014	16,738	3,033	771	50	204	20,796

Accumulated depreciation and impairment

	Mining interest	Plant and equipment	Mobile equipment	Furniture and office equipment	Construction in progress	Total
Balance, December 31, 2012	392	255	-	10	-	657
Impairment	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
Amortization	-	9	11	3	-	23
Balance, March 31, 2014	1,198	470	43	25	-	1,736

Net book value						
December 31, 2013	13,886	2,569	739	28	127	17,349
March 31, 2014	15,540	2,563	728	25	204	19,060

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

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

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

	Mineral Ridge	Goldwedge	Pinon	Total
Cost	$	$	$	$
Balance, December 31, 2012	13,190	6,575	13,953	33,718
Additions	3,435	1,174	205	4,814
Transfer to producing mining assets	(9,279))	-	-	(9,279)
Change in provision for environmental rehabilitation	-	(11)	(2)	(13)
Transfer to assets held for sale [(a)]	-	-	(14,156)	(14,156)
Balance, December 31, 2013	7,346	7,738	-	15,084
Additions	1,423	231	-	1,654
Balance, March 31, 2014	8,769	7,969	-	16,738

Accumulated depreciation and impairment

	Mineral Ridge	Goldwedge	Pinon	Total
Balance, December 31, 2012	392	-	-	392
Impairment	806	-	2,697	3,503
Transfer to assets held for sale [(a)]	-	-	(2,697)	(2,697)
Balance, December 31, 2013	1,198	-	-	1,198
Impairment	-	-	-	-
Balance, March 31, 2014	1,198	-	-	1,198

Net book value				
December 31, 2013	6,148	7,738	-	13,886
March 31, 2014	7,571	7,969	-	15,540

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

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

13. Long-term debt

	March 31, 2014	December 31, 2013
	$	$
Senior secured credit agreement a)	**5,631**	11,147
Current portion	**(2,970)**	(5,225)
Long-term portion	**2,661**	5,922

Future principal repayments are as follows:

2014	$2,970
2015	$2,661

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. 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).

14. Share capital

Authorized share capital consists of an unlimited number of common shares without par value. There were no change in outstanding common shares, warrants and stock options during the three months ended March 31, 2014 and March 31, 2013.

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

15. Supplemental cash flow information

Supplementary information regarding other non-cash investing and financing transactions

	Three months ended March 31, 2014	Three months ended March 31, 2013
	$	$
Disposal of the Pinon non-producing mining assets:		
By receipt of promissory note receivable	**2,267**	-
By receipt of investment in common shares in Gold Standard	**3,737**	-

16. 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 an asset acquisition completed in December 2012.

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. The Company is subject to externally imposed capital requirements as described in Note 13.

The following summarizes the Company's capital structure:

	March 31, 2014	December 31, 2013
	$	$
Long-term debt, including current portion	**5,631**	11,147
Equity attributable to shareholders of the Company	**47,355**	47,754
Capital	**52,986**	58,901

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

17. Segmented information

(a) Industry information

The Company operates in one reportable operating segment being exploitation, acquisition, exploration and development of mineral resource properties.

(b) Geographic information

All revenue from the sale of precious metals for the period ended March 31, 2014 and March 31, 2013 were earned in the United States. Substantially all of the Company's revenues are with one customer.

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

	March 31, 2014	December 31, 2013
	$	$
Canada	**93**	98
USA	**44,441**	46,201
	44,534	46,299

18. Related party transactions

a) Compensation of key management personnel and directors

The Company considers its key management personnel to be the CEO and the 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 three-month periods ended March 31, 2014 and March 31, 2013 is as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013
	$	$
Salaries and directors' fees	**295**	281
Consulting fee with a director	**23**	-
Share-based compensation(1)	**-**	2
	318	283

(1) Share-based compensation is the fair value of options expensed during the period to key management personnel and directors.

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

As at March 31, 2014, $12,666 (2013, $nil) resulting from these transactions is included in trade and other payables.

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

18. 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 the Mineral Ridge project. Management considers that Waterton is a related party.

Transactions entered into with Waterton during the three-month periods ended March 31, 2014 and March 31, 2013 are as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013
	$	$
Sales	**13,028**	11,666
Interest on long-term debt	**190**	314

19. 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.