

**CROCODILE GOLD CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Stated in United States dollars)**

**As at and for the three and nine months ended September 30, 2014**

**(Unaudited)**

# CROCODILE GOLD CORP.

Condensed Interim Consolidated Statements of Operations and Comprehensive (Loss) Income  
(Unaudited, in United States dollars unless otherwise noted)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2014	2013	2014	2013
<b>Revenue</b>	3	\$ 73,336,486	\$ 78,201,622	\$ 212,955,851	\$ 227,547,959
<b>Cost of operations</b>					
Operating expenses		(50,795,984)	(54,544,555)	(155,750,977)	(163,244,741)
Royalty expense		(51,964)	(46,952)	(143,097)	(160,475)
Depletion and depreciation		(9,905,732)	(15,024,823)	(29,052,929)	(62,202,521)
<b>Total cost of operations</b>	3	<b>(60,753,680)</b>	<b>(69,616,330)</b>	<b>(184,947,003)</b>	<b>(225,607,737)</b>
<b>Mine operating income</b>		<b>12,582,806</b>	<b>8,585,292</b>	<b>28,008,848</b>	<b>1,940,222</b>
<b>Expenses</b>					
Impairments	9	-	-	-	(151,626,275)
Exploration and evaluation		(654,289)	(506,880)	(1,970,865)	(2,167,690)
Care and maintenance		(157,292)	(222,310)	(1,395,831)	(764,380)
Professional, consulting and management fees		(887,373)	(1,206,700)	(2,667,743)	(4,090,311)
Other general and administrative expenses		(140,840)	(160,386)	(522,769)	(924,661)
Share-based compensation	13,14	(39,783)	(167,465)	(174,826)	(850,078)
Other gains (losses)	4	998,327	(255,164)	(4,140,832)	16,825,519
<b>Total expenses</b>		<b>(881,250)</b>	<b>(2,518,905)</b>	<b>(10,872,866)</b>	<b>(143,597,876)</b>
<b>Income (loss) before finance items and income taxes</b>		<b>11,701,556</b>	<b>6,066,387</b>	<b>17,135,982</b>	<b>(141,657,654)</b>
Finance income		267,357	339,965	804,482	1,163,285
Finance costs	5	(1,998,416)	(2,170,056)	(6,070,644)	(9,333,624)
Credit facility income		-	-	-	84,438,756
<b>Income (loss) before tax</b>		<b>9,970,497</b>	<b>4,236,296</b>	<b>11,869,820</b>	<b>(65,389,237)</b>
Income tax expense		(1,386,600)	(916,618)	(2,677,329)	(4,072,303)
<b>Net income (loss)</b>		<b>\$ 8,583,897</b>	<b>\$ 3,319,678</b>	<b>\$ 9,192,491</b>	<b>\$ (69,461,540)</b>
<b>Other comprehensive (loss) income</b>					
<b>Items that may be reclassified subsequently to profit and loss:</b>					
Unrealized (loss) gain on available for sale securities		(314,001)	403,563	(552,532)	(1,523,285)
Exchange differences on translating foreign operations		(10,631,429)	2,158,937	(1,631,086)	(39,101,203)
<b>Comprehensive (loss) income</b>		<b>\$ (2,361,533)</b>	<b>\$ 5,882,178</b>	<b>\$ 7,008,873</b>	<b>\$ (110,086,028)</b>
<b>Income (loss) per share - basic and diluted</b>		<b>\$ 0.02</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ (0.17)</b>
<b>Weighted average number of shares outstanding</b>					
- basic (number)		475,609,733	406,378,963	461,154,957	406,378,963
- diluted (number)		480,832,133	406,378,963	466,195,083	406,378,963

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

# CROCODILE GOLD CORP.

Condensed Interim Consolidated Statements of Financial Position  
(Unaudited, in United States dollars)

As at	Notes	September 30, 2014	December 31, 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 27,497,495	\$ 27,591,430
Gold bullion (market value - \$3,345,375; December 31, 2013 - \$nil)	6	2,504,012	-
Restricted cash		123,314	1,109,458
Receivables		2,229,801	2,649,752
Inventories	7	22,890,221	32,612,138
Prepaid expenses and other current assets		2,192,745	2,988,738
<b>Total current assets</b>		<b>57,437,588</b>	<b>66,951,516</b>
<b>Non-current assets</b>			
Restricted cash		21,262,718	23,698,117
Financial deposits	8	2,444,325	3,453,504
Mine properties	9	101,865,520	71,989,151
Property, plant and equipment	10	52,321,169	56,254,196
Investments	11	5,730,961	972,207
Deferred tax assets		8,747,119	11,523,549
<b>Total assets</b>		<b>\$ 249,809,400</b>	<b>\$ 234,842,240</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 27,197,732	\$ 36,275,576
Current portion of long-term debt	15	4,851,930	9,676,009
Provisions	19	7,912,528	5,690,451
Contingent payments	20	1,256,310	-
<b>Total current liabilities</b>		<b>41,218,500</b>	<b>51,642,036</b>
<b>Non-current liabilities</b>			
Long-term debt	15	26,231,698	24,567,956
Provisions	19	36,761,123	36,588,436
Contingent payments	20	23,199,328	22,323,169
<b>Total Liabilities</b>		<b>127,410,649</b>	<b>135,121,597</b>
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital	12	322,267,372	306,772,963
Equity reserves	13	21,667,669	21,492,843
Accumulated other comprehensive income		(23,452,601)	(21,268,983)
Retained deficit		(198,083,689)	(207,276,180)
<b>Total Shareholders' Equity</b>		<b>122,398,751</b>	<b>99,720,643</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 249,809,400</b>	<b>\$ 234,842,240</b>

Commitments and contingencies (Note 23)

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 6, 2014:

Signed "Kevin Conboy", DIRECTOR

Signed "George Faught", DIRECTOR

*The accompanying notes are an integral part of the condensed interim consolidated financial statements.*

# CROCODILE GOLD CORP.

## Condensed Interim Consolidated Statements of Cash Flows (Unaudited, in United States dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2014	2013	2014	2013
<b>Cash provided by operations:</b>					
Net income (loss)		\$ 8,583,897	\$ 3,319,678	\$ 9,192,491	\$ (69,461,540)
Items not involving cash:					
Share-based payments		39,783	167,464	174,826	850,078
Depletion and depreciation		9,905,732	15,024,823	29,052,929	62,202,521
Unwinding discount on rehabilitation provision		281,024	222,613	880,956	726,493
Loss (gain) on disposal of property, plant and equipment		53,171	(67,035)	(55,200)	(608,346)
Impairments		-	-	-	151,626,275
Non-cash facility costs		-	(2,940,515)	-	(84,438,756)
Non-cash accretion expense		1,617,303	1,851,653	4,910,042	7,981,091
Write-down of financial deposits		-	-	989,428	-
(Gain) loss on change in contingent liability		(990,035)	415,112	3,623,327	(15,699,639)
Deferred tax expense		1,386,600	916,618	2,677,329	4,072,303
Working capital adjustments	21	(2,645,460)	(568,637)	(2,570,206)	(10,320,304)
<b>Net cash provided by operating activities</b>		<b>18,232,015</b>	<b>18,341,774</b>	<b>48,875,922</b>	<b>46,930,176</b>
<b>Investing activities</b>					
Expenditure on mine development	3	(16,091,997)	(16,441,742)	(45,850,702)	(54,022,507)
Expenditure on property, plant and equipment	3	(1,552,268)	(1,335,929)	(5,604,620)	(3,689,483)
Proceeds on dispositions of assets		419	73,329	110,924	656,916
Payment of contingent liability		-	-	(2,464,394)	-
Payment for investment		(5,080,751)	-	(5,360,620)	(898,008)
Increase in financial deposits		-	(183,324)	-	(1,341,415)
Decrease (increase) in restricted cash		9,152	(1,339,180)	2,974,802	6,145,952
<b>Net cash used in investing activities</b>		<b>(22,715,445)</b>	<b>(19,226,846)</b>	<b>(56,194,610)</b>	<b>(53,148,545)</b>
<b>Financing activities</b>					
Proceeds from the issuance of convertible debentures	18	-	-	-	33,944,550
Repayment of convertible debentures		-	-	(1,259,112)	-
Proceeds from the issue of shares/units	12	-	-	16,163,793	-
Cost of issue	12,18	-	-	(669,384)	(2,913,478)
Repayment of credit facility	17	-	(1,736,404)	(4,962,285)	(60,123,643)
Gold swap settlements		-	-	-	47,381,974
Loan proceeds		1,525,999	-	4,394,141	3,878,369
Repayment of capital lease obligations		(697,337)	(846,316)	(2,926,265)	(4,051,214)
Repayment of other borrowings		(1,008,911)	(841,157)	(2,949,830)	(3,043,138)
Withholding taxes on credit facility		-	-	-	(231,315)
<b>Net cash (used in) provided by financing activities</b>		<b>(180,249)</b>	<b>(3,423,877)</b>	<b>7,791,058</b>	<b>14,842,105</b>
Effect of exchange rate changes on cash		(2,038,067)	3,410,889	(566,305)	(5,444,815)
Change in cash and cash equivalents		(6,701,746)	(898,060)	(93,935)	3,178,921
Cash and cash equivalents, beginning of period		34,199,241	28,818,338	27,591,430	24,741,357
<b>Cash and cash equivalents, end of period</b>		<b>\$ 27,497,495</b>	<b>\$ 27,920,278</b>	<b>\$ 27,497,495</b>	<b>\$ 27,920,278</b>

Supplementary cash flow information – Note 21

*The accompanying notes are an integral part of the condensed interim consolidated financial statements.*

## CROCODILE GOLD CORP.

### Condensed Interim Consolidated Statements of Changes in Equity (Unaudited, in United States dollars)

	Share capital	Purchase warrants	Equity reserves	Accumulated other comprehensive income (loss)	Retained deficit	Total
<b>Balance at December 31, 2012</b>	\$ 297,407,306	\$ 9,365,657	\$ 18,210,730	\$ 25,795,328	\$ (114,509,849)	\$ 236,269,172
Share based payments	-	-	850,078	-	-	850,078
Other comprehensive loss	-	-	-	(40,624,488)	-	(40,624,488)
Equity portion of convertible debentures	-	-	2,360,650	-	-	2,360,650
Net loss	-	-	-	-	(69,461,540)	(69,461,540)
<b>Balance at September 30, 2013</b>	<b>\$ 297,407,306</b>	<b>\$ 9,365,657</b>	<b>\$ 21,421,458</b>	<b>\$ (14,829,160)</b>	<b>\$ (183,971,389)</b>	<b>\$ 129,393,872</b>
<b>Balance at December 31, 2013</b>	\$ 297,407,306	\$ 9,365,657	\$ 21,492,843	\$ (21,268,983)	\$ (207,276,180)	\$ 99,720,643
Issuance of units, net of issue costs	14,251,917	1,242,492	-	-	-	15,494,409
Share based payments	-	-	174,826	-	-	174,826
Other comprehensive loss	-	-	-	(2,183,618)	-	(2,183,618)
Net income	-	-	-	-	9,192,491	9,192,491
<b>Balance as at September 30, 2014</b>	<b>\$ 311,659,223</b>	<b>\$ 10,608,149</b>	<b>\$ 21,667,669</b>	<b>\$ (23,452,601)</b>	<b>\$ (198,083,689)</b>	<b>\$ 122,398,751</b>

*The accompanying notes are an integral part of the condensed interim consolidated financial statements.*

## **CROCODILE GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Stated in United States dollars, unless otherwise noted)

For the three and nine months ended September 30, 2014

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### **1. NATURE OF OPERATIONS**

Crocodile Gold Corp. (individually, or collectively with its subsidiaries, as applicable, "Crocodile Gold" or the "Company") is a Canadian gold mining and exploration company with three operating mines in the Northern Territory and the State of Victoria, Australia. The Company also has a portfolio of development opportunities on its significant land package, including the Big Hill Project at Stawell and various projects in the Northern Territories.

The Company is incorporated in Canada with limited liability under the legislation of the Province of Ontario. Crocodile Gold's common shares, certain share purchase warrants, and convertible unsecured debentures are listed on the Toronto Stock Exchange ("TSX"). The Company's head office and registered address is 100 King Street West, Suite 5600, Toronto, Ontario, Canada M5X 1C9.

### **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING ESTIMATES**

#### **Basis of Presentation and Going Concern**

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements have been prepared in accordance with the significant accounting policies described in Note 3 and with the principles of consolidation described in Note 2 of the Company's Consolidated Financial Statements as at and for the year ended December 31, 2013.

These condensed interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurance that current exploration, development and mining plans will result in profitable mining operations. As at September 30, 2014, the Company had net working capital of \$16,219,088 (December 31, 2013 - \$15,309,480), net income for the nine months ended September 30, 2014 of \$9,192,491 (nine months ended September 30, 2013 - net loss of \$69,461,540) and an accumulated deficit of \$198,083,689 (December 31, 2013 - \$207,276,180). The future of the Company is dependent on its ability to generate sufficient operating cash flow from its gold mining assets to fund its ongoing development expenditures and exploration programs. The Company's expectation is that it will generate positive earnings and cash flows in future years, thereby making the going concern assumption appropriate. However, due to uncertainties surrounding a number of factors, such as the price of gold, operating and capital costs, and foreign currency exchange rates, it is not possible to predict if the forecasts will prove to be accurate.

During the year ended December 31, 2013, the Company recorded an impairment of \$177,125,774 on its mine properties as a result of the substantial decrease in the gold price from 2012. Management monitors the gold price closely and adjusts its production plan accordingly to ensure the optimal use of capital. Further decreases in the gold price could impact the carrying value of the Company's mine properties and property, plant and equipment as the recoverable amount at lower prices may not exceed the carrying amount of those assets, which would result in a further impairment charge to the condensed interim consolidated statement of operations. Conversely a continued lower price would cause a significant decrease in the Company's contingent liabilities, which would result in a gain to the condensed interim consolidated statement of operations.

If the going concern assumption was not appropriate for these condensed interim consolidated financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used. Such adjustments could be material.

#### **Significant Accounting Judgements, Estimates and Assumptions**

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with the significant accounting judgements, estimates and assumptions set out in Note 4 of the Consolidated Financial Statements as at and for the year ended December 31, 2013.

## **CROCODILE GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Stated in United States dollars, unless otherwise noted)

For the three and nine months ended September 30, 2014

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### **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING ESTIMATES (continued)**

#### **Significant Accounting Judgements, Estimates and Assumptions (continued)**

In addition, the Company considers the determination of the fair value of its investment in JDS Silver Inc., a private company, a critical estimate since it does not have a quoted price in an active market. The Company determines fair value using a variety of approaches using observable market data where possible, but where such data is not available applies judgement to determine the fair value. The Company concluded that there was no change in the fair value of the investment as at September 30, 2014 as no event occurred after the initial recognition of the asset that would impact the estimated future cash flows of the asset.

#### **Significant Accounting Policies**

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2013, except for the adoption of the following new standards and interpretations issued by the IASB that were effective and adopted as of January 1, 2014:

IAS 32 *Financial Instruments: Presentation* ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. There was no impact on the Company's condensed interim consolidated financial statements upon adoption of the amendments to the above standard.

IAS 36 *Impairments of Assets* ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. There was no impact on the Company's condensed interim consolidated financial statements upon adoption of the amendments to the above standard.

IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. There was no impact on the Company's condensed interim consolidated financial statements upon adoption of the amendments to the above standard.

IFRIC 21 *Levies* ("IFRIC 21") was issued in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope 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 ("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. There was no impact on the Company's condensed interim consolidated financial statements upon adoption of this standard.

Recently issued but not yet adopted accounting guidance includes IFRS 8 *Operating Segments*. The Company has not yet begun the process of assessing the impact that the amended standard will have on its consolidated financial statements or whether to early adopt the new requirement.

IFRS 8 *Operating Segments* ("IFRS 8") was amended to require an entity to disclose the judgements made by management in aggregating segments. IFRS 8 was also amended to clarify that an entity needs to present a reconciliation between the total reporting segment's assets to the entities' total assets if this information is usually provided to the chief operating decision maker. The amendments are effective for annual periods beginning on or after July 1, 2014.

**CROCODILE GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(Stated in United States dollars, unless otherwise noted)

For the three and nine months ended September 30, 2014

**3. OPERATING SEGMENTS**

Revenue and cost of operations by operating segment for the three and nine months ended September 30, 2014 are as follows:

	Northern Territory		Fosterville		Stawell		Total	
	Q3 2014	YTD 2014	Q3 2014	YTD 2014	Q3 2014	YTD 2014	Q3 2014	YTD 2014
Revenue								
Gold	\$ 24,541,782	\$ 77,694,558	\$ 35,348,584	\$ 96,144,142	\$ 12,964,368	\$ 38,236,635	\$ 72,854,734	\$ 212,075,335
Silver	59,766	143,344	7,591	26,155	34,411	103,627	101,768	273,126
Other	-	-	-	-	379,984	607,390	379,984	607,390
	24,601,548	77,837,902	35,356,175	96,170,297	13,378,763	38,947,652	73,336,486	212,955,851
Cost of operations								
Operating expense	(19,260,895)	(62,432,963)	(19,420,008)	(58,376,836)	(12,115,081)	(34,941,178)	(50,795,984)	(155,750,977)
Royalty expense	-	-	(35,657)	(93,030)	(16,307)	(50,067)	(51,964)	(143,097)
Depletion and depreciation	(1,640,549)	(5,852,259)	(8,108,065)	(22,726,792)	(157,118)	(473,878)	(9,905,732)	(29,052,929)
	(20,901,444)	(68,285,222)	(27,563,730)	(81,196,658)	(12,288,506)	(35,465,123)	(60,753,680)	(184,947,003)
<b>Mine operating income (loss)</b>	<b>\$ 3,700,104</b>	<b>\$ 9,552,680</b>	<b>\$ 7,792,445</b>	<b>\$ 14,973,639</b>	<b>\$ 1,090,257</b>	<b>\$ 3,482,529</b>	<b>\$ 12,582,806</b>	<b>\$ 28,008,848</b>

Capital expenditures by operating segment for the three and nine months ended September 30, 2014 were as follows:

	Northern Territory		Fosterville		Stawell		Total	
	Q3 2014	YTD 2014	Q3 2014	YTD 2014	Q3 2014	YTD 2014	Q3 2014	YTD 2014
Mine development	\$ 4,453,489	\$ 13,169,961	\$ 10,845,999	\$ 29,745,879	\$ 792,509	\$ 2,934,862	\$ 16,091,997	\$ 45,850,702
Property, plant and equipment	562,075	1,445,655	856,657	3,698,842	133,536	460,123	1,552,268	5,604,620
<b>Total capital expenditures</b>	<b>\$ 5,015,564</b>	<b>\$ 14,615,616</b>	<b>\$ 11,702,656</b>	<b>\$ 33,444,721</b>	<b>\$ 926,045</b>	<b>\$ 3,394,985</b>	<b>\$ 17,644,265</b>	<b>\$ 51,455,322</b>

Revenue and cost of operations by operating segment for the three and nine months ended September 30, 2013 are as follows:

	Northern Territory		Fosterville		Stawell		Total	
	Q3 2013	YTD 2013	Q3 2013	YTD 2013	Q3 2013	YTD 2013	Q3 2013	YTD 2013
Revenue								
Gold	\$ 29,675,470	\$ 74,376,699	\$ 35,062,979	\$ 108,073,127	\$ 13,323,476	\$ 43,620,302	\$ 78,061,925	\$ 226,070,128
Silver	55,017	165,626	9,742	26,403	39,773	121,771	104,532	313,800
Other	-	-	-	-	35,165	1,164,031	35,165	1,164,031
	29,730,487	74,542,325	35,072,721	108,099,530	13,398,414	44,906,104	78,201,622	227,547,959
Cost of operations								
Operating expenses	(22,146,782)	(61,444,439)	(19,089,702)	(62,852,020)	(13,308,071)	(38,948,282)	(54,544,555)	(163,244,741)
Royalty expense	-	-	(29,901)	(99,079)	(17,051)	(61,396)	(46,952)	(160,475)
Depletion and depreciation	(3,885,939)	(11,536,947)	(9,968,556)	(37,127,757)	(1,170,328)	(13,537,817)	(15,024,823)	(62,202,521)
	(26,032,721)	(72,981,386)	(29,088,159)	(100,078,856)	(14,495,450)	(52,547,495)	(69,616,330)	(225,607,737)
<b>Mine operating income (loss)</b>	<b>\$ 3,697,766</b>	<b>\$ 1,560,939</b>	<b>\$ 5,984,562</b>	<b>\$ 8,020,674</b>	<b>\$ (1,097,036)</b>	<b>\$ (7,641,391)</b>	<b>\$ 8,585,292</b>	<b>\$ 1,940,222</b>

Capital expenditures by operating segment for the three and nine months ended September 30, 2013 were as follows:

	Northern Territory		Fosterville		Stawell		Total	
	Q3 2013	YTD 2013	Q3 2013	YTD 2013	Q3 2013	YTD 2013	Q3 2013	YTD 2013
Mine development	\$ 5,466,084	\$ 22,229,797	\$ 9,409,221	\$ 27,823,316	\$ 1,566,437	\$ 3,969,394	\$ 16,441,742	\$ 54,022,507
Property, plant and equipment	440,069	1,459,141	820,954	2,134,791	74,906	95,551	1,335,929	3,689,483
<b>Total capital expenditures</b>	<b>\$ 5,906,153</b>	<b>\$ 23,688,938</b>	<b>\$ 10,230,175</b>	<b>\$ 29,958,107</b>	<b>\$ 1,641,343</b>	<b>\$ 4,064,945</b>	<b>\$ 17,777,671</b>	<b>\$ 57,711,990</b>

**CROCODILE GOLD CORP.**

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**4. OTHER GAINS (LOSSES)**

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
(Loss) gain on disposal of property, plant and equipment	\$ (53,171)	\$ 67,035	\$ 55,200	\$ 608,346
Other income	138,352	94,978	399,947	827,475
Gain (loss) on revaluation of contingent liability	990,035	(415,112)	(3,623,327)	15,699,639
Write-down of financial deposits (note 8)	-	-	(989,428)	-
Net foreign exchange (loss) gain	(76,889)	(2,065)	16,776	(309,941)
	<b>\$ 998,327</b>	<b>\$ (255,164)</b>	<b>\$ (4,140,832)</b>	<b>\$ 16,825,519</b>

**5. FINANCE COSTS**

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Interest on capital leases and other loans	\$ 100,089	\$ 95,790	\$ 279,646	\$ 394,725
Accretion on discount of credit facility	-	234,298	121,102	3,410,284
Accretion on discount of contingent liability	699,821	685,754	2,105,617	2,783,351
Accretion on discount of convertible unsecured debentures	917,482	931,602	2,683,323	1,787,457
Withholding taxes on credit facility	-	-	-	231,315
Unwinding of discount on rehabilitation provision	281,024	222,612	880,956	726,492
	<b>\$ 1,998,416</b>	<b>\$ 2,170,056</b>	<b>\$ 6,070,644</b>	<b>\$ 9,333,624</b>

**6. GOLD BULLION**

	September 30, 2014	December 31, 2013
Ounces held (oz)	2,750	-
Weighted average production cost (\$/oz)	911	-
Production cost (\$)	2,504,012	-
Spot price for gold, period end (\$/oz)	1,217	1,206
Market value (\$)	3,345,375	-

As at September 30, 2014, gold bullion was recorded at cost and was held in a metals account at the Perth Mint in Perth, Australia.

**7. INVENTORIES**

	September 30, 2014	December 31, 2013
Unshipped gold doré	\$ 355,950	\$ 1,430,092
Gold in circuit	3,968,832	8,381,791
Ore stockpiles	5,487,623	9,659,889
Supplies and consummables	13,077,816	13,140,366
	<b>\$ 22,890,221</b>	<b>\$ 32,612,138</b>

As at September 30, 2014, ore stockpiles, gold in circuit and unshipped gold doré were recorded at cost. The total amount of the write-down recorded as an operating expense on the condensed interim consolidated statement of operations during the nine months ended September 30, 2014 was \$23,208 (nine months ended September 30, 2013 - \$521,847).

## CROCODILE GOLD CORP.

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### 8. FINANCIAL DEPOSITS

The Northern Territory of Australia levies a stamp duty on various instruments and transactions. The stamp duty is levied at a rate of approximately 5% on the dutiable value of the transaction. On the purchase of the Australian mineral properties in 2009, the Company paid stamp duty of A\$2,264,000 (\$1,818,000). In January 2010, the Territory Revenue Office ("TRO") of the Northern Territory notified the Company that it was the position of the TRO that stamp duty was also payable to be calculated by reference to the fair value of the Company's dutiable Australian property on the date of the amalgamation that created Crocodile Gold, November 3, 2009. The TRO said that the amalgamation involved at least one acquisition. The Company believed that the amalgamation did not trigger any additional stamp duty liability and contested the TRO decision. In February 2010, the Company paid A\$2,058,334 to the TRO, being what management believed to be a reasonable estimate of the potential additional stamp duty liability if the TRO's January 2010 position were to prevail. Despite the payment, which is recorded as a financial deposit, the Company's position remained that the amalgamation did not trigger any additional stamp duty liability.

The Company received an assessment from the TRO on March 8, 2012, requiring an additional payment of A\$3,560,000 and accrued interest and penalties. That assessment was based on the TRO's belief that the amalgamation involved three dutiable events. The Company lodged an objection and provided the TRO with considerable documentary evidence to support the Company's position.

On August 1, 2013, the Company received a response from the TRO indicating that the Company's objection had been allowed in part and consequently the reassessed stamp duty decreased A\$1,984,000 from the original assessment. On September 26, 2013, the Company filed a Notice of Appeal in the Supreme Court of the Northern Territory to appeal the disallowed items in the objection as the Company's position remains that the amalgamation did not trigger any additional stamp duty liability.

On October 3, 2013, the Company made a final financial deposit of A\$441,000 to the TRO, which represented the final amount outstanding on the reassessed stamp duty, including interest and penalties, net of previous deposits of A\$3,868,000. While the eventual outcome of the appeal is unknown as it applies to the remaining financial deposits, the Company has effectively settled the outstanding liability with the TRO and therefore is no longer subject to further stamp duty or further interest.

As at September 30, 2014, total financial deposits to the TRO were \$2,444,325 (December 31, 2013 - \$3,453,504). During the nine months ended September 30, 2014, the Company recorded a write-down to financial deposits of \$989,428 (nine months ended September 30, 2013 - \$nil) with respect to a portion of the total which the Company believed was unlikely to be recoverable; the Company has subsequently updated its appeal documents accordingly. The write-down has been included in other gains (losses) on the condensed interim consolidated statement of operations. The Company expects to recover the remaining financial deposits through the appeal process, however at this point the eventual outcome of the appeal process is unknown. The final hearing took place the last week of October 2014 and a final decision on the appeal is not expected until the first quarter of 2015.

### 9. MINE PROPERTIES

	September 30, 2014	December 31, 2013
Northern Territory (including the Cosmo Gold Mine)	\$ 47,852,055	\$ 37,638,289
Fosterville Gold Mine	46,493,092	29,522,763
Stawell Gold Mine	7,520,373	4,828,099
	<b>\$ 101,865,520</b>	<b>\$ 71,989,151</b>

Movements in carrying amounts:

	September 30, 2014	December 31, 2013
Opening balance	\$ 71,989,151	\$ 260,946,347
Additions	45,850,702	67,577,907
Transfers	(309,942)	4,261,435
Change in rehabilitation provision	1,974,460	4,641,636
Depreciation	(14,631,615)	(55,540,932)
Impairments	-	(175,899,331)
Exchange adjustment	(3,007,236)	(33,997,911)
	<b>\$ 101,865,520</b>	<b>\$ 71,989,151</b>

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### **9. MINE PROPERTIES (continued)**

For the nine months ended September 30, 2014, the Company concluded that no impairment charge or reversal was required on mine properties.

In August 2014, Crocodile Gold entered into a sale agreement with Phoenix Copper Limited ("Phoenix Copper") to sell the Iron Blow and Mount Bonnie base metal deposits for a 2% royalty in respect of any gold and silver production from the related tenements. The Company will retain an option to buy back a 30% interest in the properties by paying three times the accumulated exploration expenditures on these tenements. The Company has also entered into an Option (Farm-In) agreement with Phoenix Copper, which allows Phoenix Copper the ability to earn up to a 90% interest in the Burnside, Moline, and Maud Creek base metal and gold exploration projects in the Northern Territory through a commitment to spend a total of A\$4,000,000 in exploration expenditures over the next four years. Crocodile Gold will retain the option to acquire 90% of any gold and silver deposit discoveries on any of the properties by paying Phoenix Copper three times the accumulated expenditures related to that deposit. Both agreements are subject to certain conditions which are expected to be satisfied in Q4 2014.

For the year ended December 31, 2013, the Company identified the decrease in the gold price and its potential impact on future cash flows as an indicator of impairment. Consequently, the Company performed an assessment to determine the recoverable amount of its mine operations for potential impairment by comparing the carrying value of the Company's mines, the lowest level of assets and liabilities for which there are independent cash flows, to the discounted cash flows expected from the use and eventual disposition of those assets and liabilities.

The key assumptions used in determining the recoverable amount of each mine are the future gold price, discount rates, and operating cash costs and capital expenditures. The Company bases its future gold price estimate on forward prices and forecasts of future prices by industry analysts. For the impairment analysis, a gold price estimate of A\$1,415 was used for 2014 and 2015 and A\$1,425 for 2016 and beyond, taking into account the impact of the Australian dollar exchange rate on the US dollar gold price. Discount rates are based on the estimated weighted average cost of capital of each asset. For the December 31, 2013 impairment analysis, a discount rate of 12.5% was used to present value the estimated future cash flows from each mine.

The cash flows were based on mine plans which incorporated management assumptions and estimates of revenues and related costs. The Company also estimated the revenues and costs related to the conversion of a portion of resources to reserves over the life of the mines, where appropriate based on historical experience and resource confidence. The forecasted production, operating and capital expenditures included in the life of mine plans for all CGUs were changed from the December 31, 2012 impairment assessment as follows:

- Fosterville has incorporated further resource conversion based on available 2013 drilling information and increased capital investment to maintain its production profile over the longer mine life.
- Cosmo's production profile has been adjusted to incorporate the updated estimated mineral reserves and resources announced in July 2013. The operating and capital expenditures were also updated to incorporate costs from renegotiated major contracts as announced in February 2014.

At December 31, 2013, the Company concluded that no impairment charge was required for Stawell. For Fosterville, the carrying value of the long-lived assets of the mine exceeded their discounted cash flows over the life of mine and an impairment charge of \$22,853,524 was recorded during the year ended December 31, 2013. The non-cash impairment charge was mainly the result of the reduction in the Company's estimates of future metal prices. The Company also concluded that an impairment of \$153,045,807 would be charged against the Northern Territory assets for the year ended December 31, 2013, as the carrying value of the long-lived assets of the Cosmo Mine and other projects exceeded their discounted cash flows over the mine lives. The non-cash impairment charge was impacted by the reduction in the Company's estimates of future metal prices, as well as the reduction in the Cosmo resource base, which impacted the length of the mine life and the costs required to convert future resources. The Company also considered the required investment and return for its various projects in the Northern Territory at current and future gold prices, and the impact on the Northern Territory operations as a whole.

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**10. PROPERTY, PLANT AND EQUIPMENT**

	September 30, 2014	December 31, 2013
Northern Territory (including the Cosmo Gold Mine)	\$ 31,984,310	\$ 32,816,854
Fosterville Gold Mine	19,387,177	22,469,176
Stawell Gold Mine	949,682	968,166
	<b>\$ 52,321,169</b>	<b>\$ 56,254,196</b>

Movements in carrying amounts:

	September 30, 2014	December 31, 2013
<b>Property, plant and equipment</b>		
Opening balance	\$ 53,182,888	\$ 80,989,261
Additions	5,604,620	5,182,641
Transfers	(480,572)	(3,334,629)
Disposals	67,736	(90,037)
Depreciation expense	(9,713,464)	(20,073,007)
Exchange adjustment	(943,987)	(9,491,341)
	<b>\$ 47,717,221</b>	<b>\$ 53,182,888</b>
<b>Property, plant and equipment under capital leases</b>		
Opening balance	\$ 3,071,308	\$ 7,304,744
Additions	3,236,973	4,996
Transfers	-	(876,225)
Disposals	(451,289)	(37,245)
Depreciation expense	(1,123,966)	(2,507,260)
Exchange adjustment	(129,078)	(817,702)
	<b>\$ 4,603,948</b>	<b>\$ 3,071,308</b>
	<b>\$ 52,321,169</b>	<b>\$ 56,254,196</b>

**11. INVESTMENTS**

	September 30, 2014	December 31, 2013
JDS Silver Inc.	\$ 5,038,990	\$ -
Primary Gold Limited	315,550	763,802
Navarre Minerals Limited	376,421	208,405
	<b>\$ 5,730,961</b>	<b>\$ 972,207</b>

On September 25, 2014, the Company acquired a 19.9% minority interest in JDS Silver Inc. ("JDS Silver"), a private company incorporated in British Columbia, Canada, for consideration of C\$5,643,398. JDS Silver owns the Silvertip project, a near-production high-grade silver-lead-zinc project in northern British Columbia, Canada. The investment in JDS Silver was initially recorded at cost which represented the estimated fair value at the time of acquisition. The Company concluded that there was no change in the estimated fair value of the investment as at September 30, 2014.

The Company also holds investments in Primary Gold Limited and Navarre Minerals Limited that were previously acquired through the divestment of certain non-core assets. These investments have been revalued to their fair value based on their quoted market prices as at September 30, 2014. During the nine months ended September 30, 2014, \$552,532 was recorded as an unrealized loss on the condensed interim consolidated statement of operations (nine months ended September 30, 2013 - \$1,523,285).

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### 12. ISSUED CAPITAL

The Company is authorized to issue an unlimited number of common shares.

Issued capital comprises:

	September 30, 2014	December 31, 2013
475,609,733 fully paid common shares (December 31, 2013: 406,378,963)	\$ 311,659,223	\$ 297,407,306
63,882,693 common share purchase warrants (December 31, 2013: 46,575,000)	10,608,149	9,365,657
	<b>\$ 322,267,372</b>	<b>\$ 306,772,963</b>

#### Fully paid common shares

Fully paid common shares, which have no par value, carry one vote per share and carry a right to dividends.

Common shares issued	Number of Shares	Value
Balance as at December 31, 2012 and 2013	406,378,963	\$ 297,407,306
Shares issued on private placement, net of issue costs: February 2014 <sup>(i)</sup>	69,230,770	14,251,917
<b>Balance as at September 30, 2014</b>	<b>475,609,733</b>	<b>\$ 311,659,223</b>

- (i) On February 27, 2014, the Company closed a C\$18,000,000 private placement whereby it issued 69,230,770 units at a price of C\$0.26 per unit for net proceeds of \$15,494,409 (C\$17,350,000). Each unit consists of one common share of the Company and one-quarter of one common share purchase warrant with each whole warrant being exercisable to acquire one further common share of the Company at a price of C\$0.35 for a period of 12 months from closing and at a price of C\$0.40 for an additional period of 12 months beginning on the date of the first anniversary of the closing of the placement. The grant date fair value of the warrants was estimated at \$1,242,492, using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 113%; risk-free interest rate of 1%; and expected life two years. Expected volatility was estimated based on the historical share prices of the Company. The Company's controlling shareholder, Luxor Capital Group LP (and its various subsidiaries defined as "Luxor"), subscribed for an aggregate of C\$5,000,000 units as part of the private placement.

#### Warrants

The following table summarizes information about the warrants:

Warrants issued	Number of Warrants	Value
Balance as at December 31, 2012 and 2013	46,575,000	\$ 9,365,657
Warrants issued on private placement, net of issue costs: February 2014 <sup>(i)</sup>	17,307,693	1,242,492
<b>Balance as at September 30, 2014</b>	<b>63,882,693</b>	<b>\$ 10,608,149</b>

Upon exercise into common shares, the warrants are reclassified to share capital.

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### 12. ISSUED CAPITAL (continued)

#### Warrants (continued)

Summary of warrants outstanding at September 30, 2014:

Number of warrants	Exercise price (C\$)	Grant date fair value of warrants	Expiry Date
40,500,000	\$2.25	\$ 8,644,297	March 24, 2016
6,075,000	\$2.25	721,360	March 24, 2016
17,307,693	\$0.35	1,242,492	February 27, 2016 <sup>(i)</sup>
<b>63,882,693</b>		<b>\$ 10,608,149</b>	

- (i) Each warrant is exercisable at a price of C\$0.35 for 12 months from the date of issuance until February 27, 2015, and at a price of C\$0.40 for an additional period of 12 months subsequently and expiring on February 27, 2016.

### 13. EQUITY RESERVES

Balance as at December 31, 2012	\$ 18,210,730
Equity portion of convertible debentures	2,360,649
Share-based compensation - options	921,464
Balance as at December 31, 2013	\$ 21,492,843
Share-based compensation - options	174,826
<b>Balance as at September 30, 2014</b>	<b>\$ 21,667,669</b>

### 14. SHARE-BASED PAYMENTS

#### Share compensation plan

At the annual and special meeting of Crocodile Gold's shareholders for the year ended December 31, 2010, shareholders of the Company approved the adoption of a share compensation plan pursuant to which the Board of Directors was authorized to issue up to 2,500,000 common shares to encourage the recruitment and retention of key persons. At the annual and special meeting of Crocodile Gold's shareholders for the year ended December 31, 2013, shareholders of the Company approved an amendment to the share compensation plan to (i) increase the maximum allowable share issuance by 200,000, to a maximum of 2,700,000 common shares, and (ii) remove the automatic issuance of shares allocated but not issued upon occurrence of a change of control. The shares may be issued from treasury on a quarterly basis in twelve equal installments over a period of three years, provided the person remains contracted to the Company at the date the shares are issued. On behalf of the Board of Directors, the Chief Executive Officer considers the relative merits and if considered desirable grants the next installment of compensation shares at the end of each quarter.

As at September 30, 2014, a total of 822,506 shares (December 31, 2013 – 622,506 shares) were available for issuance under the share compensation plan. No additional shares were allocated for issuance during the nine months ended September 30, 2014 (nine months ended September 30, 2013 – nil).

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### **14. SHARE-BASED PAYMENTS (continued)**

#### **Employee share option plan**

The Company has an ownership-based compensation scheme, administered by the Board of Directors of the Company, for directors, officers, employees and consultants. The plan provides for the issuance of share options to acquire up to 10% of the Company's issued and outstanding capital. The number of shares reserved for issuance pursuant to the grant of share options will increase as the Company's issued and outstanding share capital increases. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, directors, officers, employees and consultants of the Company may be granted options to purchase common shares at an exercise price determined by the Board of Directors, but which shall not be lower than the market price of the underlying common shares at the time of grant.

Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

During the nine months ended September 30, 2014, 1,500,000 share options were granted to an officer of the Company at an exercise price of C\$0.13. These options had a grant date estimated fair value of \$96,257. These options vest over a two year period, on a quarterly basis, in eight equal installments of 187,500 starting January 13, 2014.

During the nine months ended September 30, 2013, 10,830,000 share options were granted to a consultant, officers and directors of the Company at a weighted average exercise price of C\$0.16. These options had a grant date estimated fair value of \$1,169,205. Of the 10,830,000 options granted:

- 3,000,000 of the options will vest annually in three equal installments of 1,000,000 starting July 31, 2014;
- 1,430,000 of the options will vest in eight equal installments over a two year period on a quarterly basis with the first installment vesting on the date of grant;
- 3,400,000 of the options will vest 50% on the date of grant with remaining 50% vesting in four equal quarterly installments over a 12 month period from the date of grant;
- 3,000,000 of the options will vest in equal installments of 1,000,000 on June 30, September 30, and December 31, 2013, with the actual number of shares vesting subject to be pro-rated based on established performance conditions. As at December 31, 2013, 1,000,000 of these options vested. During the nine months ended September 30, 2014, the unvested options were cancelled.

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**14. SHARE-BASED PAYMENTS (continued)**

The following share-based payment arrangements were in existence as at September 30, 2014:

Weighted average exercise price (C\$)	Grant date	Number outstanding	Number exercisable	Estimated fair value at grant date	Expiry date
\$ 0.10	July 31, 2013	3,000,000	1,000,000	\$ 132,009	July 31, 2018
0.10	September 25, 2013	4,830,000	4,293,750	196,768	September 25, 2018
0.13	January 13, 2014	1,500,000	562,500	96,257	January 13, 2019
0.33	April 30, 2013	1,000,000	1,000,000	25,211	June 30, 2015
0.38	September 10, 2012	75,000	75,000	11,163	September 10, 2017
0.38	July 9, 2012	300,000	300,000	34,724	July 9, 2017
0.54	March 30, 2012	1,040,000	1,040,000	204,232	March 30, 2017
0.74	April 13, 2012	4,000,000	4,000,000	558,373	April 13, 2016
0.82	May 27, 2011	75,000	75,000	31,824	May 27, 2016
0.90	April 12, 2011	170,000	170,000	79,198	April 12, 2016
0.99	June 6, 2011	2,385,000	2,385,000	859,672	June 6, 2016
1.09	September 8, 2010	250,000	250,000	197,163	September 8, 2015
1.15	August 26, 2010	80,000	80,000	65,236	August 26, 2015
1.19	November 12, 2009	1,325,000	1,325,000	1,127,411	November 12, 2014
1.43	November 23, 2010	2,690,000	2,690,000	1,816,991	November 23, 2015
1.91	December 29, 2009	250,000	250,000	345,275	December 29, 2014
<b>\$ 0.60</b>		<b>22,970,000</b>	<b>19,496,250</b>	<b>\$ 5,781,507</b>	

The share options outstanding at the end of the period had a weighted average exercise price of C\$0.60 (September 30, 2013 – C\$0.94) and a weighted average remaining contractual life of 886 days (September 30, 2013 – 1,128 days).

*Fair value of share options granted*

The weighted average fair value of the share options granted during the nine months ended September 30, 2014 is C\$0.07 (nine months ended September 30, 2013 – C\$0.04). Options are priced using the Black-Scholes option-pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years of the Company and the industry in which it operates.

The fair value of options granted during the nine months ending September 30, 2014 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>Nine months ended September 30, 2014</b>	Nine months ended September 30, 2013
Grant share price	<b>C\$0.13</b>	C\$0.13
Exercise price	<b>C\$0.13</b>	C\$0.16
Expected volatility	<b>83%</b>	68%
Expected life	<b>3 years</b>	2.53 years
Expected dividend yield	<b>0%</b>	0%
Expected forfeiture rate	<b>5%</b>	5%
Risk-free interest rate	<b>1.10%</b>	1.18%
Weighted average grant date fair value	<b>C\$0.07</b>	C\$0.04

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**14. SHARE-BASED PAYMENTS (continued)****Employee share option plan (continued)**

The following reconciles the share options outstanding during the period:

	Number of options	Weighted average exercise price (C\$)
Balance as at December 31, 2012	29,778,545	\$ 0.94
Granted	10,830,000	0.16
Expired	(13,010,420)	0.94
Forfeited	(3,028,125)	0.67
Balance as at December 31, 2013	24,570,000	\$ 0.62
Granted	1,500,000	0.13
Expired	(1,100,000)	0.98
Forfeited	(2,000,000)	0.86
<b>Balance as at September 30, 2014</b>	<b>22,970,000</b>	<b>\$ 0.60</b>

**Phantom share units**

Each phantom share unit ("PSU") entitles the holder to a cash payment on exercise based on the market value of the Company's stock on the date of exercise less the strike price of the PSU. PSUs are recorded at their fair market value on the date of grant based on the quoted market price of the Company's stock and are revalued at each reporting date based on the difference between the quoted market price of the stock at the end of the period and the strike price. The fair value is recognized as a share based payment expense in the statement of operations with a corresponding entry in accrued liabilities.

No PSUs were granted during the nine months ended September 30, 2014 (nine months ended September 30, 2013 – 300,000). A total of 175,000 PSUs were forfeited during the nine months ended September 30, 2014 (nine months ended September 30, 2013 – nil). The total amount of granted PSUs outstanding as at September 30, 2014 is 1,855,000. As at September 30, 2014, 1,655,000 of the PSUs were vested with an estimated fair value of \$7,590.

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**15. LONG-TERM DEBT**

	<b>September 30, 2014</b>	December 31, 2013
Capital lease obligations (note 16)	\$ 2,880,776	\$ 2,686,591
Convertible unsecured debentures (note 18)	26,782,096	26,737,930
Other borrowings	1,420,756	-
Credit facility (note 17)	-	4,819,444
	<b>\$ 31,083,628</b>	<b>\$ 34,243,965</b>
<b>Current portion</b>		
Capital lease obligations	\$ 1,578,322	\$ 2,426,502
Convertible unsecured debentures	2,374,104	2,430,063
Other borrowings	899,504	-
Credit facility	-	4,819,444
	<b>\$ 4,851,930</b>	<b>\$ 9,676,009</b>
<b>Non-current portion</b>		
Capital lease obligations	\$ 1,302,454	\$ 260,089
Convertible unsecured debentures	24,407,992	24,307,867
Other borrowings	521,252	-
	<b>\$ 26,231,698</b>	<b>\$ 24,567,956</b>

**16. CAPITAL LEASING OBLIGATIONS**

The Company has financed the acquisition of certain equipment through the assumption of capital lease obligations. These obligations are secured by the acquired equipment, which has a net book value of \$2,880,776 as at September 30, 2014. The loans bear interest at rates ranging between 5.89% and 10.72% per annum with maturity dates between October 25, 2014 and March 28, 2017. Interest expense related to the equipment loans of \$201,925 has been charged to the condensed interim consolidated statement of operations in the nine months ended September 30, 2014 (nine months ended September 30, 2013 - \$313,804).

Loan liabilities:

	<b>September 30, 2014</b>	December 31, 2013
2014	\$ 629,779	\$ 2,531,151
2015	1,325,613	265,315
2016	913,724	-
2017	233,232	-
Total minimum loan payments	3,102,348	2,796,466
Less: Future finance charges	(221,572)	(109,875)
Present value of minimum loan payments	2,880,776	2,686,591
Not later than one year	(1,578,322)	(2,426,502)
Later than one year	<b>\$ 1,302,454</b>	<b>\$ 260,089</b>

The fair value of the loan liability is approximately equal to its carrying amount.

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### **17. CREDIT FACILITY**

On June 12, 2012, the Company drew down on a four year prepaid swap facility with Credit Suisse AG ("Credit Suisse") whereby Credit Suisse advanced A\$75 million against the sale of future gold production and certain cash repayments. The credit facility was guaranteed by the Company and secured against the shares of the Australian subsidiaries ("Subsidiaries"), which own the mining assets of the Company located in Australia, and a security interest in all of the assets and properties of the Subsidiaries. In connection with the facility, the Company entered into gold swap agreements with Credit Suisse for the sale of 8,000 ounces of gold per month at an average swap price of approximately A\$1,540 per ounce. The agreements also provided the Company with a series of call options struck at A\$2,100 per ounce for 4,000 ounces per month over the same term. The credit facility was recorded in the consolidated statement of financial position at the net present value of future payments using a discount rate of 9.5%. The credit facility is recognized as "other financial liabilities" and the related derivative components were recognized at "fair value through profit and loss" and were classified as level 2.

On April 26, 2013, the Company closed out its outstanding gold swap agreements and call options with Credit Suisse and applied the proceeds against the outstanding credit facility balance. The application of the proceeds to the facility along with a related interest rebate and a reduction in the debt service reserve account reduced the outstanding principal amount as at April 26, 2013 to A\$11,366,142 from A\$69,230,768. The remaining balance was to be repaid in equal monthly installments of A\$631,452 over a period of 18 months which started April 30, 2013. A reduced debt service reserve account of A\$874,320 was kept in place as part of the security granted under the facility terms.

In March 2014, the Company made a final payment of A\$3,638,714 to Credit Suisse in full settlement of the outstanding principal on the credit facility. The payment was net of a discount for early settlement of the facility, and the related debt service reserve account has been returned to the Company.

### **18. CONVERTIBLE UNSECURED DEBENTURES**

On April 5, 2013, the Company issued C\$34,500,000 of 8% convertible unsecured debentures (the "Debentures") for net proceeds of \$31,031,072 after accounting for transaction costs of \$2,913,478. The Debentures mature on April 30, 2018 and unless converted or redeemed earlier, interest of C\$1,380,000 is payable semi-annually on March 31 and October 31. Each Debenture is convertible at the holder's option into common shares at any time prior to maturity at a conversion price of C\$0.25. The Debentures will not be redeemable prior to April 30, 2015 after which time they may be redeemed by the Company in whole or in part from time to time, provided that the volume weighted average trading price of the common shares on the Toronto Stock Exchange (the "TSX") for the 20 consecutive trading days ending on the fifth trading day preceding the day prior to the date upon which the notice of redemption is given is at least 150% of the Conversion Price.

The debentures were recorded in the consolidated statements of financial position at the net present value of future payments using a discount rate of 12%. After discounting the liability to its estimated fair value and deducting the transaction costs, the liability and equity portion of the convertible debentures was C\$27,203,596 and C\$4,332,912, respectively. The liability portion will be accreted to its face value of C\$34,500,000 using the effective interest rate method at 13.67%. For the nine months ended September 30, 2014, accretion of \$2,683,323 was recorded as finance costs in the consolidated statements of operations (nine months ended September 30, 2013 - \$1,787,457). A deferred tax recovery on the issuance of the debentures of \$1,889,152 was recorded for the nine months ended September 30, 2013.

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**19. PROVISIONS**

	<b>September 30, 2014</b>	December 31, 2013
Decommissioning, rehabilitation and similar liabilities	\$ 37,540,628	\$ 36,203,277
Long service leave	7,133,023	6,075,610
Total provisions	<b>44,673,651</b>	42,278,887
Current provisions	<b>(7,912,528)</b>	(5,690,451)
Non-current provisions	<b>\$ 36,761,123</b>	\$ 36,588,436

**(a) Decommissioning, rehabilitation and similar liabilities**

The Company provides for the estimated future cost of rehabilitating mine sites and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of estimated future rehabilitation costs, which are expected to be incurred up to 2031. The estimated undiscounted cash flows used to estimate the liability are \$37,487,355. These provisions are based on the Company's internal estimates, with consideration to closure plans and bonding requirements established with relevant regulatory bodies. Assumptions, including an inflation rate of 3.0% and discount rates of 2.70% to 3.48%, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold prices and costs of production, which are inherently uncertain.

Movements in carrying amounts:

	<b>September 30, 2014</b>	December 31, 2013
Balance, beginning of the period	\$ 36,203,277	\$ 36,612,029
Increase / (decrease) in provisions recognized	<b>1,974,460</b>	4,641,636
Site closure and reclamation costs paid	<b>(673,852)</b>	(796,273)
Unwinding of discount on rehabilitation provision	<b>880,956</b>	1,012,810
Effect of foreign exchange	<b>(844,213)</b>	(5,266,925)
Balance, end of the period	<b>37,540,628</b>	36,203,277
Current portion of rehabilitation provision	<b>(2,728,689)</b>	(1,696,029)
Non-current portion of rehabilitation provision	<b>\$ 34,811,939</b>	\$ 34,507,248

**(b) Long service leave**

Long service leave is an Australian employee entitlement which accrues based on an employee's length of service to a company. The provision is estimated based on the total current service of the Company's employees and future expected service and earnings. As at September 30, 2014 the total accrued long service leave was \$7,133,023, of which \$5,183,839 was classified as a current liability (\$6,075,610 and \$3,994,422 as at December 31, 2013, respectively).

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### 20. CONTINGENT PAYMENTS

On March 27, 2012, the Company entered into a definitive agreement (the "Acquisition Agreement") with AuRico Gold Inc. ("AuRico"), amended on May 4, 2012, pursuant to which Crocodile Gold acquired the Stawell Gold Mine and Fosterville Gold Mine through the acquisition of all of the issued and outstanding shares of Northgate Australian Ventures Corporation Pty Ltd ("Navco") from AuRico. The acquisition was completed on May 4, 2012. The total consideration paid was comprised of:

- (a) C\$55 million in cash and C\$9.5 million in Crocodile Gold common shares (being 20 million shares at a market price on the date of closing of the acquisition of C\$0.475 per common share) paid on closing; and
- (b) A share of the future net free cash flow generated by Navco, as such term is defined in the Acquisition Agreement, as follows:
  - (i) Crocodile Gold shall be entitled to retain the first C\$60 million;
  - (ii) AuRico shall be entitled to the next C\$30 million;
  - (iii) Crocodile Gold and AuRico shall share the next C\$30 million on a 50/50 basis; and
  - (iv) thereafter, Crocodile Gold and AuRico shall share on an 80/20 basis.

At September 30, 2014, the contingent payment liability related to the net free cash flow arrangement was re-valued to reflect the actual results since May 4, 2012 to September 30, 2014, changes to future production plans, and any change in the forward price curve of gold. In determining an estimate of the contingent payments related to the Navco acquisition, the Company has made certain interpretations of the underlying net free cash flow sharing arrangement which impact the timing and amount of contingent payments.

As disclosed in the December 31, 2013 audited annual financial statements, the Company and AuRico engaged an independent expert to determine the treatment of certain financial transactions in the net free cash flow sharing arrangement that exists between the two parties. On April 14, 2014, the independent expert concluded that such items were to be included in the calculation of contingent payments. The independent expert's conclusions on the disputed items are final and binding. After reviewing the independent expert's report, the Company determined that \$2,464,394 (C\$2,693,327) of contingent payments were due. This obligation was settled in June 2014.

The loss on the revaluation of the contingent payments liability of \$3,623,327 was recorded in other gains in the condensed interim consolidated statement of operations (nine months ended September 30, 2013 - gain of \$15,699,639). Accretion of the discount on the contingent payments of \$2,105,617 is included in finance costs in the consolidated statement of operations for the nine months ended September 30, 2014 (nine months ended September 30, 2013 - \$2,783,351).

Contingent consideration is a level three financial liability, having inputs into the fair value estimation that are not based on observable market data. Movements in carrying amounts of contingent consideration during the period ended September 30, 2014 and December 31, 2013 were as follows:

	<b>September 30, 2014</b>	December 31, 2013
Balance, beginning of the period	\$ 22,323,169	\$ 40,637,250
Payments	<b>(2,464,394)</b>	-
Accretion of discount	<b>2,105,617</b>	3,510,141
Loss / (gain) on change in fair value through profit or loss	<b>3,623,327</b>	(19,886,069)
Effect of foreign exchange	<b>(1,132,081)</b>	(1,938,153)
Balance, end of the period	<b>24,455,638</b>	22,323,169
Current portion	<b>(1,256,310)</b>	-
Non-current portion	<b>\$ 23,199,328</b>	\$ 22,323,169

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### 21. SUPPLEMENTAL CASH FLOW INFORMATION

As at September 30, 2014, the Company's cash and cash equivalents balance of \$27,497,495 (December 31, 2013 - \$27,591,430) was held in full at major Canadian and Australian banks in deposit accounts. The Company also has gold bullion with a market value of \$3,345,375 (December 31, 2013 - \$nil) held in a metals account at the Perth Mint in Perth, Australia.

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
<b>Working capital adjustments</b>				
Change in gold bullion	\$ (2,652,796)	\$ -	\$ (2,652,796)	\$ -
Change in receivables	232,489	(199,613)	377,272	283,383
Change in inventories	4,133,167	340,066	6,778,307	249,102
Change in prepaid expenses	248,627	811,267	789,919	(987,387)
Change in accounts payable and accrued liabilities	(4,970,285)	(1,675,713)	(8,603,011)	(10,143,415)
Change in provisions	714,606	333,118	1,413,955	531,447
Payments against rehabilitation liabilities	(351,268)	(177,762)	(673,852)	(253,434)
	<b>\$ (2,645,460)</b>	<b>\$ (568,637)</b>	<b>\$ (2,570,206)</b>	<b>\$ (10,320,304)</b>
<b>Non-cash transaction</b>				
Property, plant and equipment acquired through capital lease	\$ 693,300	\$ -	\$ 3,930,262	\$ -
Insurance premiums financed by loan	832,699	-	3,700,841	3,878,369
Value of shares received related to assets available for sale	-	-	-	1,584,719
<b>Other information</b>				
Interest paid (including any related withholding taxes)	\$ 100,089	\$ 148,050	\$ 279,855	\$ 619,668

### 22. RELATED PARTY DISCLOSURES

#### Compensation of key management of the Company

The remuneration of directors and key executives is determined by the compensation committee of the Board of Directors. The directors' fees, consulting fees and other compensation of directors and key management personnel were as follows during the nine months ended:

	September 30, 2014	September 30, 2013
Short-term compensation and benefits	\$ 724,314	\$ 1,456,528
Share-based payments	174,383	762,207
	<b>\$ 898,697</b>	<b>\$ 2,218,735</b>

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company. The amounts above have been included in professional, consulting and management fees in the statement of operations. Included in the above table is the compensation and benefits paid to Forbes & Manhattan Inc ("Forbes & Manhattan") for consulting and advisory services, as discussed in detail below.

#### Management contracts

The Company is party to certain management contracts. As at September 30, 2014, these contracts require that additional payments of approximately \$937,000 be made upon the occurrence of a change of control. As the triggering event has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Minimum commitments upon termination of these contracts are approximately \$186,000. Minimum commitments due within one year under the terms of these contracts are \$524,000.

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### **22. RELATED PARTY DISCLOSURES (continued)**

#### **Investment in JDS Silver**

On September 25, 2014, the Company acquired a 19.9% interest in JDS Silver from a private company controlled by the Company's controlling shareholder Luxor for consideration of C\$5,643,398.

#### **Agreement with Forbes & Manhattan**

On April 17, 2012, the Company entered into a fixed two year agreement with Forbes & Manhattan for consulting and other services. The agreement included a general fee of C\$40,000 per month and the reimbursement of out of pocket expenses, and a change in control termination clause. The agreement ended on April 17, 2014.

#### **Other related party disclosures**

The Company's controlling shareholder Luxor subscribed for an aggregate of C\$5,000,000 units as part of the February 27, 2014 private placement. In addition, officers, directors and controlling shareholders subscribed for an aggregate of C\$6,040,000 of convertible unsecured debentures in the offering that closed on April 5, 2013.

### **23. COMMITMENTS AND CONTINGENCIES**

#### **(a) Material contracts**

The Company has engaged an independent contractor to provide mining and development services at its Cosmo Gold Mine in the Northern Territory, Australia. The mining contract was executed in March 2014 and carries a two year term with an option for a 12 month extension. The Company may terminate the contract with not less than 30 days notice, in which case the Company would be liable for a termination payment equal to one-quarter times the previous month's invoice plus any outstanding amounts owing for works completed prior to termination.

The Company has entered into a contract for power in the Northern Territory with the government-regulated power provider in the Territory for the 2014 calendar year. Under the contract the Company is obligated to purchase a minimum annual quantity of electricity regardless of actual consumption. As no such scenario had occurred at September 30, 2014 nor is it likely that such a scenario would eventuate in 2014, no amount has been accrued in the condensed interim consolidated financial statements.

The Company has also entered into a contract for power in the State of Victoria with an independent supplier which provides for electricity for the Fosterville Gold Mine through to December 31, 2016 and the Stawell Gold Mine through to December 31, 2015. Under the contract the Company is obligated to purchase a minimum annual quantity of electricity regardless of actual consumption. As no such scenario had occurred at September 30, 2014 nor is it likely that such a scenario would eventuate in 2014, no amount has been accrued in the condensed interim consolidated financial statements.

#### **(b) Environmental bonds**

As at September 30, 2014, the Company had provided performance guarantees totaling \$21,251,006 to the Northern Territory and Victorian governments relating to the future reclamation and rehabilitation of the Company's mine sites and exploration tenements. The guarantees are secured by cash deposits held with a major Australian bank and are included in restricted cash.

#### **(c) Northern Territory profits royalty/tax**

All of the Company's tenements within the Northern Territory are subject to a Northern Territory Government profits royalty/tax. The current tax rate is 20% of the Net Value of mine production, where the Net Value equals the gross realization from the relevant production unit less the operating costs of the production unit for the year, a capital allowance on eligible capital assets expenditure, eligible exploration expenditure and additional deductions as approved by the relevant Northern Territory Government Minister.

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### **23. COMMITMENTS AND CONTINGENCIES (continued)**

#### (d) Contingent contractual royalty obligations

The Company has the following contingent contractual obligations with respect to royalties:

- (i) a 1% ad valorem royalty on any future gold production above 250,000 ounces derived from the Maud Creek Gold Project.
- (ii) a further 1% gross royalty on any future gold production from the Maud Creek Gold Project.
- (iii) a A\$2 per ounce royalty payable on gold produced from the Stawell Gold Mine mining license.
- (iv) a vendor royalty of A\$4 per ounce of gold produced from the Pine Creek tenements.
- (v) royalties payable to various vendors of tenements located outside the currently anticipated mining areas.

The Company also has contingent contractual obligations with respect to the Maud Creek Gold Project. A payment of A\$2,000,000 would be due upon a decision to proceed with development of the Maud Creek Gold Project, in addition to the production royalty described above.

The Fosterville Gold Mine is subject to a license fee which enables it to use the patented BIOX process to treat refractory ore from the underground mine. The fee is paid at a rate of A\$1.40/ounce of gold produced and treated through the BIOX Plant and terminates when 1,500,000 ounces of gold in aggregate has been treated in the plant. As at September 30, 2014, approximately 848,800 ounces of gold had been treated in the plant.

### **24. SUBSEQUENT EVENTS**

On October 30, 2014, the Company received the Ministerial assessment and Panel Report on the Big Hill Enhanced Development Project ("the Project"). The Panel has provided a number of key recommendations for the Project, and at this time has also advised the statutory decision-makers that the Project should not proceed in the current form. The Company is reviewing the Panel's recommendations and the impact of the assessment on the future of the Project.

Subsequent to period end, the price of gold came under significant pressure, closing at \$1,140 per ounce on November 6, 2014, which represents a 6% decline from its value at September 30, 2014. The Company is currently assessing the effect of the fall in the gold price on its budget and production plans, including the potential impact on the timing and amount of capital expenditures. A continued depressed gold price could also impact the carrying value of the Company's mine properties and property, plant and equipment as the recoverable amount at lower prices may exceed the carrying amount of those assets, which would result in an impairment charge to the consolidated statement of operations. Conversely, a continued lower price would cause a significant decrease in the Company's contingent liabilities, which would result in a gain to consolidated statement of operations. Management will continue to closely monitor the gold price and adjust its production plan accordingly to ensure the optimal use of capital.