MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Scorpio Gold Corporation (the "Company" or "Scorpio Gold") is for the year ended December 31, 2014 and is provided as of April 28, 2015. This MD&A is to be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2014 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents are available on the Company's website (www.scorpiogold.com) and filed on SEDAR (www.sedar.com). All dollar amounts are in US dollars unless otherwise indicated.

Scorpio Gold was incorporated under the Business Corporations Act (British Columbia). The Company is a reporting issuer in the Provinces of British Columbia and Alberta. Scorpio Gold is listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol SGN. The Company and its subsidiaries conduct mining exploitation, exploration and development on mining properties, principally in the United States.

2014 HIGHLIGHTS AND SUBSEQUENT EVENTS

- 40,814 ounces of gold produced at the Mineral Ridge mine compared to 39,160 ounces during 2013.
- Revenue of $52.0 million compared to $54.6 million during 2013, as a result a 10% decline in gold prices, partially offset by the sale of 5% more gold ounces in 2014 than 2013.
- Total cash cost per ounce of gold sold [(1)] of $845 compared to $734 during 2013, mainly attributable to lower head grades.
- Mine operating earnings [(1)] of $3.1 million compared to $10.8 million during 2013.
- Net loss of $27.4 million ($0.16 basic and diluted per share) after non-cash impairment charges of $28.2 million, compared to a net loss of $6.8 million ($0.05 basic and diluted per share) after non-cash impairment charge of $12.6 million during 2013.
- Adjusted net earnings [(1)] of $0.3 million ($0.00 basic and diluted per share) compared to $6.3 million ($0.03 basic and diluted per share) during 2013.
- Adjusted EBITDA [(1)] of $12.3 million ($0.06 basic and diluted per share) compared to $25.2 million ($0.14 basic and diluted per share) during 2013, mainly as a result of higher unit costs per ounce of gold sold and lower realized gold prices.
- Cash flow from operating activities [(1)] of $16.2 million compared to $22.9 million during 2013, mainly as a result of higher cash costs per ounce of gold sold and lower realized gold price, offset by a favorable change in inventory.

[(1)] This is a non-IFRS measure; please see Non-IFRS performance measures section.

- On November 5, 2014, the Company received 1,250,000 additional common shares of Gold Standard Ventures Corp. ("Gold Standard") as bonus consideration pursuant to the sale agreement in respect of the Pinon property. The Company held an aggregate of 6,750,000 common shares of Gold Standard as at December 31, 2014.

- During Q1 of 2015, the Company received proceeds of $3.3 million from the sale of all of the common shares of Gold Standard and also received payment from Gold Standard of the debt represented by the CAD$2.5 million promissory note received as part of the sale of the Pinon property.

- On March 11, 2015, the Company's long-term debt owing to Waterton Global Value LP ("Waterton") was fully repaid.

- 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.

FOURTH QUARTER 2014 ("Q4") HIGHLIGHTS

- 10,258 ounces of gold produced at the Mineral Ridge mine compared to 11,348 ounces in Q4 of 2013, a decrease of 10% due to a lower head grade in 2014 along with a lower number of ore tonnes mined during Q4 of 2014 compared to Q4 of 2013. Significantly more effort was put towards mine development during Q4 of 2014 compared to Q4 of 2013.
- Revenue of $13.4 million in Q4 of 2014 compared to $13.7 million during Q4 of 2013. During Q4 of 2014, the Company sold 11,344 gold ounces at an average price of $1,173 per ounce compared to 10,895 gold ounces at an average price of $1,254 per ounce during Q4 of 2013.
- Total cash cost per ounce of gold sold [(1)] of $898 in Q4 of 2014 compared to $732 during Q4 of 2013. This increase is mainly attributable to lower head grades during Q4 of 2014.
- Mine operating loss [(1)] of $0.5 million compared to mine operating earnings [(1)] of $1.8 million during Q4 of 2013, as a result of higher cash cost and lower average gold prices, partly offset by the higher number of ounces sold.
- Net loss of $28.7 million ($0.16 basic and diluted per share), compared to $2.0 million ($0.02 basic and diluted per share) during Q4 of 2013. During Q4 of 2014, impairments of $26.9 million and $1.3 million, respectively, were recorded on the mining assets and available-for-sale investments. During Q4 of 2013 a non-cash impairment charge of $2.7 million was recorded on the Pinon assets, which were subsequently disposed of in 2014.

- Adjusted net loss [(1)] of $1.1 million ($0.01 basic and diluted per share) compared to adjusted net earnings [(1)] of $0.8 million ($0.00 basic and diluted per share) during Q4 of 2013.

- Adjusted EBITDA [(1)] of $1.5 million ($0.01 basic and diluted per share) compared to $4.8 million ($0.03 basic and diluted per share) during Q4 of 2013 mainly as a result of higher cash cost per ounce of gold sold and lower average gold price, partly offset by the higher number of ounces sold.

- Cash flow from operating activities [(1)] of $5.8 million compared to $4.8 million in Q4 of 2013, mainly as a result of a favorable change in inventory partially offset by the higher cash costs per ounce of gold sold and lower realized gold price during Q4 of 2014 compared to Q4 of 2013.

[(1)] This is a non-IFRS measure; please see Non-IFRS performance measures section.

KEY OPERATING AND FINANCIAL STATISTICS

	2014	2013
Mining operations		
Producing pits:		
Drinkwater pit		
Ore tonnes mined	**395,177**	607,535
Waste tonnes mined	**834,938**	2,102,002
Total mined	**1,230,115**	2,709,537
Strip ratio	**2.1**	3.5
Mary pit		
Ore tonnes mined	**443,343**	285,688
Waste tonnes mined	**2,266,625**	1,986,738
Total mined	**2,709,968**	2,272,426
Strip ratio	**5.1**	7.0
Total producing pits		
Ore tonnes mined	**838,520**	893,223
Waste tonnes mined	**3,101,563**	4,088,740
Total mined	**3,940,083**	4,981,963
Strip ratio	**3.7**	4.6
Pits under development:		
Ore tonnes mined	**81,057**	-
Waste tonnes mined	**2,464,383**	213,411
Total mined	**2,545,440**	213,411
Total mining operations		
Ore tonnes mined	**919,577**	893,223
Waste tonnes mined	**5,565,946**	4,302,151
Total mined	**6,485,523**	5,195,374
Processing		
Tonnes processed	**974,346**	903,337
Gold head grade (grams per tonne)	**1.72**	2.32
Availability*	**49.8%**	56.1%
Ounces produced		
Gold	**40,814**	39,160
Silver	**18,182**	14,975

* Processing Availability is based on hours of crusher operations versus permitted run time.

	2014	2013
Financials		
(In thousands of US dollars, except per ounce and per share numbers)	**$**	$
Total cash cost per ounce of gold sold[1]	**845**	734
Ounces sold		
Gold	**41,843**	39,760
Silver	**17,902**	15,161
Average price of gold		
London PM fix	**1,266**	1,411
Realized	**1,235**	1,366
Net loss	**(27,414)**	(6,843)
Basic and diluted net loss per share	**(0.16)**	(0.05)
Adjusted net earnings[1]	**294**	6,346
Basic and diluted adjusted net earnings per share[1]	**0.00**	0.03
Adjusted EBITDA[1]	**12,313**	25,240
Basic and diluted adjusted EBITDA per share [1]	**0.06**	0.14
Cash flow from operating activities [1]	**16,187**	22,894

[1] This is a non-IFRS performance measure; please see Non-IFRS performance measures section

MINERAL PROPERTIES

The Company's Chief Executive Officer, Mr. Peter J. Hawley, is a qualified person under National Instrument 43-101-*Standards of Disclosure for Mineral Projects* ("NI 43-101"), and has reviewed and approved the following technical disclosure.

Mineral Ridge Property, Nevada

On March 10, 2010, the Company acquired a 70% interest in the Mineral Ridge Property and related assets, which was a former producing gold mine in Nevada. Mining by the Company commenced in June 2011 and Mineral Ridge entered commercial production in January 2012. The Company is currently receiving 80% of cash flows generated, in accordance with project agreements.

General

The Mineral Ridge Property is located about 56 km southwest of Tonopah, Nevada. The property consists of several consolidated claim blocks and historic mining operations dating from the 1860's up through the 1940's. Open pit mining began again in the area in 1989, primarily in the Drinkwater open pit. Gold mineralization is hosted in the lowest unit of the Wyman Limestone formation, typically referred to as the "Mary Limestone". Historic mining properties consolidated by the Mineral Ridge Property include the Drinkwater, Mary and Brodie underground mines. With the exception of the Drinkwater pit, from which mining was completed in Q3 of 2014, these properties are the focus of current production plans by both open pit and possibly underground mining methods. The Mineral Ridge Property had historically produced almost 630,000 ounces of gold before its acquisition by the Company, including ~168,000 ounces from open pit and ~462,000 ounces from underground mining operations. The property is currently bonded and permitted for heap leach gold processing and production. The property hosts multiple gold bearing structures, veins and bodies and features an existing infrastructure consisting of roadways, power grid, heap leach pad, crushing circuit, gold Adsorption/Desorption/Recovery ("ADR") plant, water supply, maintenance shop, refuelling and storage facilities and administrative buildings.

Resource and reserve estimates

In July of 2014, the Company announced results of an updated Life of Mine Plan ("LOM") completed for the Drinkwater, Mary, Mary LC, Brodie, Bluelite, Solberry, Wedge and Oromonte deposits at the 70% owned Mineral Ridge Property, located in Nevada.

The updated mine plan, which includes an updated mineral reserve estimate, projects mine life for the Mineral Ridge project extending into the 3rd quarter of 2016, or approximately 29 months as of the end of March 2014, the date of the LOM update. Average ore production over this time frame is estimated at 73,700 tons per month ("t/m") based on total estimated Probable Mineral Reserves of 2.1 million tons ("Mt") at a grade of 0.061 ounces per ton ("oz/ton") gold (131,190 oz contained gold) within estimated Indicated Mineral Resources of 2.7 Mt at a grade of 0.059 oz/ton (160,300 oz contained gold). Expansion and infill drilling of the satellite deposits has continued since the March 31, 2014 cut-off date for the LOM and is expected to add to the resource base and potentially support further conversion of current mineral resources to mineral reserves.

This LOM is inclusive of the Drinkwater, Mary and Mary LC deposits and the five satellite deposits, Brodie, Wedge, Bluelite, Solberry and Oromonte. An Inferred Mineral Resource estimate for the Brodie, Wedge, Bluelite, and Solberry deposits, dated June 1, 2013, was reported in the Company's August 16, 2013 news release. Development drilling over the past two years has allowed for an upgrade of the previous resource estimate to include Indicated Mineral Resources containing Probable Mineral Reserves. The updated Indicated Mineral Resource estimate for the five satellite deposits is 625,100 tons at a grade of 0.061 oz/ton gold (38,360 oz contained gold), which includes Probable Mineral Reserves for four of the deposits of 463,880 tons at a grade of 0.065 oz/ton gold (30,050 oz contained gold).

The Mineral Resource and Mineral Reserve estimates in the LOM were prepared by Jim Ashton, P.E., an employee of the Company and a qualified person pursuant to NI 43-101 and audited by independent qualified person, Mr. Randy Martin, RM-SME of Welsh Hagen Associates. The LOM is an independent technical report supporting the

disclosure of the Mineral Resource and Mineral Reserve estimate, was prepared by Welsh Hagen Associates and was filed on SEDAR on September 3, 2014.

See the Company's news release dated July 21, 2014 for further details of the LOM and the resource and reserve estimates contained therein.

Mining activities

Total mine production for 2014 was 6,485,523 tonnes (2013 - 5,195,374 tonnes) which is composed of 919,577 tonnes of ore (2013 – 893,223) and 5,565,946 tonnes of waste (2013 – 4,302,151 tonnes). The ore was mined from the 6550 through 6460 benches in the Drinkwater Pit, the 6610 through 6490 benches in the Mary pit, the 6620 through 6530 benches in the Mary LC pit, and the 7090 through 7060 benches from the Brodie pit. The average gold grade of the mined ore was 1.64 grams per tonne (2013 - 2.25 grams per tonne). The Drinkwater pit was completed in September 2014. The Mary LC and Satellite pits are still in the development stage. Compared to 2013, the 2014 mine production was higher for both ore and waste due to to an increase in mining equipment, availability of the equipment, and working more days during the year. The Mary pit contributed 48% of the ore mined in 2014 as compared to 32% contributed in 2013. The Company mitigated delays in permitting for the satellite pits, which were scheduled for initial development in Q4 of 2014, by accelerating the development of the Mary LC pit towards the end of 2014. Mining in the Mary LC pit will steadily increase throughout 2015 and mining in the Solberry and Bluelite satellite pits will commence once all mining permits are received. The permitting process began in mid-2014 and included updating the Plan of Operations and completing an Environmental Assessment. The permitting approval process is now completed.

The mining contractor, LEDCOR CMI Inc.'s performance continued to improve throughout 2014. Average tonnes per day ("TPD") production for 2014 was 33,313 tonnes (2013 - 25,099 tonnes). The 2015 mine plan calls for an average daily production rate of 35,844 tonnes which includes an average of 4,251 tonnes of ore delivered to the crusher on a daily basis. Mining operations are scheduled on a one-shift per day, four days a week schedule with drilling operations working on a seven day per week schedule. LEDCOR typically works five days a week and every other Saturday.

The mine reconciliation, through the end of 2014, compared to the current mine model, which was developed with oversight from Welsh-Hagen Associates, shows through the completion of the 6460 (final) bench in the Drinkwater pit that actual mine ore production was 16.7% higher than was predicted by the model with an average grade that was 8.5% higher. The contained gold ounces are 23.6 % higher than predicted. The mine reconciliation for the Mary pit through the 6500 bench shows that actual ore production was 22% higher than predicted with an average gold grade 9.3% lower resulting in 10.4% more ounces compared to the model. The mine reconciliation for the Mary LC pit through the 6540 bench shows that actual ore production was 38.6% lower than predicted with an average gold grade 25% lower resulting in 54% less contained ounces compared to the model. The mine reconciliation for the Brodie pit through the 7060 bench shows that actual ore production was 144% higher than predicted with an average gold grade 38% higher resulting in 238% more contained ounces compared to the model. The mine ore control, based on blast hole assays, versus actual mine production shows a 11%, 15%, 20%, and 17% dilution of the ore mined from the Drinkwater, Mary, Mary LC, and Brodie pits respectively versus 10% projected. The Company's main focus in 2015 is reducing dilution in active mining areas by implementing greater ore controls.

Operations activities

Total estimated ore crushed and placed on the leach pad at Mineral Ridge in 2014 was 974,346 tonnes (2013 - 903,337 tonnes), including ore mined from the pits, as well as 79,365 tonnes of ore hauled from various predecessor stockpiles on the property. The average head grade was 1.72 g/t (0.050 opt) gold in 2014 compared to 2.32 g/t (0.068 opt) in 2013.

The availability of the crushing facility for 2014 was 49.8% (2013, 56.1%). Processing availability is based on hours of crusher operations versus permitted run time. The applicable air quality permit allows for a crusher throughput rate of 363 tonnes per hour and 24 hours of operation per day.

In 2014, application of cyanide leach solution to the freshly stacked ore on the leach pad was 800 million gallons (2013 - 679 million gallons). Also in 2014, 692 million gallons (2013 - 578 million gallons) of pregnant, gold-bearing solution were processed through the ADR plant's carbon column circuit at an average grade of 0.59 ppm (2013 - 0.69 ppm) gold and 0.36 ppm (2013 - 0.40 ppm) silver. Calculated efficiency for recovery of precious metals from solution processed through the ADR plant for 2014 was 89.2% (2013 - 89.1%) for gold and 64.1 % (2013 - 60.9%) for silver. The efficiency of this circuit is directly affected by the activity of the activated carbon utilized for recovery of precious metals from solution as well as the flow rate of the solution being pumped through the columns. The average flow rate for 2014 was 1,317 gallons per minute ("gpm"), compared to 1,104 gpm in 2013 and the carbon efficiency of virgin carbon averaged 55% during 2014 compared to 59% during 2013. The number of cycles the carbon can be used in the ADR plant has increased, thereby decreasing the frequency at which replacement carbon is purchased. However average efficiency of the carbon decreases as the number of cycles increases. This circuit is a closed loop circuit so any precious metals that are not recovered in the first pass will re-circulate and should eventually be recovered. The loaded carbon from this circuit is shipped off-site for custom stripping of the precious metals and upon completion of stripping, the carbon is returned to the site for re-use.

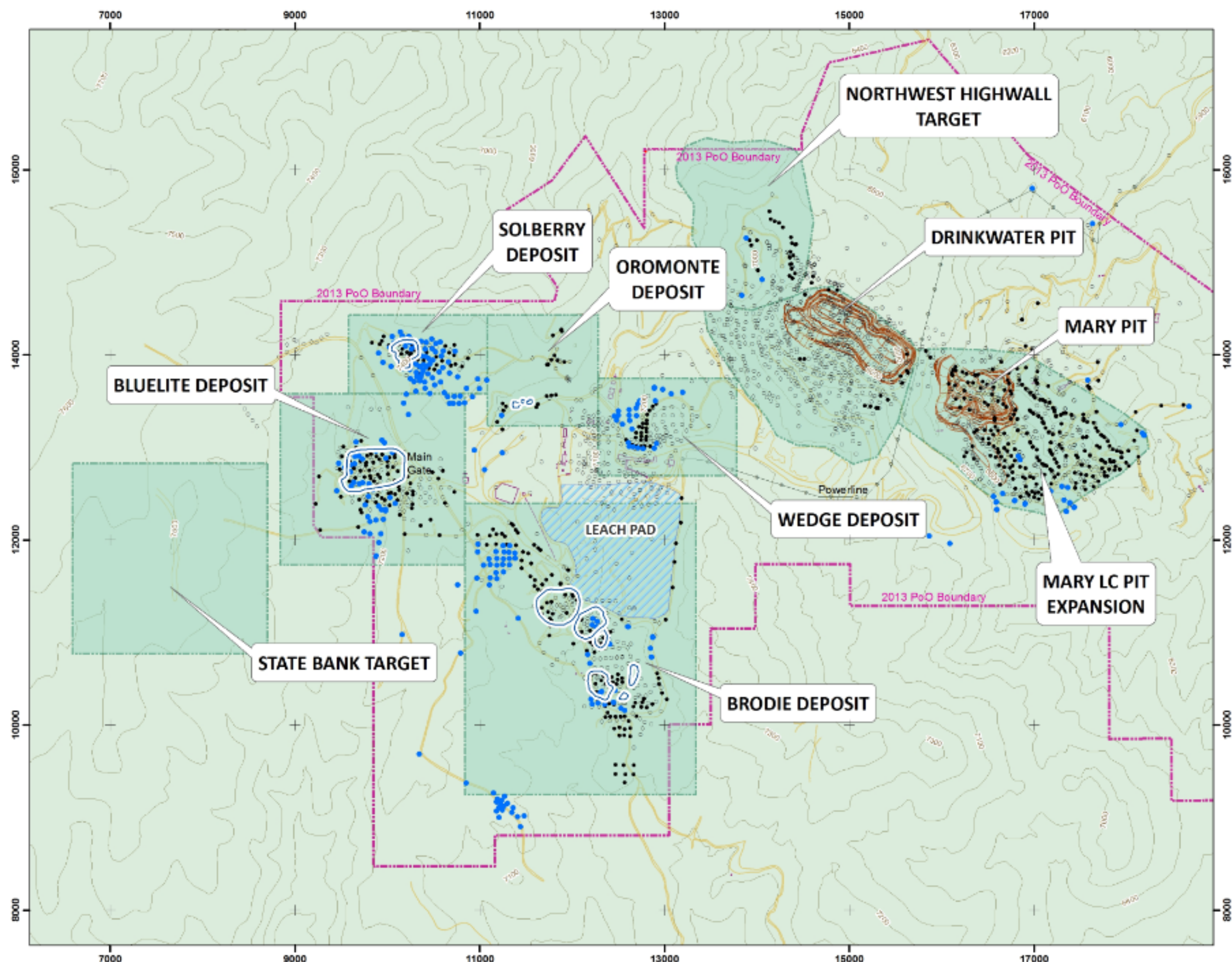
For 2014, the Company produced 40,814 ounces of gold, a 4% increase over the 39,160 ounces produced during 2013 and 18,182 ounces of silver, a 21% increase over the 14,975 ounces produced during 2013. This increase in 2014 production was influenced by the following: the crushing facility increased its processing rates in 2014 which increased tonnes processed and placed on the pad. Also, the rehabilitation of both site fresh water wells in June of 2014 coupled with the new higher capacity vertical carbon column allowed for increased pumping rates of solution to the leach pad and through the ADR which reduced pad ounce inventories and increased overall recovered and produced ounces in 2014.

A review of leach pad recovery rates has been performed and it was determined that actual recovery rates, since the commencement of mining operations, have ranged from approximately 66 percent to 69 percent, as compared to the 65 percent expected recovery rate previously reported. As a result of this analysis, an additional 3,307 estimated recoverable ounces were added to the leach pad inventory balance at year-end.

The on-site assay laboratory continued processing samples from mining as well as supporting some of the exploration drilling assays. All exploration samples are taken in duplicate at the drill rig and one of these samples is processed through the on-site laboratory while its duplicate is securely stored on site pending analytical results from the laboratory. If significant results are reported from internal assaying of the exploration sample the rig split duplicate is sent out for commercial laboratory analysis for independent reporting purposes. Training of the laboratory staff is ongoing while production rates and cost per sample continue to track positively.

Further information on the Mineral Ridge project is available at SEDAR (www.sedar.com), including the LOM, which is a NI 43-101 technical report entitled "Mineral Ridge Project, Esmeralda County, Nevada, USA, NI 43-101 Technical Report on Life of Mine Plan." by AMEC E&C Services Inc., dated July 15, 2012 and the "Amended and Restated NI 43-101 Technical Report on The Mineral Ridge Satellite Deposits, Esmeralda County, Nevada USA" by Telesto Nevada, Inc., a Welsh Hagen Company, dated April 4, 2014.

Current Exploration / Permitting

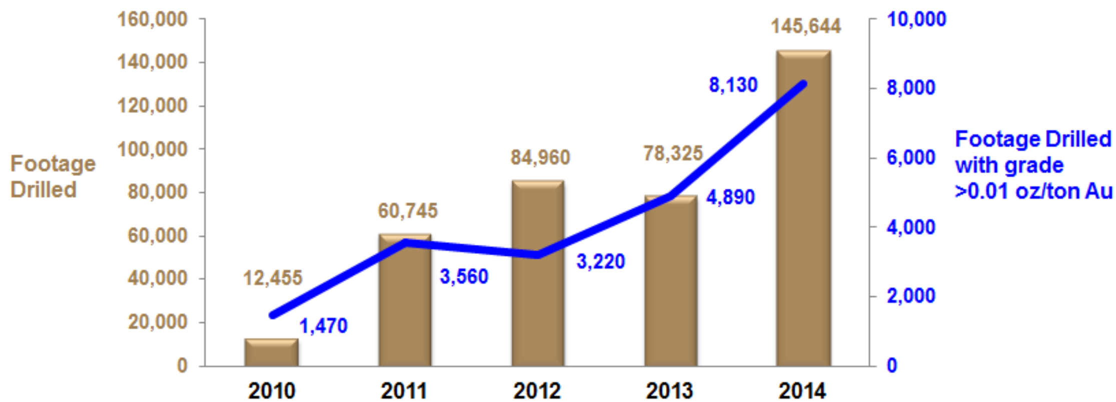


As of December 31, 2014, the Mineral Ridge project's total land package consists of 616 unpatented mining lode claims, 1 unpatented mill site claim, and 55 patented mining claims covering a total of 12,426 acres. Other fee lands and town lots in Silver Peak add an additional 123 acres, for a total land package of 12,549 acres.

In 2014, a combination of three 1500 Foremost Reverse Circulation ("RC") track mounted drill rigs and one ore core drill rig completed a total of 44,392 meters of drilling in 419 holes at Mineral Ridge, far surpassing the original forecast of 18,000 to 24,000 meters of drilling for the year. The RC program included 399 holes for 41,453 meters of drilling while the oriented drill core program accounted for 2,939 meters of drilling in 20 holes.

Drilling at Mineral Ridge by target area can be categorized as follows: primary targets including Brodie accounted for 21% of all RC meters drilled, Solberry 17%, Bluelite 15%, Mary LC 10%, with the remaining 37% of drilling divided amongst the various secondary targets on site. In Q4 2014, the exploration drilling campaign continued to complete infill drilling in the satellite target areas, prior to commencement of proposed open pit mining, completing 7,888 meters of drilling. The drill campaign in the Bluelite and Solberry areas has produced promising results for future pit expansion. Drilling continued to expand resources around the Brodie pit, which was previously mined by former operators of the property. The exploration department drilled the extension of the Northwest Brodie, which is the mineralized extension between the Brodie and Bluelite deposits, with encouraging success.

Drilling also included several "blue-sky" targets including a geophysical anomaly named Physik located south by southwest of the Mary pit entrance.



Drilling assay results continue to be utilized in updating mineralization models in the Bluelite and Solberry pits, as well as other target areas. Mineralization models are drawn around drillhole intervals equal to or greater than 0.34 grams per tonne (0.010 oz/ton). The process aids in planning new drillholes for infill and resource development of known targets, along with following new potential mineralization trends. The chart above highlights the effectiveness of the 2014 the drill program, which intercepted 2478 meters (8130 feet) of mineralization grading higher than 0.34 grams (0.01 oz/ton).

On June 26, 2014, a plan of operations amendment seeking authorization for mining of the expanded Brodie pit and Wedge B pit, as well as development of the Bluelite and Solberry satellite pits, and further expansion of the Mary LC pit was submitted to the Bureau of Land Management ("BLM") and the Nevada Division of Environmental Protection ("NDEP"). On August 29, NDEP approved the plan amendment and issued the final permit with an effective date of October 16, 2014. The plan amendment review has also been completed by the BLM, and preparation of an Environmental Assessment ("EA") of the project began on October 1, 2014. The draft EA was submitted to the BLM on December 10, 2014 and approved on March 25, 2015. The draft EA was issued for a 15-day public comment period and subsequently, the BLM decision was issued which authorizes development of the satellite pits, and expansion of existing pits commencing in April 2015.

Other properties

In December 2012, the Company acquired 100% interests in the Goldwedge and Pinon properties from Royal Standard Minerals Inc ("Royal Standard"). The Company sold its interest in the Pinon property in March of 2014.

Transaction Highlights

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 $2.2 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 $2.2 million (CAD$2.5 million) promissory note receivable bears interest at a rate of 3% per annum and the debt evidenced by the note was repaid to the Company during Q1 of 2015. 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 November 5, 2014, the Company received 1,250,000 additional common shares of Gold Standard as bonus consideration pursuant to the sale agreement in respect of the Pinon property. The Company held an aggregate of 6,750,000 common shares of Gold Standard as at December 31, 2014, which were all sold during Q1 of 2015.

Goldwedge

The Goldwedge property, including the Goldwedge mine and a processing plant, is located approximately 55 kilometers northeast of the town of Tonopah, in west-central Nevada, in a region of numerous historic and active gold mines.

Summary
Access is excellent from paved roads and both water and power are available on site. The Goldwedge Mine contains a small gold mineralized area with excellent potential to grow with further exploration and development. The existing estimated resource covers a strike length of approximately 335 meters, with a drill tested vertical extent of over 152 meters. The system is open along strike down-dip and down-plunge toward the northwest. The project includes a permitted 455 tonne per day crushing plant, gravity recovery facility, leach pads and over 610 meters of decline.

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.

Project History
Mining activities in the Manhattan District date back to the 19th century when prospectors discovered rich lodes of mineralization near Goldwedge and elsewhere in the district. Both underground and placer mining was carried out over the succeeding century, with cumulative reported production of over 500,000 ounces of gold. The largest mine at Goldwedge itself was the Reliance Mine that between 1932 and 1941 produced an estimated 53,623 tonnes at a recovered grade of 14.91 g/t (0.435 oz/ton) gold. During the 1980's an open pit mine was operated by Echo Bay Mines just south of the boundary of the Goldwedge property, with total production from the operation approximately 236,000 oz gold. This mining led to numerous exploration projects at Goldwedge by Freeport Exploration, Crown Resources Corp., New Concepts Mining, Sunshine Mining Co., Battle Mountain Gold, Royal Gold Corp., and most recently Royal Standard starting in 2001.

Since 2001, Royal Standard conducted exploration drilling, underground mine development, permitting, and mill construction. To September 2012, Royal Standard and past explorers have drilled 88 surface drill holes totaling 14,754 meters, 26 underground core holes totaling 1,599 meters and 39 shallow jack-leg drill holes totaling 414 meters, for a total of 153 holes and 16,767 meters of drilling.

Geology
The Goldwedge property occurs in west-central Nevada where a series of Tertiary volcanic calderas have cut through a basement complex of lower Paleozoic sedimentary rocks. Gold deposits related to these calderas include the giant Round Mountain Mine (some 10 miles north of Goldwedge), as well as the Northumberland Mine of Newmont Mining Corp. While most of the mineralization at the Round Mountain Mine has been mined from Tertiary volcanic rocks, there is good mineralization in the underlying Gold Hill Formation, which is also a host of mineralization at Goldwedge.

Goldwedge occurs near the southwestern margin of the Manhattan caldera, and all known mineralization to date is hosted by a series of lower Paleozoic sedimentary rocks just outside the caldera boundary. The Caldera is believed to have provided significant structural preparation for the gold mineralization at Goldwedge, and age dating suggests that the mineralization is post-caldera. The deposit is hosted by the Ordovician Zanzibar Formation and the Cambrian Gold Hill Formation, where cut by a series of north-northwest -striking fractures and faults, especially the Reliance shear zone. This shear zone is closely associated with the good grade mineralization defined to date.

Mineralization consists of altered sedimentary host cut by complex anastomosing narrow shear zones with a combination of free gold and disseminated gold in the matrix of the rock. The substantial component of free gold allows for simple gravity recovery of a portion of the gold mineralization. The mineralization contains some very high grade intercepts, with the certain core portions of the mineralization grading in the 6.86 to 34.29 g/t (0.20 to 1.0 oz/ton) range.

2014 Exploration and Development Activity

In Q4 of 2014, the Company's exploration department received the assays of the four diamond drill holes drilled during Q3. The objective of the program was to gain knowledge of the geology and aid in identifying mineralization trends in the area. The program was successful and met its objectives and this information will be incorporated into the preliminary mine model that will guide future surface and underground exploration programs.

Testing of the milling circuit began in 2014 with high grade ore from the Mineral Ridge mine being batch processed through the Goldwedge mill. Batch processing of this material is allowing for optimization of the milling circuit to ensure optimal recoveries of coarse gold from the ore. Results from testing of this ore indicate that the milling circuit is duplicating expected metallurgical recoveries for coarse gold recovery.

In Q4, 2014, work was completed on a Plan of Operations ("PoO") for Exploration Drilling and submitted to the U.S. Forest Service ("USFS") and the Nevada Division of Environmental Protection to seek authorization for surface exploration drilling in the Goldwedge claim block on both public and private ground. The PoO was submitted on October 20, 2014. On November 4, 2014, NDEP issued their approval for proposed drilling on privately owned ground. The USFS PoO application for exploration drilling on public land within the claim block, and also required reports on cultural and biological baseline studies conducted at Goldwedge in 2014, is still undergoing review by the agency.

Lac Arseneault Property

The Lac Arseneault property is located in Bonaventure County, 36 km north of the town of Paspebiac on the south coast of the Gaspe Peninsula, Quebec. The property consists of 20 contiguous unpatented claims covering approximately 1,044 hectares. Scorpio Gold holds a 100% interest in the property, subject to a 2% NSR royalty payable to the previous owner. The Company has impaired the property in prior years and has no current exploration plans for the property.

Environmental Regulation

Exploration and development activities are subject to various federal, state and provincial laws and regulations which govern the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive.

Scorpio Gold conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to incur expenditures in the future to comply with such laws and regulations.

SELECTED ANNUAL INFORMATION

The financial information disclosed below, including comparative period information has been prepared in accordance with IFRS and is reported in US dollars. Tabular dollar amounts except per share amounts are reported in thousands of US dollars.

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
	$	$	$
Revenue	52,026	54,646	52,615
Net (loss) earnings	(27,414)	(6,843)	12,601
Net (loss) earnings attributable to shareholders of the Company	(20,139)	(6,790)	7,918
Basic and diluted (loss) earnings per share	(0.16)	(0.05)	0.07
Working capital	8,042	19,762	5,896
Total assets	40,943	76,546	88,376
Long-term liabilities	6,057	11,163	15,561

RESULTS OF OPERATIONS

Scorpio Gold reported a net loss of $27.4 million for the year ended December 31, 2014, compared to a net loss of $6.8 million for the year ended December 31, 2013.

For the year ended December 31, 2014, the net loss attributable to the shareholders of the Company was $20.1 million ($0.16 per share), compared to net loss of $6.8 million ($0.05 per share) for the year ended December 31, 2013.

The net loss attributable to the non-controlling interest was $7.3 million for the year ended December 31, 2014, compared to $0.05 million for the year ended December 31, 2013.

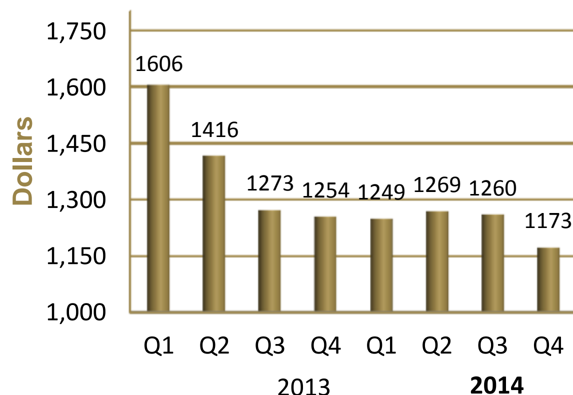
The major differences between the two years are explained below.

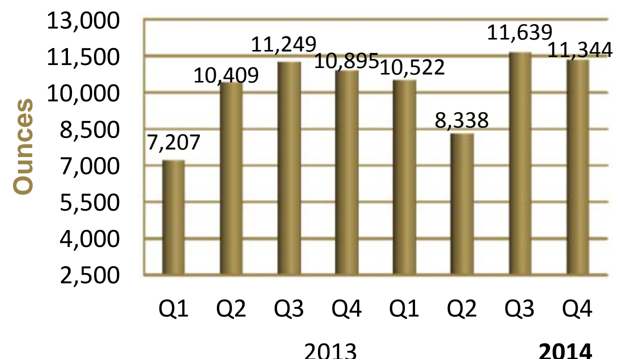
Revenue

During the year ended December 31, 2014, the Company sold 41,843 ounces of gold and 17,902 ounces of silver for total revenue of $52.0 million. During the year ended December 31, 2013, the Company sold 39,760 ounces of gold and 15,161 ounces of silver for total revenue of $54.6 million. During the year ended December 31, 2014, gold ounces were sold at an average price of $1,235 ($1,366 in 2013) and silver ounces at an average price of $19 ($23 in 2013).

Revenue for the year ended December 31, 2013 was negatively impacted by 1,878 ounces of gold and 759 ounces of silver sold in December of 2012 under a carbon sale agreement entered into with Waterton Global Value, L.P., which had accelerated sales in Q4 of 2012.

The Company's realized average gold price is lower than the average London PM fix mainly because of timing of sales as well as the terms of the Company's gold and silver supply agreement. As of December 31, 2014, the Company had inventories including 75 ounces of gold available for sale compared to 1,210 ounces of gold as at December 31, 2013.





Mine operating earnings

Cost of sales, excluding depletion and amortization, increased from $27.5 million for the year ended December 31, 2013 to $37.9 million for year ended December 31, 2014.

Following the installation of a new higher capacity carbon column in June 2014, the rate of processing of pregnant leach solution increased and thereby brought down leach pad inventory. Metal in process inventory decreased by $5.0 million during the year ended December 31, 2014, which contributed in the increase of cost of sales for the year.

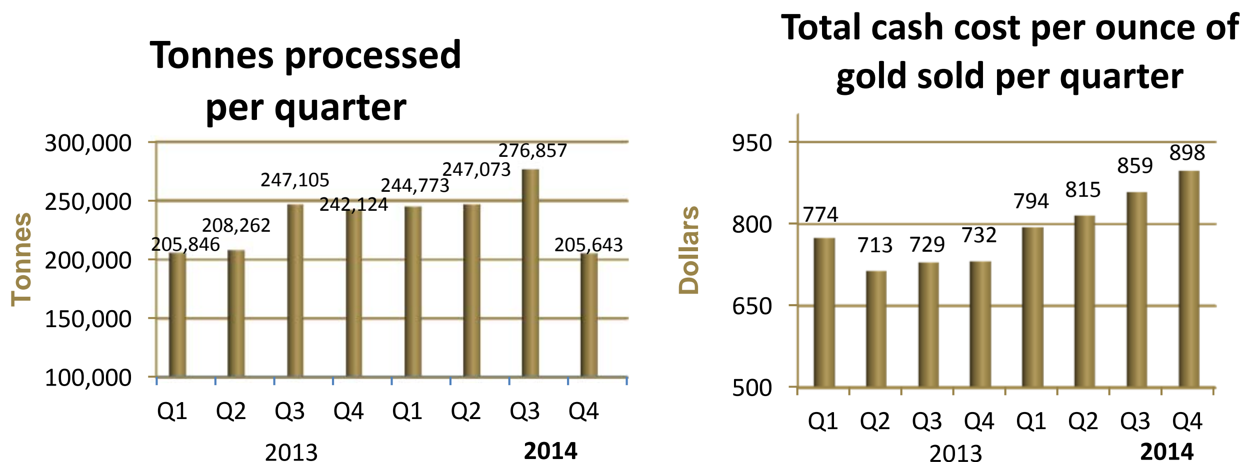
Cash operating cost per gold ounce sold [(1)], after silver by-product credits, was $836 for the year ended December 31, 2014, compared to $702 for the year ended December 31, 2013. Total cash cost per ounce sold [(1)], after silver by-product credits, was $845 for the year ended December 31, 2014 compared to $734 the year ended December 31, 2013. Unit production cost increased for the year ended December 31, 2014 compared to same period in 2013, and is mainly attributable to lower head grades.

During the year ended December 31, 2014, the average gold head grade was 1.72 grams per tonne, compared to 2.32 grams per tonne for the year ended December 31, 2013, and the Company processed 8% more ore tonnes than during the year ended December 31, 2013. In late June 2014, an additional carbon column was installed which increased the rate of processing of pregnant leach solution and thereby brought down leach pad inventory. As a result, the Company produced 4% more gold ounces than during the year ended December 31, 2013.

2013 production was negatively impacted by 1,878 ounces of gold and 759 ounces of silver sold in December of 2012 under a carbon sale agreement entered into with Waterton Global Value, L.P., which had accelerated sales in Q4 of 2012.

The depletion and amortization expense was $11.1 million for the year ended December 31, 2014, compared to $16.3 million the year ended December 31, 2013. This decrease resulted from the impairment charges accounted for in June 2013 as well as a depletion base change. Even though the Company mined 3% more ore tonnes in the year ended December 31, 2014 compared to same period in 2013, the net effect of these changes has resulted in lower depletion and amortization costs in 2014 compared to 2013.

Mine operating earnings [(1)] were therefore $3.1 million for the year ended December 31, 2014 compared to $10.8 million for the year ended December 31, 2013.



(1) This is a non-IFRS financial performance measure. Please see Non-IFRS performance measures section.

General and administrative

General and administrative expenses were $1.9 million for the year ended December 31, 2014, compared to $2.4 million for the year ended December 31, 2013. The main variance between those periods relates to share-based compensation, which is non-cash in nature and totalled $0.3 million for 2013, compared to close to nil during 2014. An aggregate of 2,645,000 stock options were granted to directors, officers, employees and consultants of the Company during the year ended December 31, 2013 while none were granted in the year ended December 31, 2014.

Impairments and disposal of assets

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 method. 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 a non-cash impairment charge of $26.9 million (2013 - $9.4 million) using a discounting 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, 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.

As discussed below, during the year ended December 31, 2014, the Company completed the sale of its Pinon non-producing asset and also received a bonus of 1,250,000 common shares of Gold Standard following the completion of this sale. These transactions resulted in a gain on disposal of mining assets of $0.6 million during the year ended December 31, 2014.

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. During the year ended December 31, 2013, the Company also recognized a non-cash impairment loss on some of its idle assets, $0.3 million of which relates to producing plant and equipment and $0.2 million of which relates to non-producing plant and equipment.

Finance costs

Finance costs totalled $0.6 million the year ended December 31, 2014, compared to $1.2 million for the year ended December 31, 2013. This decrease was caused by the $5.2 million principal prepayment of the Company's long-term debt in March 2014, following the sale of the Pinon non-producing assets discussed below.

All of the interest costs for both years relate to the long-term debt assumed in connection with the acquisition of the Goldwedge and Pinon properties completed in December 2012.

Current income tax expense

For the year ended December 31, 2014, current income tax expense was $0.4 million compared to $1.2 million for the year ended December 31, 2013. The Nevada net proceeds tax expense, which accounts for most of the current tax expense, was $0.3 million compared to $1.1 million for the year ended December 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2014, the Company had $1.1 million in cash compared to $2.8 million as of December 31, 2013.

Working capital was $8.0 million as of December 31, 2014 compared to $19.8 million as of December 31, 2013. As at December 31, 2013, the Company presented its Pinon non-producing mining assets, having a net book value of $11.4 million, along with the current assets and liabilities, as these were then held for sale.

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 $2.2 million (CAD$2.5 million) promissory note receivable and 5.5 million common shares of Gold Standard. Of the cash consideration paid on closing, $5.2 million (CAD$5.75 million) was applied to the Company's long-term debt. The promissory note bore an interest at 3% per annum and was repaid in March 2015. 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.

Bonus consideration consisting of 1,250,000 common shares of Gold Standard was triggered as a result of Gold Standard having received 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. The Company received the 1,250,000 common shares of Gold Standard on November 5, 2014.

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. At that time the long-term debt was fully repaid.

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 terminated and as such the Company is obligated to pay a $500,000 break fee along with approximately $100,000 of related due diligence costs incurred by Coral Reef.

Cash flow generated from the Mineral Ridge mine along with proceeds from further financing may be required to fund its planned capital expenditures both at the Mineral Ridge and Goldwedge mine. In addition, the Company anticipates it may require additional financing to fund the potential construction of a mill facility at the Mineral Ridge mine. Please see the section titled Non Producing Mining Assets and Other for a more complete description of the facility. The Company is currently evaluating various financing opportunities.

The primary factors that will affect the future financial condition of the Company include the ability to continue to generate positive cash flows, the ability to raise equity financing, or other types of financing as and when required and the level of exploration, development and capital expenditures required.

INVENTORIES

Inventories decreased from $15.5 million as of December 31, 2013 to $9.6 million as of December 31, 2014.

Metal in process decreased by $5.0 million to $7.9 million during the year ended December 31, 2014, mostly following the installation of an additional carbon column in the ADR plant, which was installed in late June 2014. This additional carbon column increased the rate of processing of pregnant leach solution and thereby brought down leach pad inventory and consequently increased gold production.

The nature of the heap leaching process used at Mineral Ridge inherently limits the ability to precisely monitor inventory levels on the leach pad. As at December 31, 2014, included in the in process inventories, are inventories on the leach pad for a total cost of $2.5 million compared to $9.9 million as at December 31, 2013. The ultimate recovery of gold from the heap leach pad will not be known until the leaching process is concluded. As at December 31, 2014, the Company revised its estimated gold recovery and consequently the number of recoverable

ounces stacked on leach pad and in process. The Company estimated that an additional 3,307 ounces had to be added to such inventory as at December 31, 2014. This will positively impact 2015 cost of sales excluding depletion and amortization.

Finished goods inventory decreased by $1.2 million to $0.2 million during the year ended December 31, 2014, due mainly to the fact that two lots where in transit to the refiner at the end of December 2014 and the timing of the Company's gold sales.

INVESTMENTS

Investments increased from close to $nil as of December 31, 2013 to $5.3 million as of December 31, 2014 and are mostly related to the disposal of the Pinon non-producing mining asset completed in 2014. As of December 31, 2014, the Company held 6,750,000 shares of Gold Standard having a book value of $3.1 million. In Q1 of 2015, all of these shares were sold for net proceeds of $3.3 million. As at December 31, 2014, the Company also had a promissory note receivable from Gold Standard having a book value of $2.2 million. On March 5, 2015, payment of the debt represented by this note was received by the Company.

PRODUCING MINING ASSETS

Producing mining assets stood at $7.2 million as of December 31, 2014, compared to $21.9 million as at December 31, 2013.

During the year ended December 31, 2014, the Company added $1.4 million to producing mining assets which mainly consist of $1.3 million related to stripping activities. The Company also completed projects related to Mineral Ridge for a total cost of $1.4 million and therefore, the related net book value was transferred from non-producing mining assets to producing mining assets. Included in the $1.4 million completed projects is $0.4 million related to the new carbon column in the ADR plant, $0.5 million related to rehabilitation of the pre-existing water well and $0.3 million of improvements to the leach pad.

During the year ended December 31, 2014, the Goldwedge mill improvement project was completed, and therefore its related net book value and other related assets of a total net book value of $2.5 million was transferred from non-producing mining assets to producing mining assets.

Of the above discussed total $26.9 million non-cash impairment charge recorded during the year ended December 31, 2014, (2013 - $9.4 million), an amount of $9.2 million relates to the Mineral Ridge producing assets (2013 - $8.9 million).

During the year ended December 31, 2014, an amount of $11.1 million has been recorded as depletion and amortization of producing mining assets.

NON-PRODUCING MINING ASSETS AND OTHER

Non-producing mining assets and other was $11.8 million as of December 31, 2014, compared to $18.0 million as at December 31, 2013. During the year ended December 31, 2014, the Company added $13.1 million to non-producing mining interest and $2.3 million to construction in progress, for total additions of $15.4 million.

Included in the 2014 additions are $13.7 million related to Mineral Ridge and $1.7 million related to Goldwedge.

The $13.7 million additions related to Mineral Ridge are mainly constituted of $7.4 million related to Mary LC pit development costs, $3.3 million of exploration costs related to targets surrounding the areas currently in development and production at the Mineral Ridge mine, $1.2 million of development costs related to satellite pits and $1.8 million related to various construction in process projects.

The construction in progress balance of $0.5 million as at December 31, 2014 is mainly related to a scoping study for a potential processing and refining facility. The Company has engaged SNC Lavalin to conduct a preliminary scoping study on the design and construction of a gold/silver processing and refining facility at the Mineral Ridge mine. The study will contain recommendations for the optimized scaling of throughput for a conventional processing mill and refinery. The rate of throughput in the study will look at two scenarios; the first being the reprocessing of the gold bearing previously heap leached material, which had only a 66 to 69% recovery of the contained gold and secondly the combined processing of freshly mined "run of mine" material together with the previously heap leached material. The process envisions mill crushing, grinding, gravity recovery, carbon in leach gold recovery, carbon loading, carbon stripping and finally the production of gold/silver dore.

The study will contain cost estimates for the construction of the entire facilities, process flow diagrams and general arrangement drawings. Once the study is completed, the Company will review the overall economics of the proposed processing and refining facility, and a timeline to completion including permitting and present management's recommendations to the Company's Board of Directors.

The Company notes that this scoping study is not a full technical study for inclusion in an NI 43-101 technical report but is a preliminary review of the potential capital cost of the mill facility and the potential to increase the precious metals recovery rates from the Mineral Ridge mine.

The $1.7 million additions related to Goldwedge during the year ended December 31, 2014, is mainly constituted of $1.2 million in capitalized exploration and development expenditures on the Goldwedge property and $0.4 million on plant and equipment and construction in progress at Goldwedge.

As discussed above, the Goldwedge mill improvement project was completed during 2014, and therefore its related net book value and other related assets of a total net book value of $2.5 million was transferred from non-producing mining assets to producing mining assets.

Of to the above discussed total $26.9 million non-cash impairment charge recorded during the year ended December 31, 2014, (2013 - $9.4 million), an amount of $17.7 million relates to the Mineral Ridge non-producing assets (2013 - $0.8 million). During the year ended December 31, 2013, the Company also recorded a non-cash impairment charge related to the Pinon property for an amount of $2.7 million.

RECLAMATION BONDS

The Company's reclamation bonds balance went down by $1.0 million, from $6.4 million as of December 31, 2013 to $5.4 million as at December 31, 2014.

During the year ended December 31, 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 cash, the Company cancelled its 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 the year ended December 31, 2014.

Following the sale of the Pinon property, the Company reduced its related reclamation bonds by $0.1 million.

The remaining reduction in bonds relates to the Goldwedge property.

CURRENT LIABILITIES

Total current liabilities were $8.5 million as at December 31, 2014, compared to $10.5 million at December 31, 2013. Trade and other payables slightly increased from $5.0 million as at December 31, 2013 to $5.3 million as at December 31, 2014.

The current portion of long-term debt decreased from $5.2 million as at December 31, 2013 to $3.1 million as at December 31, 2014 following the prepayment made as part of the disposal of the Pinon assets in March 2014. The

long-term portion of the long-term debt was reduced as well from $5.9 million as at December 31, 2013 to $0.3 million as at December 31, 2014, essentially for the same reason. During Q1 of 2015, following the Company's disposal of the Gold Standard shares and Gold Standard's payment of the debt represented by the promissory note, the long-term debt with Waterton was fully repaid.

PROVISION FOR ENVIRONMENTAL REHABILITATION

The provision for environmental rehabilitation increased in 2014 to $5.7 million as of December 31, 2014 from $5.2 million as of December 31, 2013.

The provision for environmental rehabilitation relating to the Mineral Ridge mine has increased by $0.4 million in 2014, compared to $0.9 million in 2013. The provision changed throughout the years due to the actual environmental disturbance that occurred, the revision of the estimates in timing of rehabilitation work and estimated cash flows of such rehabilitation work.

During the year ended December 31, 2014, close to nil of reclamation activities were performed by the Company compared to $0.1 million during the year ended December 31, 2013. As explained above, given the fact that Pinon non-producing asset was classified as held for sale as at December 31, 2013, the $0.04 million related provision for environmental rehabilitation was also classified in the current liabilities.

EQUITY

Total equity stood at $26.4 million as at December 31, 2014, compared to $54.9 million as at December 31, 2013. During the year ended December 31, 2014, the Company realized a net loss of $27.4 million and an amount of $1.1 million has been distributed to the non-controlling interest, being Waterton, the Company's partner in the Mineral Ridge mine. Impairments of mining assets and available-for-sale investments resulted in reductions to total equity of $26.9 million and $1.3 million respectively for the year ended December 31, 2014.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly financial information for each of the last eight quarters:

Quarter Ending	Revenues $	Net earnings (loss) $	Basic earnings (loss) per share[1] $	Diluted earnings (loss) per share[1] $
December 31, 2014	13,377	(28,675)	(0.16)	(0.16)
September 30, 2014	14,754	275	(0.00)	(0.00)
June 30, 2014	10,646	608	0.00	0.00
March 31, 2014	13,249	378	0.00	0.00
December 31, 2013	13,739	(1,976)	(0.02)	(0.02)
September 30, 2013	14,406	810	0.00	0.00
June 30, 2013	14,835	(7,772)	(0.05)	(0.05)
March 31, 2013	11,666	2,096	0.01	0.01

(1) Due to the effect of rounding and share issuances during the period, the sum of individual quarterly per share amounts may not be equal to the earnings (loss) per share shown in the consolidated statements of operations.

FOURTH QUARTER

The Company reported revenue of $13.4 million in the fourth quarter of 2014, compared to $13.7 million in the fourth quarter in 2013. Revenue in the fourth quarter of 2014 was derived from the sale of 11,344 ounces of gold, compared to 10,895 ounces sold during the fourth quarter of 2013. During the fourth quarter ended December 31, 2014, gold ounces were sold at an average price of $1,173, compared to $1,254 for the same period in 2013.

Cash operating cost per gold ounce sold [(1)], after silver by-product credits, was $898 for Q4 of 2014, compared to $712 in Q4 of 2013. Total cash cost per ounce sold [(1)], after silver by-product credits, was $898 for Q4 of 2014, compared to $732 in Q4 of 2013. The increased cash cost in Q4 of 2014 compared to the same period in 2013 is mainly attributable to lower head grades. During Q4 of 2014, the Company processed 15% less tonnes of ore than in Q4 of 2013 and produced 11% less gold ounces as the head grades were lower in Q4 of 2014 compared to Q4 of 2013. This relationship appears to be abnormal at first, but is caused by the fact the Company drew down on its leach pad inventory following the addition of a new carbon column in the ADR plant in 2014.

During the fourth quarter of 2014, the Company recorded impairments of $26.9 million on mining assets and $1.3 million related to available-for-sale investments, compared to an impairment in the amount of $2.7 million related to the Pinon non-producing mining asset during the fourth quarter of 2013.

During the three-month period ended December 31, 2014, net loss was $28.7 million, compared to net loss of $2.0 million during the fourth quarter of 2013.

Cash flows generated from operating activities were $5.8 million during Q4 of 2014, compared to $4.8 million for Q4 of 2013. Even though the Company sold 4% more gold ounces during Q4 of 2014, compared to Q4 of 2013, lower realized metals prices and a higher cash cost per ounce of gold sold compared to Q4 of 2013 negatively impacted the 2014 cash flow from operations. However, this was offset by the fact the Company reduced its leach pad inventory during Q4 of 2014.

During Q4 of 2014 cash outflows used in investing activities were $5.3 million. Investing activities related to producing mining assets totalled $0.3 million for both Q4 of 2014 and Q4 of 2013. Non-producing mining asset additions totalled $5.0 million for Q4 of 2014 and are mainly related to development costs of the Mary LC pit, exploration costs related to other exploration targets surrounding the areas in development or production at the Mineral Ridge mine and development costs of the satellite pits. During Q4 of 2013, cash outflows used in investing activities were $2.0 million and were mainly related to exploration costs related to exploration targets surrounding the areas in production at the Mineral Ridge mine as well as development at Goldwedge.

Cash outflows used for financing activities were $1.0 million for Q4 of 2014, compared to $2.1 million for Q4 of 2013. Those outflows relate to service of the Company's long-term debt and also include distributions to the non-controlling interest in the amount of $0.2 million for Q4 of 2014, compared to $0.5 million for same period of 2013. Included in Q4 of 2014 was the repayment of long-term debt in the amount of $0.7 million compared to $1.4 million in Q4 of 2013.

[(1)] This is a non-IFRS financial performance measure. Please see Non-IFRS performance measures section.

CASH FLOWS

Cash flows generated from operating activities were $16.2 million for the year ended December 31, 2014, compared to $22.9 million for the year ended December 31, 2013. Even though the Company sold a higher number of gold ounces during the year ended December 31, 2014 compared to 2013, lower realized metals prices and higher cash cost per ounce of gold sold compared to the prior year unfavorably impacted the cash flow from operations. This was partly offset by the fact that the Company reduced its leach pad inventory during the year ended December 31, 2014.

During the year ended December 31, 2014 cash outflows used in investing activities were $8.6 million. During the year ended December 31, 2014, investing activities related to producing mining assets totalled $1.5 million and were mainly related to capitalized stripping activity in the amount of $1.3 million. Non-producing mining asset additions totalled $13.7 million during 2014 and are mainly related to development costs of the Mary LC pit, exploration costs related to other exploration targets surrounding the areas in development or production at the Mineral Ridge mine, development of the satellite pits and costs related to the various capital projects discussed above. During the year ended December 31, 2014, the Company completed the sale of its Pinon non-producing asset for consideration including $7.7 million (CAD$8.5 million) in cash. Of the cash consideration, $5.4 million (CAD$6.0 million) was paid at closing. The Company also received a net amount of $1.0 million related to the reduction in its reclamation bonds, as discussed above.

During the year ended December 31, 2013, cash outflows used in investing activities related to producing mining assets totalled $4.3 million and were mainly related to stripping activities. Non-producing mining asset additions totaling $9.6 million for the year ended December 31, 2013 were mainly related to exploration costs related to exploration targets surrounding the areas in production at the Mineral Ridge mine and payments issued following the completion of the crusher system as well as development at Goldwedge . During the year ended December 31, 2013, the Company completed the sale of some property, plant and equipment which generated net cash flows of $0.2 million.

Cash outflows used for financing activities were $9.3 million for the year ended December 31, 2014 compared to $8.4 million for the year ended December 31, 2013. Those outflows relate to service of the Company's long-term debt and also include distributions to the non-controlling interest in the amount of $1.1 million for the year ended December 31, 2014 compared to $2.0 million for same period of 2013. Included in the year ended December 31, 2014 was a repayment of long-term debt in the cash amount of $5.2 million, paid to the lender from the proceeds of the sale of Pinon assets.

NON-IFRS PERFORMANCE MEASURES

Non-IFRS performance measures are furnished to provide additional information to readers to supplement the Company's financial statements, which are presented in accordance with IFRS. The Company believes that these measures, together with the measures determined in accordance with IFRS, provide investors with an ability to evaluate the underlying performance of the Company. These performance measures do not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measures should not be considered in isolation or as a substitute for measures of performance presented in accordance with IFRS.

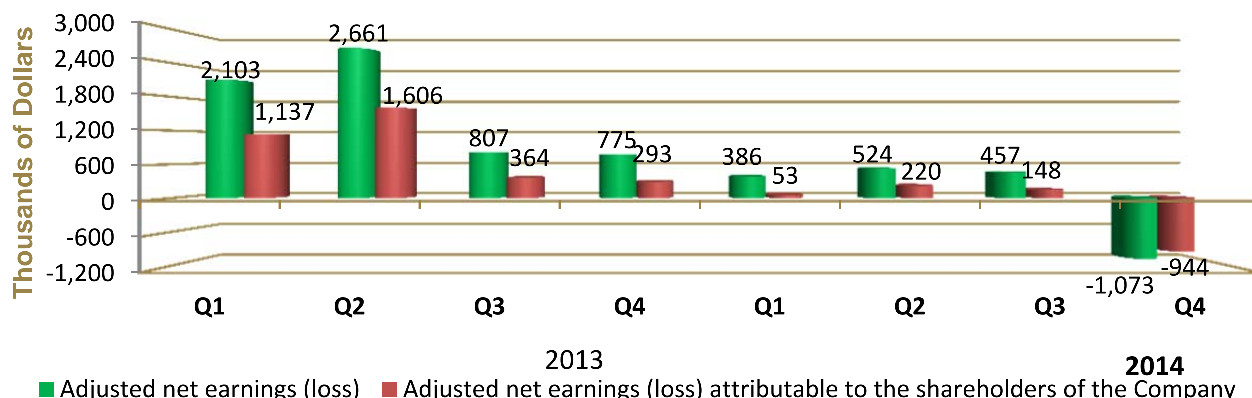
Adjusted net earnings

The Company uses the financial measure "Adjusted Net Earnings" to supplement information in its consolidated financial statements. The Company believes that in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors and analysts use this information to evaluate the Company's performance. The presentation of adjusted measures are not meant to be a substitute for net earnings presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures.

The term "Adjusted Net Earnings" does not have a standardized meaning prescribed by IFRS, and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. Management believes that the presentation of Adjusted Net Earnings provides useful information to investors because they exclude non-cash and other charges and are a better indication of the Company's profitability from operations. The items excluded from the computation of Adjusted Net Earnings, which are otherwise included in the determination of net earnings prepared in accordance with IFRS, are items that the Company does not consider to be meaningful in evaluating the Company's past financial performance or the future prospects and may hinder a comparison of its period-to-period profitability.

The following table provides a reconciliation of adjusted net earnings (loss) to the consolidated financial statements:

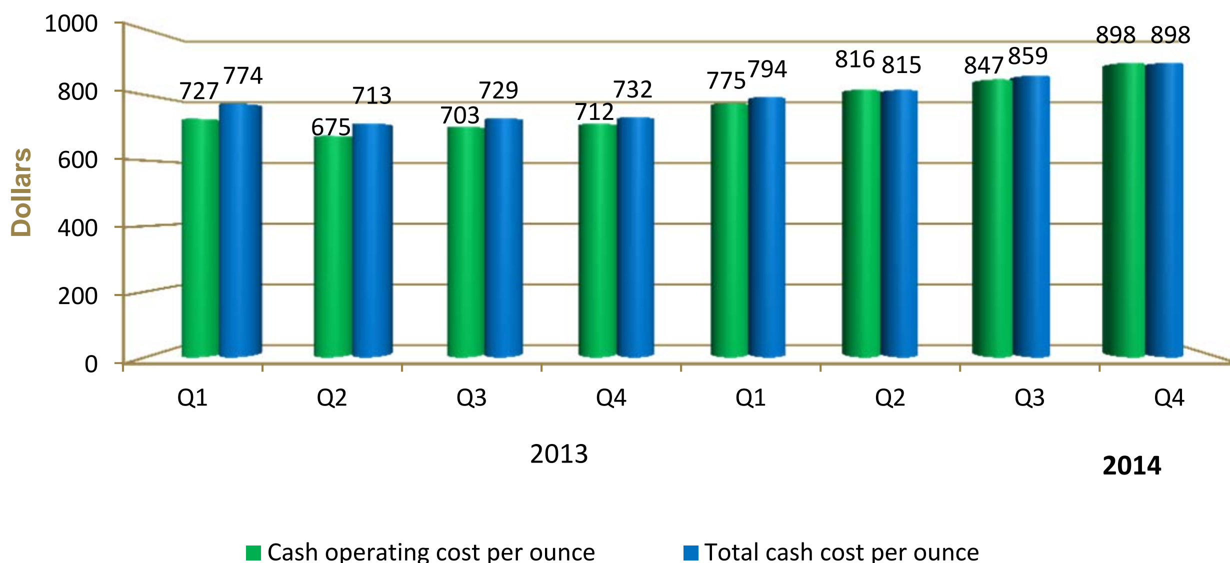
	Three months ended December 31, 2014	Three months ended December 31, 2013	**Year ended December 31, 2014**	Year ended December 31, 2013
	$	$	**$**	$
Net loss for the periods	**(28,675)**	(1,977)	**(27,414)**	(6,843)
Share-based compensation	**-**	6	**3**	569
Impairment of available-for-sale investment	**1,279**	48	**1,279**	48
Gain on disposal of mining assets	**(641)**	-	**(572)**	(13)
Impairments of mining assets	**26,900**	2,698	**26,900**	12,593
Foreign exchange loss (gain)	**64**	-	**98**	(8)
Adjusted net (loss) earnings for the periods	**(1,073)**	775	**294**	6,346
Non-controlling interest	**129**	(482)	**(817)**	(2,946)
Adjusted net (loss) earnings for the periods attributable to the shareholders of the Company	**(944)**	293	**(523)**	3,400
Adjusted basic and diluted net (loss) earnings per share	**(0.01)**	0.00	**(0.00)**	0.03



Cash operating cost and total cash costs per gold ounce sold calculation

The Company has included as non-IFRS performance measures, cash operating costs and total cash costs per gold ounce sold, throughout this document. The Company reports cash costs on a sales basis. In the gold mining industry, cash cost per ounce is a common performance measure but does not have any standardized meaning. The Company follows the recommendations of the Gold Institute Production Cost Standard. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. The following table provides a reconciliation of cash operating costs and total cash costs per gold ounce sold to cost of sales per the consolidated financial statements.

	Three months ended December 31, 2014	Three months ended December 31, 2013	**Year ended December 31, 2014**	Year ended December 31, 2013
	$	$	**$**	$
Cash costs				
Cost of sales excluding depletion and amortization per consolidated financial statements	**11,403**	8,346	**37,879**	27,541
Share-based compensation	**-**	(5)	**-**	(284)
Inventory adjustment	**(1,144)**	(505)	**(2,549)**	1,021
By-product silver sales	**(73)**	(76)	**(335)**	(350)
Cash operating costs	**10,186**	7,760	**34,995**	27,928
Nevada net proceeds tax	**2**	215	**346**	1,249
Total cash cost	**10,188**	7,975	**35,341**	29,177
Divided by ounces of gold sold	**11,344**	10,895	**41,843**	39,760
Cash operating cost per gold ounce sold	**898**	712	**836**	702
Total cash costs per gold ounce sold	**898**	732	**845**	734



Adjusted EBITDA

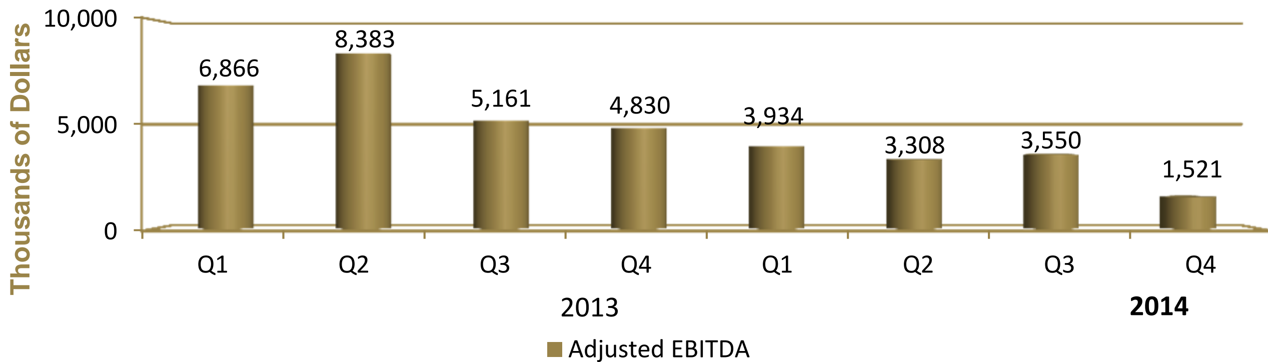
EBITDA is a non-IFRS financial measure, which excludes the following from net earnings:

- Finance costs;
- Depletion and amortization; and
- Income tax expense

Management believes that EBITDA is a valuable indicator of the Company's ability to generate liquidity by producing operating cash flow to: fund working capital needs, service debt obligations and fund capital expenditures. EBITDA is also frequently used by investors and analysts for valuation purposes whereby EBITDA is multiplied by a factor or "EBITDA multiple" that is based on observed values to determine the approximate total enterprise value of a company. Adjusted EBITDA removes the effects of "impairment charges", "gain or loss on disposal of mining assets", as "share-based compensation" as well as "foreign exchange loss or gain". These charges are not reflective of the Company's ability to generate liquidity by producing operating cash flow and therefore these adjustments will result in a more meaningful valuation measure for investors and analysts to evaluate the Company's performance in the period and assess future ability to generate liquidity. EBITDA and adjusted EBITDA are intended to provide additional information to investors and analysts and do not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA and adjusted EBITDA exclude the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore is not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA and adjusted EBITDA differently.

The following table provides a reconciliation of adjusted and standardized EBITDA to the consolidated financial statements:

	Three months ended December 31, 2014	Three months ended December 31, 2013	**Year ended December 31, 2014**	Year ended December 31, 2013
	$	$	**$**	$
Net loss for the periods	**(28,675)**	(1,977)	**(27,414)**	(6,843)
Finance costs	**101**	263	**556**	1,189
Depletion and amortization	**2,491**	3,577	**11,101**	16,274
Income tax expense	**2**	215	**362**	1,431
Standardized EBITDA	**(26,081)**	2,078	**(15,395)**	12,051
Impairment of available-for-sale investments	**1,279**	48	**1,279**	48
Gain on disposal of mining assets	**(641)**	-	**(572)**	(13)
Impairments of mining assets	**26,900**	2,698	**26,900**	12,593
Share-based compensation	**-**	6	**3**	569
Foreign exchange loss (gain)	**64**	-	**98**	(8)
Adjusted EBITDA	**1,521**	4,830	**12,313**	25,240
Non-controlling interest	**(623)**	(1,623)	**(4,272)**	(8,219)
Adjusted EBITDA attributable to the shareholders of the Company	**898**	3,207	**8,041**	17,021
Adjusted basic and diluted EBITDA per share	**0.01**	0.03	**0.06**	0.14



Additional measures

The Company uses other financial measures the presentation of which is not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. The following other financial measures are used:

- *Mine operating earnings* - represents the amount of revenues in excess of cost of sales excluding depletion and amortization and depletion and amortization.
- *Operating earnings* - represents the amount of earnings before finance cost, foreign exchange gain (loss), finance income, impairment of available-for-sale investments and income tax expense.
- *Cash flows from operating activities before movements in working capital* - excludes the non-cash movement from Year-to-Year in working capital items including trade and other receivables, prepaid expenses and other, inventories, trade and other payables.

The terms described above do not have a standardized meaning prescribed by IFRS, and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. The Company's management believes that their presentation provides useful information to investors because cash flows from operating activities before movements in working capital excludes the non-cash movement in working capital items, mine operating earnings excludes expenses not directly associate with commercial production and operating earnings excludes finance and tax related expenses and income/recoveries. These, in management's view, provide useful information of the Company's cash flows from operating activities and are considered to be meaningful in evaluating the Company's past financial performance or the future prospects.

SELECTED QUARTERLY FINANCIAL AND OPERATING SUMMARY FOR QUARTERS ENDED

	SEPTEMBER 2013	DECEMBER 2013	MARCH 2014	JUNE 2014	SEPTEMBER 2014	DECEMBER 2014
Mining operations						
Drinkwater pit						
Ore tonnes mined	134,147	100,732	154,952	165,882	74,343	-
Waste tonnes mined	478,927	441,244	398,233	326,304	110,401	-
Total mined	613,074	541,976	553,185	492,186	184,744	-
Strip ratio	3.6	4.4	2.6	2.0	1.5	-
Mary pit						
Ore tonnes mined	80,212	136,891	92,748	79,394	130,145	141,056
Waste tonnes mined	652,326	563,368	415,361	612,511	564,727	674,026
Total mined	732,538	700,259	508,109	691,905	694,872	815,082
Strip ratio	8.1	4.1	4.5	7.7	4.3	4.8
Total producing pits						
Ore tonnes mined	214,359	237,623	247,700	245,276	204,488	141,056
Waste tonnes mined	1,131,253	1,004,612	813,594	938,815	675,128	674,026
Total mined	1,345,612	1,242,235	1,061,294	1,184,091	879,616	815,082
Strip ratio	5.3	4.2	3.3	3.8	3.3	4.8
Pits under development:						
Ore tonnes mined	-	-	-	6,915	29,386	44,756
Waste tonnes mined	62,079	151,332	257,396	411,162	793,866	1,001,959
Total mined	62,079	151,332	257,396	418,077	823,252	1,046,715
Total mining operations						
Ore tonnes mined	214,359	237,623	247,700	252,191	233,874	185,812
Waste tonnes mined	1,193,332	1,155,944	1,070,990	1,349,977	1,468,994	1,675,985
Total mined	1,407,691	1,393,567	1,318,690	1,602,168	1,702,868	1,861,797

	SEPTEMBER 2013	DECEMBER 2013	MARCH 2014	JUNE 2014	SEPTEMBER 2014	DECEMBER 2014
Processing						
Tonnes processed	247,105	242,124	244,773	247,073	276,857	205,643
Gold head grade (grams per tonne)	2.08	2.28	1.95	1.80	1.49	1.68
Availability	50.1%	51.9%	51.1%	52.4%	52.9%	42.8%
Ounces produced						
Gold	9,632	11,348	10,294	9,034	11,228	10,258
Silver	3,702	4,154	5,113	3,771	4,911	4,387
Precious Metal Sales (ounces)						
Gold	11,249	10,895	10,522	8,338	11,639	11,344
Silver	4,268	4,154	5,341	3,375	4,734	4,452
Exploration Drilling						
Holes	108	91	64	164	132	61
Meters	8,871	9,940	6,582	15,234	15,772	7,734

	SEPTEMBER 2013	DECEMBER 2013	MARCH 2014	JUNE 2014	SEPTEMBER 2014	DECEMBER 2014
Financial results						
	$	$	$	$	$	$
Cash operating cost per ounce of gold sold [(1)]	703	712	775	816	847	898
Total cash cost per ounce of gold sold[(1)]	729	732	794	815	859	898
Average price of gold						
London PM fix	1,326	1,276	1,293	1,288	1,282	1,201
Realized	1,273	1,254	1,249	1,269	1,260	1,173
Net earnings (loss)	810	(1,977)	378	608	275	(28,675)
Earnings (loss) per share	0.00	(0.02)	0.00	0.00	(0.00)	(0.16)
Adjusted net earnings (loss)[(1)]	807	775	386	524	457	(1,073)
Adjusted basic and diluted net earnings (loss) per share[(1)]	0.00	0.00	0.00	0.00	0.00	(0.01)
Adjusted EBITDA[(1)]	5,161	4,830	3,934	3,308	3,550	1,521
Adjusted basic and diluted EBITDA per share [(1)]	0.03	0.03	0.02	0.02	0.02	0.01

[(1)] This is a non-IFRS financial performance measure. For further information and a detailed reconciliation, refer to section “Non-IFRS performance measures” of this MD&A.

CONTINGENCIES

Due to the size, complexity and nature of the Company’s operations, various legal matters are outstanding from time to time. In the opinion of management, there are no matters that could have a material effect on the Company’s consolidated financial position or results of operations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at December 31, 2014.

TRANSACTIONS WITH RELATED PARTIES

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.

During the year ended December 31, 2014, the Company incurred consulting fees of $162,000 with Brigill Investments Ltd., a firm controlled by Brian Lock, a director of the Company. These services were incurred in the normal course of operations in relation to a scoping study on the design and construction of a potential gold/silver processing and refining facility at the Mineral Ridge mine in Nevada.

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.

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

An affiliate of Waterton, the Company's former 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

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.

(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 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.

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.

a) Fair Value

The fair value of cash, trade and other receivables, promissory notes, 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.

RISKS AND UNCERTAINTIES

The financing, exploration, development and exploitation of the Company's properties and the operation of the Company's business are subject to a number of factors, including metal prices, laws and regulations, political conditions, currency fluctuations, hiring qualified people and obtaining necessary services in jurisdictions where the Company operates.

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that have a material impact on, or constitute risk factors in respect of the Company's future financial performance.

The risks below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems immaterial may also impair the Company's operations. The order in which the following risk factors appear does not necessarily reflect management's opinion of their order or priority.

Limited Operating History

The Company has only recently commenced mineral exploitation operations and has a limited history of earnings. There are limited known commercial quantities of mineral reserves on the Company's properties. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business.

The Company has limited financial resources and there is no assurance that additional funding will be available to it for further operations or to fulfill its obligations under applicable agreements. There can be no assurance that the Company can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

Exploration and Development Risks

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The price and marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital. Certain of the claims to which the Company has a right to acquire an interest or the claims which the Company has an interest in are in the exploration stage only and are without a known body of commercial ore. Development of the subject mineral properties would follow only if favourable exploration results are obtained.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will, in part, be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

The Company has one producing mine, the Mineral Ridge Gold mine, in Nevada, USA, at the present time. The economics of developing gold, silver and other mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Properties on which mineral reserves are not found will have to be discarded causing the Company to write each respective property off, thus sustaining a loss.

The mineral reserve and resource estimates contained or referred to in this MD&A or the Company's other disclosure documents are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified reserve or resource will qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The Company relies on laboratory-based recovery models and historical performance of its processing plant to project estimated ultimate recoveries by ore type at optimal crush sizes. Actual recoveries in a commercial mining operation may exceed or fall short of projected laboratory test results.

In addition, the grade of mineralization ultimately mined may differ from the grades indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formation, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations and there can be no assurance that historical performance of the processing plant will continue in the future. Material changes, inaccuracies or reductions in proven and probable reserves or resource estimates, grades, waste-to-ore ratios or recovery rates could have a materially adverse impact on the Company's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of projects. The estimated proven and probable reserves and resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations.

The Company has engaged expert independent technical consultants to advise it on, among other things, mineral reserves and resources, metallurgy and project engineering. The Company believes that these experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. If, however, the work conducted by, and the mineral reserve and resource estimates of these experts are ultimately found to be incorrect or inadequate in any material respect, such events could materially and adversely affect the Company's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of its projects.

Lack of Availability of Resources

Mineral exploration requires ready access to mining equipment such as drills, and crews to operate that equipment. There can be no assurance that such resources will be available to the Company on a timely basis or at a reasonable cost. Failure to obtain these resources when needed may result in delays in the Company's exploration programs.

Requirement for Additional Financing

The further exploration development and exploitation of the Company's projects may depend upon the Company's ability to obtain financing through equity financing, joint ventures, debt financing, or other means. There is no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets for precious and base metals may make it difficult or impossible for the Company to obtain equity financing or debt financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations.

Uninsurable Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance may not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Environmental Regulations, Permits and Licenses

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The Company intends to comply fully with all environmental regulations. The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, provincial, state and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that may require the Company to obtain permits from various governmental agencies. There can be no assurance, however, that all permits that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases

in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

To the best of the Company's knowledge, it is operating in all material respects in compliance with all applicable rules and regulations

Mineral Exploration and Mining Carry Inherent Risks

Mining operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput. Although it is intended to take adequate precautions to minimize risk, there is a possibility of a material adverse impact on the Company's operations and its financial results.

Title Risks

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. Surveys have not been carried out on any of the Company's mineral properties in accordance with the laws of the jurisdiction in which such properties are situated; therefore, their existence and area could be in doubt.

Until competing interests in the mineral lands have been determined, the Company can give no assurance as to the validity of title of the Company to those lands or the size of such mineral lands.

Aboriginal Land Claims

The Company's mineral properties could become subject to aboriginal land claims to title, which could adversely affect the Company's title to its properties. While the Company actively consults with all groups which may be adversely affected by the Company's activities, including aboriginal groups, there can be no assurance that satisfactory agreements can be reached.

Competition

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical facilities. Competition could adversely affect the Company's ability to acquire additional suitable properties or prospects in the future.

Management

The success of the Company is currently largely dependent on the performance of its board of Directors and senior management. The loss of the services of these persons will have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its board and management or other qualified personnel required to operate its business. Failure to do so could have material adverse effect on the Company and its prospects.

Metal Prices are Volatile

The mining industry is intensely competitive and there is no assurance that, even if commercial quantities of a mineral resource are discovered, a profitable market will exist for the sale of the same. There can be no assurance that metal prices will be such that the Company's properties can be mined at a profit. Factors beyond the control of the Company may affect the marketability of any minerals discovered. Metal prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of, and demand for, the Company's principal product and exploration target, gold, is affected by various factors, including political events, economic conditions and production costs.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Conflict of Interests

Certain of the directors and officers of the Company are directors or officers of, or have significant shareholdings in other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate or may wish to participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such other companies may also compete with the Company for the acquisition of mineral property rights.

In the event that any such conflict of interest arises, a director or officer who has such a conflict will disclose the conflict to a meeting of the directors of the Company and, if the conflict involves a director, the director will abstain from voting for or against the approval of such a participation or such terms. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program.

It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the provisions of the Business Corporations Act (British Columbia), the directors and officers of the Company are required to act honestly and in good faith, with a view to the best interests of the Company.

In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

Key Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff on the operations side. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Operations Dependent on Revenues and Financings

The continued operation of the Company will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Company is unable to generate such revenues or obtain such additional financing, any investment in the Company may be lost. In such event, the probability of resale of securities of the Company would be diminished.

As of December 31, 2014, the Company had cash of approximately $1.1 million. The Company expects to use some current cash and future cash flows from operations along with future financing to potentially fund the construction of a processing facility, exploration and development work, additional required mine capital and for general corporate purposes. There can be no assurance that operating cash flows will be sufficient to cover these liabilities, which would require the Company to raise additional financing. The Company may also encounter significant unanticipated liabilities or expenses. The Company's ability to continue its planned exploration, development and mining activities depends in part on its ability to maintain or to generate free cash flow from its operating mine, which is subject to certain risks and uncertainties. The Company may be required to obtain additional financing in the future to fund exploration and development activities, mine capital expenditures or acquisitions of additional projects.

The Company has historically raised capital primarily through debt and equity financing and in the future may raise capital through equity or debt financing, joint ventures or other means. There can be no assurance that the Company will be able to obtain the necessary financing in a timely manner, on acceptable terms or at all.

The Company prepares estimates of mine production for the Mineral Ridge mine project. The Company cannot give any assurance that it will achieve its production estimates. The failure of the Company to achieve its production estimates could have a material and adverse effect on any or all of its future cash flows, results of operations and financial condition. These production estimates are dependent on, among other things, the accuracy of mineral reserve estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions and physical characteristics of ores and the accuracy of estimates rates and costs of mining and processing.

The Company's actual production may vary from its estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned; mine failures or equipment failures; industrial accidents; natural phenomena such an inclement weather conditions, floods, droughts, landslides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for operation, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; labour shortages or strikes; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environments. Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable, forcing the Company to cease production.

It is not unusual in new mining operations to experience unexpected problems, including during development and expansion stages. As a result of the foregoing risks and, in particular, since the Mineral Ridge project is in a development and expansion stage, expenditures on the project, actual production quantities and rates, and cash costs may be materially and adversely affected and may differ materially from anticipated expenditures, production quantities and rates, and costs. Any such events could materially and adversely affect the Company business, financial condition, results of operations and cash flows.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Estimates

The preparation of its consolidated financial statements requires the Company to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as revenues and expenses.

The Company's discussion and analysis of its financial condition and results of operations is based upon its consolidated financial statements, which have been prepared in accordance with IFRS. The Company's significant accounting policies are contained in Note 3 to the consolidated financial statements for the year ended December 31, 2014 which also discusses changes in those policies.

Certain of these policies involve critical judgements because they require the Company to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

Information about critical judgements and estimates in applying accounting policies that have most significant effect on the amounts recognized in the consolidated financial statements are as follows. Management consider these estimates to be an important part of understanding the Company's consolidated financial statements.

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.

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.

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.

Mineral Ridge mine

The Company performs impairment testing when impairment indicators are present. The continued decline in metal prices and 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.

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.

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 pads 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.

The following policies reflect policies being applied in the current period which were not applicable in the consolidated financial statements for the year ended December 31, 2013.

a) 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) 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.

CONTROLS AND PROCEDURES CERTIFICATION

The Chief Executive Officer and the Chief Financial Officer, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities.

Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles. There has been no change in the design of the Company's internal controls over financial reporting during the year ended December 31, 2014, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of controls and procedures

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

RECENT ACCOUNTING PRONOUNCEMENTS

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 does not have a significant impact on to 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.

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.

OUTLOOK

Looking forward to 2015, the Company anticipates another full year of strong production at Mineral Ridge from the Mary and the Mary LC pits with additional development commencing in Q2 of 2015 from the Bluelite and Solberry pits.

Production guidance for the Mineral Ridge mine for 2015 is 40-45,000 ounces of gold produced at a total cost of $800-$850 per ounce gold sold. The Company also launch its most aggressive and extensive planned drill program ever with approximately 53,000 meters of RC drilling planned in 2015. Infill and development drilling will focus on delineating and expanding areas of known mineralization proximal to existing production pits and satellite deposits.

The exploration drilling has been designed to quickly identify and delineate new open pit targets for potential development within the existing Plan of Operation permit boundary.

All final modifications to the Goldwedge mill and gravity circuit were completed in December 2014, resulting in optimized gold recovery and the facility is now being used to batch mill high grade gold material from the Mineral Ridge operation as it becomes available.

The geology team has completed its review of all geological data at Goldwedge and continues with an exploration program that involves mapping of geological structures both on surface and from underground workings. The first phase of an oriented-core drilling campaign completed four holes that were designed to twin or off-set high-interest historical reverse circulation holes. The core holes data has been logged, assayed and data compiled which will now be used to as a template to guide the second phase of drilling with the plan of resource definition and expansion of the drill program from surface and underground. In addition, two small pits that were previously mined in the 1980's, the Keystone and Jumbo, will require early stage exploration that could lead to a drill program. Any large investment at the Goldwedge property is subject to closing sufficient financing.

At Mineral Ridge, the Company continues to advance the potential for a processing facility, which is being finalized in a detailed scoping study anticipated to be completed in Q3 2015. Currently, the Company is in talks with various financial institutions about potential financing options for the mill facility project.

The Company continues to seek and evaluate new projects that will increase its asset base as well as enhance value for its shareholders.

DISCLOSURE OF OUTSTANDING SECURITIES AS AT April 28, 2015

Outstanding common shares	124,948,235
Stock options	10,470,000
Fully diluted	135,418,235

FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, including all statements that address future exploration drilling, exploration and development activities, production activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include exploration successes, continued availability of capital and financing, and general economic, market or business conditions and other factors discussed under "Risk Factors" in this MD&A.