CROCODILE GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Stated in United States dollars)

As at and for the years ended December 31, 2014 and 2013

McGovern, Hurley, Cunningham, LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Crocodile Gold Corp.

We have audited the accompanying consolidated financial statements of Crocodile Gold Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of operations and comprehensive income (loss), consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Crocodile Gold Corp. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
March 11, 2015

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CROCODILE GOLD CORP.

Consolidated Statements of Operations and Comprehensive Income (Loss)
For the years ended December 31,
(Stated in United States dollars)

	Notes	2014	2013
Revenue	7	**$ 282,739,079**	$ 300,825,156
Cost of operations			
Operating expenses		**(201,840,856)**	(218,693,806)
Royalty expense		**(193,309)**	(206,476)
Depletion and depreciation		**(39,423,794)**	(76,856,584)
Total cost of operations	7	**(241,457,959)**	(295,756,866)
Mine operating income		**41,281,120**	5,068,290
Expenses			
Impairment reversal (charge)	16	**8,358,933**	(177,125,774)
Exploration and evaluation		**(2,538,278)**	(2,445,764)
Care and maintenance		**(1,886,554)**	(764,499)
Professional, consulting and management fees		**(3,983,923)**	(5,125,312)
Other general and administrative expenses		**(725,896)**	(1,175,979)
Share-based compensation	21	**(368,165)**	(921,464)
Other (losses) gains	8	**(10,166,248)**	21,199,171
Total expenses		**(11,310,131)**	(166,359,621)
Income (loss) before finance items and income taxes		**29,970,989**	(161,291,331)
Finance income		**1,029,269**	1,469,992
Finance costs	9	**(7,968,150)**	(11,304,151)
Credit facility income	25	**-**	84,207,441
Income (loss) before tax		**23,032,108**	(86,918,049)
Income tax expense	10	**(3,080,175)**	(5,848,282)
Net income (loss)		**$ 19,951,933**	$ (92,766,331)
Other comprehensive loss			
Items that may be reclassified subsequently to profit and loss:			
Unrealized loss on available for sale securities		**(818,137)**	(1,927,057)
Exchange differences on translating foreign operations		**(10,953,842)**	(45,137,254)
Comprehensive income (loss)		**$ 8,179,954**	$ (139,830,642)
Income (loss) per share - basic and diluted		**$ 0.04**	$ (0.23)
Weighted average number of shares outstanding			
- basic (number)		**464,798,352**	406,378,963
- diluted (number)		**471,874,020**	406,378,963

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

CROCODILE GOLD CORP.

Consolidated Statements of Financial Position
(Stated in United States dollars)

As at:	Notes	December 31, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents		**$ 33,775,417**	$ 27,591,430
Gold bullion (market value - $3,316,500; December 31, 2013 - $nil)	11	**2,441,661**	-
Restricted cash	12	**133,879**	1,109,458
Receivables	13	**2,308,503**	2,649,752
Inventories	14	**20,518,426**	32,612,138
Prepaid expenses and other current assets		**3,572,599**	2,988,738
Total current assets		**62,750,485**	66,951,516
Non-current assets			
Restricted cash	12	**19,875,487**	23,698,117
Financial deposits	15	**2,284,696**	3,453,504
Mine properties	16	**109,398,724**	71,989,151
Property, plant and equipment	17	**48,395,643**	56,254,196
Investments	18	**5,631,914**	972,207
Deferred tax assets	10	**7,791,866**	11,523,549
Total assets		**$ 256,128,815**	$ 234,842,240
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	22	**$ 30,578,934**	$ 36,275,576
Current portion of long-term debt	23	**3,887,071**	9,676,009
Provisions	27	**6,951,471**	5,690,451
Contingent payments	28	**8,732,922**	-
Total current liabilities		**50,150,398**	51,642,036
Non-current liabilities			
Long-term debt	23	**25,204,566**	24,567,956
Provisions	27	**35,555,468**	36,588,436
Contingent payments	28	**21,437,078**	22,323,169
Total Liabilities		**132,347,510**	135,121,597
SHAREHOLDERS' EQUITY			
Issued capital	19	**322,302,591**	306,772,963
Equity reserves	20	**21,843,923**	21,492,843
Accumulated other comprehensive income		**(33,040,962)**	(21,268,983)
Retained deficit		**(187,324,247)**	(207,276,180)
Total Shareholders' Equity		**123,781,305**	99,720,643
Total Liabilities and Shareholders' Equity		**$ 256,128,815**	$ 234,842,240

Commitments and contingencies (Note 33)

APPROVED ON BEHALF OF THE BOARD ON MARCH 11, 2015:

Signed *"Kevin Conboy"*, DIRECTOR

Signed *"George Faught"*, DIRECTOR

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

CROCODILE GOLD CORP.

Consolidated Statements of Cash Flows
For the years ended December 31,
(Stated in United States dollars)

	Notes	2014	2013
Cash provided by operations:			
Net income (loss)		**$ 19,951,933**	$ (92,766,331)
Items not involving cash:			
Share-based payments		**368,165**	921,464
Depletion and depreciation		**39,423,794**	76,856,584
Unwinding discount on rehabilitation provision		**1,139,188**	1,012,811
Non-cash care and maintenance	27	**394,350**	-
Loss (gain) on disposal of property, plant and equipment		**291,912**	(648,081)
Impairment (reversal) charge	16	**(8,358,933)**	177,125,774
Non-cash facility costs		**-**	(84,438,756)
Non-cash accretion expense		**6,461,878**	9,823,041
Gain on revaluation of investment	18	**(382,145)**	-
Write-down of financial deposits	15	**989,428**	-
Loss (gain) on change in contingent liability	28	**9,660,424**	(19,886,069)
Deferred tax expense	10	**3,080,175**	5,848,282
Working capital adjustments	30	**1,136,715**	(6,386,053)
Net cash provided by operating activities		**74,156,884**	67,462,666
Investing activities			
Expenditure on mine development	7	**(59,437,465)**	(67,577,907)
Expenditure on property, plant and equipment	7	**(7,305,427)**	(5,182,641)
Proceeds on dispositions of assets		**614,030**	718,395
Payment of contingent liability	28	**(2,464,394)**	-
Payment for investment	18	**(5,360,620)**	(898,008)
Increase in financial deposits		**-**	(1,341,414)
Decrease in restricted cash		**2,957,920**	6,125,489
Net cash used in investing activities		**(70,995,956)**	(68,156,086)
Financing activities			
Proceeds from the issuance of convertible debentures	26	**-**	33,944,550
Repayment of convertible debentures		**(2,487,588)**	(1,515,963)
Proceeds from the issue of shares/units	19	**16,163,793**	-
Cost of issue	19,26	**(669,384)**	(2,913,478)
Repayment of credit facility	25	**(4,962,285)**	(61,879,563)
Gold swap settlements		**-**	47,381,974
Exercise of share options		**18,134**	-
Loan proceeds		**4,394,141**	3,878,369
Repayment of capital lease obligations		**(3,538,535)**	(4,877,201)
Repayment of other borrowings		**(3,513,160)**	(3,610,211)
Withholding taxes on credit facility		**-**	(231,315)
Net cash provided by financing activities		**5,405,116**	10,177,162
Effect of exchange rate changes on cash		**(2,382,057)**	(6,633,669)
Change in cash and cash equivalents		**6,183,987**	2,850,073
Cash and cash equivalents, beginning of year		**27,591,430**	24,741,357
Cash and cash equivalents, end of year		**$ 33,775,417**	$ 27,591,430

Supplementary cash flow information – Note 30

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

CROCODILE GOLD CORP.

Consolidated Statements of Changes in Equity
(Stated in United States dollars)

	Share capital	Common shares to be issued	Purchase warrants	Equity reserves	Accumulated other comprehensive income (loss)	Retained deficit	Total
Balance at December 31, 2012	$ 297,407,306	$ -	$ 9,365,657	$ 18,210,730	$ 25,795,328	$ (114,509,849)	$ 236,269,172
Share based payments	-	-	-	921,464	-	-	921,464
Other comprehensive loss	-	-	-	-	(47,064,311)	-	(47,064,311)
Equity portion of convertible debentures	-	-	-	2,360,649	-	-	2,360,649
Net loss	-	-	-	-	-	(92,766,331)	(92,766,331)
Balance at December 31, 2013	**$ 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
Exercise of share options	18,134	-	-	-	-	-	18,134
Valuation on exercise of share options	7,977	-	-	(7,977)	-	-	-
Share based payments	-	9,108	-	359,057	-	-	368,165
Other comprehensive loss	-	-	-	-	(11,771,979)	-	(11,771,979)
Net income	-	-	-	-	-	19,951,933	19,951,933
Balance as at December 31, 2014	**$ 311,685,334**	**$ 9,108**	**$ 10,608,149**	**$ 21,843,923**	**$ (33,040,962)**	**$ (187,324,247)**	**$ 123,781,305**

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

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

Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements were authorized for issuance by the Board of Directors on March 11, 2015.

Basis of Presentation and Going Concern

These 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 December 31, 2014, the Company had net working capital of $12,600,087 (December 31, 2013 - $15,309,480), net income for the year ended December 31, 2014 of $19,951,933 (year ended December 31, 2013 – net loss of $92,766,331) and an accumulated deficit of $187,324,247 (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.

Management monitors the gold price closely and adjusts its production and financial plan accordingly to ensure the optimal use of capital. An extended decrease 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 could result in an impairment charge to the consolidated statement of operations.

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

2. BASIS OF PREPARATION (continued)

Principles of Consolidation

a) Subsidiaries

Subsidiaries are entities over which the Company has control, where control exists if the following conditions are present: power over the investee; the Company is exposed, or has rights, to variable returns from its involvement with the investee; and the Company has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

The consolidated financial statements comprise the financial statements of Crocodile Gold Corp. and the following subsidiaries:

	Country of incorporation	Percentage of equity interest December 31, 2014
Crocodile Gold Inc.	Canada	100
Crocodile Gold Australia Pty Ltd	Australia	100
Crocodile Gold Australia Operations Pty Ltd	Australia	100
Northgate Australian Ventures Corporation Pty Ltd	Australia	100
Down Under Finance Corporation Pty Ltd	Australia	100
Fosterville Gold Mine Pty Ltd	Australia	100
Stawell Gold Mines Pty Ltd	Australia	100
Leviathan Resources Pty Ltd	Australia	100

All material inter-company transactions and balances are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Presentation currency

The Company's presentation currency is the U.S. dollar ("$"). The functional currency of Crocodile Gold Corp. and its subsidiary Crocodile Gold Inc. is the Canadian dollar ("C$"). The functional currency of the Company's Australian subsidiaries is the Australian dollar ("A$"). These consolidated financial statements have been translated to the U.S. dollar in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. These guidelines require that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). All resulting exchange differences on translation to the presentation currency are included in accumulated other comprehensive income (loss) in the consolidated statement of changes in equity.

b) Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency translation (continued)

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to profit or loss. In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

c) Revenue recognition

Revenue from the sale of metals is brought to account when all of the following conditions are satisfied:

- the significant risks and rewards of ownership have been transferred to the purchaser;
- the amount of revenue can be measured reliably (i.e. selling prices are known or can be reasonably estimated);
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

d) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

e) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, or are cashable. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are held at Canadian and Australian chartered banks or in major financial institutions.

f) Gold bullion and inventories

Gold bullion, unshipped gold doré, gold in circuit, and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product. Cost is determined by the weighted average method and comprises raw materials, direct labour, and mine-site overhead expenses, including depreciation, incurred in producing finished goods.

Gold in circuit and ore stockpiles represent inventories that are currently in the process of being converted to saleable product. Assumptions include estimates of metal contained and recoverable and the precious metal price expected to be realized. If the cost of inventories is not recoverable due to a decline in selling prices or the costs of completion or sale having increased, the Company could be required to write down the recorded value of its inventories.

Materials and supplies are valued at the lower of cost or net realizable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date. Taxable profit differs from profit as reported in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

h) Exploration and evaluation assets

The acquisition of exploration and evaluation assets is accounted for at initial cost. Exploration and evaluation acquisition costs include the cash consideration and the fair market value of shares issued for exploration and evaluation assets pursuant to the terms of the relevant agreements.

Exploration and evaluation costs incurred prior to determination of the feasibility of exploration and evaluation assets are expensed as incurred. Upon the determination of the feasibility of mining operations and approval of development by the Company, any capitalized acquisition costs are transferred to properties under development.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration, development and mining activities and in which it has an interest, in accordance with industry standards for the current stage of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory and environmental requirements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Deferred mine development expenditures

Subsequent to determination of the feasibility of mining operations and approval of development by the Company, any capitalized acquisition costs are transferred to properties under development.

Ongoing exploration and mine development expenditures are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned.

Mine development costs, including the cost of decline and access development in underground operations and stripping costs (i.e. overburden and other waste removal) in open pit operations, incurred in the development of a mine before commercial production commences, net of any pre-production revenues, are capitalized as part of the cost of constructing the mine. Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, mine development costs are accounted for separately by reference to the ore from each separate deposit. If, however, the deposits are highly integrated for the purpose of the mine planning, the second and subsequent deposits are regarded as extensions of the first deposit in accounting for mine development costs. In such cases, the initial mine development cost of the second and subsequent pits is considered to be production phase stripping relating to the combined operation. Mine development costs incurred during the production stage of a mine in operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material.

These costs will be depreciated using the unit-of-production method over the estimated life of the related resources following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when an impairment of value has been determined to have occurred.

Mine development costs are included as part of mine properties. These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

j) Property, plant and equipment and mine properties

Upon completion of mine construction, the deferred mine development expenditures are transferred into property, plant and equipment or mine properties. Items of property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the estimated decommissioning and rehabilitation costs associated with the asset. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the consolidated statement of operations when the asset is derecognized. The assets' residual value, useful lives and methods of depreciation are reviewed at each reporting period, and adjusted prospectively if appropriate.

Depreciation
Accumulated mine development costs are depreciated on a unit-of-production basis over the expected economically recoverable resources of the mine concerned, except in the case of an asset whose useful life is shorter than the life of the mine, in which case the straight-line method is applied.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Property, plant and equipment and mine properties (continued)

Depreciation (continued)
Items of property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives as follows:

- Mobile plant and equipment – 2 to 8 years or units of production if shorter
- Mine infrastructure – Units of production
- Mill – 20 years or units of production

Capital work-in-progress, which is included in property, plant and equipment or mine properties as appropriate, is not depreciated until the assets are ready for their intended use.

Major maintenance and repairs
Expenditures on major maintenance refits or repairs comprise the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, the expenditure is capitalized.

All other day-to-day maintenance costs are expensed as incurred.

k) Investments

Investments in publicly-held companies which are traded on a recognized securities exchange are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the investments are revalued to their fair values based on quoted closing prices at the statement of financial position date. The fair value of investments in publicly-held companies is classified as level one.

Investments in privately-held companies are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements. The fair value of investments in privately-held companies is classified as level three.

With respect to valuation, the financial information of private companies in which the Company has investments may not always be available, or such information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these may not be realized or realizable. In addition to the events described below, which may affect a specific investment, the Company will take into account general market conditions when valuing its privately-held investments. The absence of occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

An upward or downward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher or lower than the Company's carrying value; or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive or negative impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately-held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Impairment of non-financial assets

The carrying values of exploration and evaluation assets, deferred mine development expenditures, mine properties, and property, plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

For exploration and evaluation assets, indicators of impairment would include expiration of a right to explore, no budgeted or planned material expenditure in an area, or a decision to discontinue exploration in a specific area.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. This generally results in the Company evaluating its non-financial assets on a geographical basis related to the location of the processing plant.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of operations so as to reduce the carrying amount to its recoverable amount.

For assets excluding goodwill and indefinite life intangibles, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of operations. Impairment losses recognized in relation to goodwill or indefinite life intangibles are not reversed for subsequent increases in its recoverable amount.

m) Financial assets

Initial recognition
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash and cash equivalents, restricted cash, receivables, and investments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in finance income and finance costs in the consolidated statement of operations.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statement of operations. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial assets (continued)

Subsequent measurement (continued)
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of operations. The losses arising from impairment are recognized in the consolidated statement of operations.

Derecognition
A financial asset (or, where applicable, a part of a financial asset) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial assets (continued)

Impairment of financial assets (continued)
The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of operations. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statement of operations. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of operations.

n) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, credit facilities, equipment loans, contingent payments, other borrowings, and convertible debentures.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of operations.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of operations when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statement of operations.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of operations.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial liabilities (continued)

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

o) Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a capital lease obligation. Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

p) Convertible debentures

The liability and equity components of convertible debentures are presented separately on the consolidated statement of financial position starting from initial recognition.

The liability component is recognized initially at fair value, by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method; the liability component is increased by accretion of the discounted amounts to reach the nominal value of the debentures at maturity.

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability from the amount of the debentures and is presented in shareholders' equity as equity component of convertible debentures. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry. A deferred tax liability is recognized with respect to any temporary difference that arises from the initial recognition of the equity component separately from the liability component. The deferred tax is charged directly to the carrying amount of the equity component. Subsequent changes in the deferred tax liability are recognized through the consolidated statement of operations.

Transaction costs are distributed between liability and equity on a pro-rata basis of their carrying amounts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Provisions

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

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of operations net of any reimbursement.

Rehabilitation provision
The Company records the present value of the estimated costs of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. The nature of these rehabilitation activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and rehabilitation, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of operations as a finance cost. The cost estimates are updated annually during the life of the operation to reflect known developments (e.g. additional disturbances, changes in rehabilitation costs, changes in legal or regulatory requirements, changes in the timing of reclamation, or changes in interest rates) and any changes are recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of operations.

Employee entitlements
Employee entitlements to long service leave are recognized as the employees earn them. A provision, stated at current cost, is made for the estimated liability at period end.

r) Earnings (loss) per share

Basic earnings (loss) per common share has been computed by dividing the earnings applicable to common shareholders by the weighted-average number of common shares outstanding during the representative periods. Diluted earnings (loss) per common share is determined whereby the deemed proceeds on the exercise of share options and other dilutive instruments are considered to be used to reacquire common shares at the average price for the period with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted earnings (loss) per share calculation excludes any potential conversion of options, warrants and convertible debentures that would decrease the loss per share.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the consolidated financial statements and reported amounts of expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets and are based on historical experience and other factors considered relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Critical Accounting Estimates and Assumptions

The following is a list of accounting estimates the Company believes are critical, due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported. Actual results may differ from these estimates.

- Reserve and resource estimates are used in the calculation of depletion and depreciation expense, to calculate the fair value of assets acquired in a business combination, to fair value the contingent consideration associated with the acquisition of Navco (see note 28), to calculate the recoverable amount of a CGU and any required impairment, and to forecast the life of mine. The Company makes estimates of the quantities of reserves and resources, which requires significant subjective assumptions that arise from the evaluation of geological, engineering and economic data for a given ore body. These estimates could change over time due to various factors, including new information gained from mining and development, drill results and updated economic data.
- The Company forecasts prices of commodities, exchange rates, discount rates, production costs, production volumes and grades, and recovery rates. These estimates may change the economic status of reserves and may result in revisions to reserves and resources. These estimates are used to calculate the fair value of assets acquired in a business combination, the fair value of the contingent consideration associated with the Navco acquisition (see note 28) and the recoverable amount of a CGU and any required impairment.
- The Company allocates production costs to ore in stockpile and gold in circuit. This requires the estimate of contained gold and recovery rates. Ultimate ounces recovered will only be known when the metal is poured and refined.
- Levels of future taxable income are affected by, among other things, Australian dollar gold prices, product costs and capital investment. The Company makes estimates of the likelihood of whether or not all or some portion of each deferred income tax asset will be realized, which is mainly impacted by historic and future levels of taxable income and tax planning initiatives.
- Significant estimates and assumptions are made in determining the nature, timing and amount of expenditures which will be required to settle the Company's rehabilitation obligations. These estimates could change in the future due to increased disturbance, technological changes, changes in the regulatory environment, cost increases, and changes to the discount rate.
- The Company amortizes its property, plant and equipment, net of residual value, on a straight line basis over the estimated useful life of each asset. The physical life of the assets or their related components may differ from the Company's estimate, which would result in an adjustment to depreciation expense and any required impairment.
- Determining the fair value of certain share-based payments requires the estimates of interest rates, expected life of options, share price volatility and the application of the Black-Scholes option pricing model. The model requires subjective assumptions which can materially impact the fair value estimate, and actual results may differ over time.
- 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 judgment to determine the fair value.

Critical Accounting Judgments

The following is a critical judgment that management has made in the process of applying accounting policies that may have a significant impact on the amounts recognized in the consolidated financial statements.

- The Company makes estimates about which indicators to consider when determining whether a mine has reached an operating level consistent with the use intended by management. The determination of commercial production may impact whether costs are capitalized as mine properties or expensed as operating costs, and the timing and amount of depreciation and depletion.

5. NEW ACCOUNTING STANDARDS ADOPTED

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 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 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 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 consolidated financial statements upon adoption of this standard.

6. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Recently issued but not adopted accounting guidance includes IFRS 8 *Operating Segments* and IFRS 9 *Financial Instruments*. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

IFRS 8 *Operating Segments* ("IFRS 8") was amended to require an entity to disclose the judgments 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.

IFRS 9 *Financial Instruments* ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 *Revenue From Contracts With Customers* ("IFRS 15") proposes to replace IAS 18 *Revenue*, IAS 11 *Construction Contracts,* and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

7. OPERATING SEGMENTS

Revenue and cost of operations by operating segment for the year ended December 31, 2014 are as follows:

	Northern Territory	Fosterville	Stawell	Total
Revenue				
Gold	$ 101,648,478	$ 130,411,852	$ 49,649,667	$ 281,709,997
Silver	192,964	35,444	129,947	358,355
Other	-	-	670,727	670,727
	101,841,442	130,447,296	50,450,341	282,739,079
Cost of operations				
Operating expense	(80,330,199)	(76,267,274)	(45,243,383)	(201,840,856)
Royalty expense	-	(124,958)	(68,351)	(193,309)
Depletion and depreciation	(7,777,863)	(31,102,788)	(543,143)	(39,423,794)
	(88,108,062)	(107,495,020)	(45,854,877)	(241,457,959)
Mine operating income	**$ 13,733,380**	**$ 22,952,276**	**$ 4,595,464**	**$ 41,281,120**

Capital expenditures by operating segment for the year ended December 31, 2014 are as follows:

	Northern Territory	Fosterville	Stawell	Total
Mine development	$ 18,101,873	$ 38,271,676	$ 3,063,916	$ 59,437,465
Property, plant and equipment	1,964,296	4,491,403	849,728	7,305,427
Total capital expenditures	**$ 20,066,169**	**$ 42,763,079**	**$ 3,913,644**	**$ 66,742,892**

Revenue and cost of operations by operating segment for the year ended December 31, 2013 were as follows:

	Northern Territory	Fosterville	Stawell	Total
Revenue				
Gold	$ 101,287,455	$ 141,157,178	$ 56,805,991	$ 299,250,624
Silver	217,529	36,246	156,723	410,501
Other	-	-	1,164,031	1,164,031
	101,504,984	141,193,424	58,126,748	300,825,156
Cost of operations				
Operating expense	(85,322,060)	(82,657,117)	(50,714,629)	(218,693,806)
Royalty expense	-	(129,624)	(76,852)	(206,476)
Depletion and depreciation	(15,165,745)	(47,770,515)	(13,920,324)	(76,856,584)
	(100,487,805)	(130,557,256)	(64,711,805)	(295,756,866)
Mine operating income	**$ 1,017,179**	**$ 10,636,168**	**$ (6,585,057)**	**$ 5,068,290**

Capital expenditures by operating segment for the year ended December 31, 2013 were as follows:

	Northern Territory	Fosterville	Stawell	Total
Mine development	$ 26,662,443	$ 35,801,212	$ 5,114,252	$ 67,577,907
Property, plant and equipment	1,560,691	3,404,514	217,436	5,182,641
Total capital expenditures	**$ 28,223,134**	**$ 39,205,726**	**$ 5,331,688**	**$ 72,760,548**

8. OTHER (LOSSES) GAINS

		2014		2013
(Loss) gain on disposal of property, plant and equipment	**$**	**(291,912)**	$	648,081
Other income		**449,003**		1,018,483
Gain on revaluation of investments (note 18)		**382,145**		-
(Loss) gain on revaluation of contingent liability (note 28)		**(9,660,424)**		19,886,069
Write-down of financial deposits (note 15)		**(989,428)**		-
Net foreign exchange loss		**(55,632)**		(353,462)
	$	**(10,166,248)**	$	21,199,171

9. FINANCE COSTS

		2014		2013
Interest on capital leases and other loans	**$**	**367,084**	$	468,299
Accretion on discount of credit facility		**121,102**		3,599,400
Accretion on discount of contingent liability (note 28)		**2,768,483**		3,510,141
Accretion on discount of convertible unsecured debentures (note 26)		**3,572,293**		2,713,501
Unwinding of discount on rehabilitation provision (note 27)		**1,139,188**		1,012,810
	$	**7,968,150**	$	11,304,151

10. INCOME TAXES

a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the Canadian combined federal and provincial statutory rate of 26.5% (December 31, 2013: 26.5%) were:

		2014		2013
Income (loss) before income taxes	**$**	**23,032,108**	$	(86,918,049)
Expected income tax expense (recovery) at statutory rates		**6,104,000**		(23,033,000)
Adjustments to expected income tax benefit:				
Expenses not deductible for tax purposes and other		**12,344,175**		1,927,282
Change in foreign exchange rates and statutory tax rates of foreign subsidiaries		**14,185,000**		(22,086,000)
Change in benefit of tax assets not recognized		**(29,553,000)**		49,040,000
	$	**3,080,175**	$	5,848,282

10. INCOME TAXES (continued)

b) Deferred income tax balances

The tax effect of temporary differences that give rise to deferred income tax assets and liabilities in Canada at December 31, 2014 and 2013 are as follows:

		2014		2013
Deferred income tax assets (liabilities) recognized:				
Non-capital losses	**$**	**8,135,866**	$	18,301,549
Mine properties		**(344,000)**		(5,268,000)
Convertible unsecured debentures		-		(1,510,000)
Deferred tax asset recognized	**$**	**7,791,866**	$	11,523,549
Deferred income tax assets have not been recognized in respect of the following temporary differences:				
Non-capital loss carry forwards	**$**	**297,875,000**	$	299,717,000
Capital loss carry forwards		**7,012,000**		4,901,000
Mine properties		**219,651,000**		295,077,000
Share issue costs		**3,282,000**		5,718,000
Other		**4,055,000**		286,000
Unrecognized deferred tax assets	**$**	**531,875,000**	$	605,699,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

c) The Company has approximately $48,879,000 of Canadian non-capital operating losses and approximately $276,120,000 of Australian non-capital operating losses as at December 31, 2014 which under certain circumstances can be used to reduce the taxable income of future years. The Canadian non-capital operating losses have expiry dates between 2024 and 2034 and the Australian non-capital operating losses have no expiry date.

11. GOLD BULLION

	December 31, 2014	December 31, 2013
Ounces held (oz)	**2,750**	-
Weighted average production cost ($/oz)	**888**	-
Production cost ($)	**2,441,661**	-
Spot price for gold, year end ($/oz)	**1,206**	-
Market value ($)	**3,316,500**	-

As at December 31, 2014, gold bullion was recorded at cost and was held in a metals account at the Perth Mint in Perth, Australia. The gold bullion held at year-end was sold in January 2015.

12. RESTRICTED CASH

		December 31, 2014		December 31, 2013
Environmental bonds (note 33(b))	**$**	**19,864,538**	$	22,904,030
Debt service reserve account		**-**		780,605
Other		**144,828**		1,122,940
		20,009,366		24,807,575
Current portion of restricted cash		**(133,879)**		(1,109,458)
Non-current portion of restricted cash	**$**	**19,875,487**	$	23,698,117

13. RECEIVABLES

	December 31, 2014	December 31, 2013
Metal sales receivable	**$ 32,553**	$ 27,848
Sales taxes receivable (Australian and Canadian)	**1,762,572**	1,696,186
Other receivables	**513,378**	925,718
	$ 2,308,503	$ 2,649,752

Receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost.

Certain metal sales are settled within three days of delivery; there are therefore no doubtful accounts. In determining the recoverability of other receivables, the Company considers any change in the credit quality of the receivable. The concentration of credit risk is limited due to the nature of the counterparties involved.

14. INVENTORIES

	December 31, 2014	December 31, 2013
Unshipped gold doré	**$ 9,415**	$ 1,430,092
Gold in circuit	**4,714,465**	8,381,791
Ore stockpiles	**3,748,173**	9,659,889
Supplies and consummables	**12,046,373**	13,140,366
	$ 20,518,426	$ 32,612,138

As at December 31, 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 consolidated statement of operations during the year ended December 31, 2014 was $nil (year ended December 31, 2013 - $1,815,280).

15. 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.

15. FINANCIAL DEPOSITS (continued)

As at December 31, 2014, total financial deposits to the TRO were $2,284,696 (December 31, 2013 - $3,453,504). During the year ended December 31, 2014, the Company recorded a write-down to financial deposits of $989,428 (year ended December 31, 2013 - $nil) with respect to a portion of the total which the Company believed was unlikely to be recoverable. The write-down has been included in other (losses) gains on the consolidated statement of operations.

On March 6, 2015, the Supreme Court of the Northern Territory released its reasons for judgment on the matter and ruled in favour of the Company's appeal. Consequently, the Company is entitled to be remitted A$2,796,000 by the TRO, as well as certain costs related to legal fees incurred. The rules of the Court provide that the TRO has 28 days to appeal the Court's decision; the Company is unable to comment whether the TRO will lodge an appeal.

16. MINE PROPERTIES

	December 31, 2014	December 31, 2013
Northern Territory (including the Cosmo Gold Mine)	**$ 48,183,994**	$ 37,638,289
Fosterville Gold Mine	**53,948,995**	29,522,763
Stawell Gold Mines	**7,265,735**	4,828,099
	$ 109,398,724	$ 71,989,151

Movements in carrying amounts:

	December 31, 2014	December 31, 2013
Opening balance	**$ 71,989,151**	$ 260,946,347
Additions	**59,437,465**	67,577,907
Transfers	**828,567**	4,261,435
Change in rehabilitation provision	**2,917,622**	4,641,636
Disposals	**(688,517)**	**-**
Depreciation	**(23,522,670)**	(55,540,932)
Impairment reversal (charge)	**8,358,933**	(175,899,331)
Exchange adjustment	**(9,921,827)**	(33,997,911)
	$ 109,398,724	$ 71,989,151

For the year ended December 31, 2014, the Company identified the significant increase in the resource base of the Fosterville Gold Mine as an indicator of a potential reversal to an impairment recognized against Fosterville's carrying value for the year ended December 31, 2013. The Company also identified the increasing Australian dollar gold price as an indicator, such increase having resulted from the significant decrease in the exchange rate of the Australian dollar relative to the US dollar. Consequently, the Company performed an assessment to determine the recoverable amount of its mine operations for a potential impairment reversal by comparing the carrying value of the Fosterville Gold Mine, the lowest level of assets and liabilities for which there are independent cash flows, plus the amount of the impairment recognized in 2013 (adjusted for amortization that would have been recognized had the impairment not been recognized), 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 the mine were the future gold price, discount rates, and operating cash costs and capital expenditures. The Company bases its future gold price estimate with reference to forward prices and analyst forecasts of future prices. For the determination of the impairment reversal, a gold price estimate of A$1,550 was used for 2015, A$1,525 for 2016, A$1,500 for 2017 and A$1,450 for 2018 and beyond, taking into account the impact of the Australian dollar exchange rate on the US dollar gold price. A discount rate of 12.5% was used to present value the estimated future cash flows from the operation.

The cash flows were based on the updated mine plan which incorporated the recent increase to the mineral reserves and resources, with reference to the exploration drilling results from the 2014 year. The Company also estimated the revenues and costs related to the conversion of a portion of the resource to reserves over the life of the mine, where appropriate based on historical experience and resource confidence. At December 31, 2014, the discounted cash flows over the life of mine for Fosterville exceeded the carrying value of the long-lived assets of the mine and an impairment reversal of $8,358,933 was recorded in the consolidated statement of operations.

16. MINE PROPERTIES (continued)

As at December 31, 2014, the Company concluded that there were no impairment charges required for the Northern Territory assets or Stawell Gold Mines.

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 each of the Company's mines.

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.

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.

17. PROPERTY, PLANT AND EQUIPMENT

		December 31, 2014		December 31, 2013
Northern Territory (including the Cosmo Gold Mine)	**$**	**30,512,042**	$	32,816,854
Fosterville Gold Mine		**16,592,873**		22,469,176
Stawell Gold Mines		**1,290,728**		968,166
	$	**48,395,643**	$	56,254,196

Movements in carrying amounts:

		December 31, 2014		December 31, 2013
Property, plant and equipment				
Opening balance	**$**	**53,182,888**	$	80,989,261
Additions		**7,305,427**		5,182,641
Transfers		**(480,572)**		(3,334,629)
Disposals		**(94,464)**		(90,037)
Depreciation expense		**(12,074,813)**		(20,073,007)
Exchange adjustment		**(4,018,884)**		(9,491,341)
	$	**43,819,582**	$	53,182,888
Property, plant and equipment under capital leases				
Opening balance	**$**	**3,071,308**	$	7,304,744
Additions		**3,925,218**		4,996
Transfers		**-**		(876,225)
Disposals		**(451,289)**		(37,245)
Depreciation expense		**(1,527,142)**		(2,507,260)
Exchange adjustment		**(442,034)**		(817,702)
	$	**4,576,061**	$	3,071,308
	$	**48,395,643**	$	56,254,196

18. INVESTMENTS

	December 31, 2014	December 31, 2013
JDS Silver Inc.	**$ 5,238,810**	$ -
Primary Gold Limited	**193,176**	763,802
Navarre Minerals Limited	**199,928**	208,405
	$ 5,631,914	$ 972,207

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. As at December 31, 2014, the Company's holdings represented a 19.2% interest as a result of a C$1,105,166 equity financing in which the Company did not participate. On March 3, 2015, the Company subscribed for 357,143 common shares of JDS Silver for consideration of C$500,000. The subscription was part of a C$2,483,048 equity financing completed by JDS Silver totaling 1,773,606 shares. As a result of the subscription, the Company's investment now represents a 19.3% interest in JDS Silver. Based on the share price of the recent equity financings, the Company recorded $382,145 as a gain on the revaluation of the investment, which was included in other (losses) gains on the consolidated statement of operations for the year ended December 31, 2014.

The Company also holds investments in Primary Gold Limited and Navarre Minerals Limited ("Navarre"), both listed on the Australian Stock Exchange. These investments have been revalued to their fair value based on their quoted market prices as at December 31, 2014. During the year ended December 31, 2014, $818,137 was recorded as an unrealized loss in other comprehensive income (year ended December 31, 2013 – $1,927,057). On February 11, 2015, the Company subscribed for 5,833,333 common shares of Navarre for consideration of A$175,000.

19. ISSUED CAPITAL

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

Issued capital comprises:

	December 31, 2014	December 31, 2013
475,815,983 fully paid common shares (December 31, 2013: 406,378,963)	**$ 311,685,334**	$ 297,407,306
820,000 unvested common shares to be issued (December 31, 2013: nil)	**9,108**	-
63,882,693 common share purchase warrants (December 31, 2013: 46,575,000)	**10,608,149**	9,365,657
	$ 322,302,591	$ 306,772,963

19. ISSUED CAPITAL (continued)

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 (i)	69,230,770		14,251,917
Exercise of share options	206,250		18,134
Exercise of share options – option valuation transferred from equity reserves (note 20)	-		7,977
Balance as at December 31, 2014	**475,815,983**	**$**	**311,685,334**

(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 (i)	17,307,693		1,242,492
Balance as at December 31, 2014	**63,882,693**	**$**	**10,608,149**

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

Summary of warrants outstanding at December 31, 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 (i)
63,882,693		$	10,608,149	

(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.

20. 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		359,057
Exercise of share options – option valuation transferred to common shares (note 19)		(7,977)
Balance as at December 31, 2014	**$**	**21,843,923**

21. 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.

During the year ended December 31, 2014, the Company allocated 820,000 shares (year ended December 31, 2013 – nil) out of a total of 822,506 shares available for issuance under the share compensation plan (December 31, 2013 – 622,506 shares) to directors, officers, and employees of the Company. The allocated shares were granted on December 23, 2014 and shall be issued from treasury on a quarterly basis in four equal installments beginning January 23, 2015, provided the person remains contracted to the Company at the date the shares are issued. During the year ended December 31, 2014, $9,108 was recognized as share-based compensation in the consolidated statement of operations from the vesting of the allocated shares (year ended December 31, 2013 – $nil).

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 year ended December 31, 2014, 8,095,000 share options were granted to directors, officers, and employees of the Company at an exercise price of C$0.13. These options had a grant date estimated fair value of $504,546. Of the 8,095,000 options granted:

- 5,050,000 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;

- 3,045,000 of the options will vest 50% on the date of grant with the remaining 50% vesting in four equal quarterly installments over a 12 month period from the date of grant.

21. SHARE-BASED PAYMENTS (continued)

Employee share option plan (continued)

During the year ended December 31, 2013, 10,830,000 share options were granted to directors, officers, and a consultant of the Company at a weighted average exercise price of C$0.16. These options had a grant date estimated fair value of $441,217. 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. During the year ended December 31, 2014, 123,750 unvested options were forfeited.

- 3,400,000 of the options will vest 50% on the date of grant with the 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 year ended December 31, 2014, the unvested options were cancelled.

During the year ended December 31, 2014, $359,057 was recorded as share-based compensation in the consolidated statement of operations from the vesting of share options (year ended December 31, 2013 – $921,464).

The following share-based payment arrangements were in existence as at December 31, 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	4,500,000	4,225,000	183,324	September 25, 2018
0.13	January 13, 2014	1,500,000	750,000	96,257	January 13, 2019
0.13	December 23, 2014	6,595,000	1,966,250	408,289	December 23, 2019
0.33	April 30, 2013	1,000,000	1,000,000	25,211	June 30, 2015
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
0.90	April 12, 2011	170,000	170,000	79,198	April 12, 2016
0.99	June 6, 2011	2,035,000	2,035,000	733,515	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
1.43	November 23, 2010	2,490,000	2,490,000	1,681,898	November 23, 2015
$ 0.39		22,960,000	15,306,250	$ 3,841,056	

The share options outstanding at the end of the year had a weighted average exercise price of C$0.39 (December 31, 2013 – C$0.62) and a weighted average remaining contractual life of 1,203 days (December 31, 2013 – 1,054 days).

21. SHARE-BASED PAYMENTS (continued)

Employee share option plan (continued)

Fair value of share options granted

The weighted average fair value of the share options granted during the year ended December 31, 2014 is C$0.07 (year ended December 31, 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 three years of the Company and the industry in which it operates.

The fair value of options granted during the years ending December 31, 2014 and 2013 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2014	2013
Grant share price	**C$0.13**	C$0.11
Exercise price	**C$0.13**	C$0.13
Expected volatility	**86%**	68%
Expected life	**3 years**	2.69 years
Expected dividend yield	**0%**	0%
Expected forfeiture rate	**5%**	5%
Risk-free interest rate	**1.03%**	1.18%
Weighted average grant date fair value	**C$0.07**	C$0.04

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	8,095,000	0.13
Exercised	(206,250)	0.10
Expired	(1,575,000)	1.30
Forfeited	(7,923,750)	0.68
Balance as at December 31, 2014	**22,960,000**	**$ 0.39**

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 consolidated statement of operations with a corresponding entry in accrued liabilities.

No PSUs were granted during the year ended December 31, 2014 (year ended December 31, 2013 – 300,000). A total of 275,000 PSUs were forfeited during the year ended December 31, 2014 (year ended December 31, 2013 – nil). The total amount of granted PSUs outstanding as at December 31, 2014 is 1,755,000. As at December 31, 2014, 1,555,000 of the PSUs were vested with an estimated fair value of $3,448.

22. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2014	December 31, 2013
Accounts payable	**$ 11,199,324**	$ 12,401,134
Accrued liabilities	**19,379,610**	23,874,442
	$ 30,578,934	$ 36,275,576

Accounts payable and accrued liabilities are non-interest bearing and are generally due within 30 days or payable on demand. The Company has robust cash management policies and processes in place to ensure that all payables are paid within their credit terms.

23. LONG-TERM DEBT

	December 31, 2014	December 31, 2013
Capital lease obligations (note 24)	**$ 2,765,501**	$ 2,686,591
Convertible unsecured debentures (note 26)	**25,536,196**	26,737,930
Other borrowings	**789,940**	-
Credit facility (note 25)	**-**	4,819,444
	$ 29,091,637	$ 34,243,965
Current portion		
Capital lease obligations	**$ 1,329,932**	$ 2,426,502
Convertible unsecured debentures	**2,228,469**	2,430,063
Other borrowings	**328,670**	-
Credit facility	-	4,819,444
	$ 3,887,071	$ 9,676,009
Non-current portion		
Capital lease obligations	**$ 1,435,569**	$ 260,089
Convertible unsecured debentures	**23,307,727**	24,307,867
Other borrowings	**461,270**	-
	$ 25,204,566	$ 24,567,956

24. 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 $4,576,061 as at December 31, 2014. The loans bear interest at rates ranging between 4.40% and 8.50% per annum with maturity dates between January 15, 2015 and November 30, 2017. Interest expense related to the equipment loans of $271,247 has been charged to the consolidated statement of operations in the year ended December 31, 2014 (year ended December 31, 2013 - $365,002).

Loan liabilities:

	December 31, 2014	December 31, 2013
2014	**$ -**	$ 2,531,151
2015	**1,464,654**	265,315
2016	**1,079,624**	-
2017	**424,723**	-
Total minimum loan payments	**2,969,001**	2,796,466
Less: Future finance charges	**(203,500)**	(109,875)
Present value of minimum loan payments	**2,765,001**	2,686,591
Not later than one year	**(1,329,932)**	(2,426,502)
Later than one year	**$ 1,435,569**	$ 260,089

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

25. 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 two.

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 was returned to the Company.

26. 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 statement 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 were 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 year ended December 31, 2014, accretion of $3,572,293 was recorded as finance costs in the consolidated statement of operations (year ended December 31, 2013 - $2,713,501). A deferred tax recovery on the issuance of the debentures of $1,889,152 was recorded for the year ended December 31, 2013.

27. PROVISIONS

	December 31, 2014	December 31, 2013
Decommissioning, rehabilitation and similar liabilities	**$ 35,678,384**	$ 36,203,277
Long service leave	**6,828,555**	6,075,610
Total provisions	**42,506,939**	42,278,887
Current provisions	**(6,951,471)**	(5,690,451)
Non-current provisions	**$ 35,555,468**	$ 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 2032. The estimated undiscounted cash flows used to estimate the liability are $38,148,511. 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 2.14% to 2.81%, 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:

	December 31, 2014	December 31, 2013
Balance, beginning of the year	**$ 36,203,277**	$ 36,612,029
Increase in provisions recognized	**3,311,971**	4,641,636
Site closure and reclamation costs paid	**(1,656,432)**	(796,273)
Unwinding of discount on rehabilitation provision	**1,139,188**	1,012,810
Effect of foreign exchange	**(3,319,620)**	(5,266,925)
Balance, end of the year	**35,678,384**	36,203,277
Current portion of rehabilitation provision	**(2,207,982)**	(1,696,029)
Non-current portion of rehabilitation provision	**$ 33,470,402**	$ 34,507,248

During the year ended December 31, 2014, $394,350 was included in care and maintenance in the consolidated statement of operations from the increase in provisions recognized on the rehabilitation of non-core assets (year ended December 31, 2013 – $nil).

(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 December 31, 2014, the total accrued long service leave was $6,828,555, of which $4,743,489 was classified as a current liability in the consolidated statement of financial position ($6,075,610 and $3,994,422 as at December 31, 2013, respectively).

28. 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 Fosterville and Stawell Gold Mines 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.

The Company made its first payment of $2,464,394 (C$2,693,327) under the net free cash flow sharing arrangement in June 2014. As at December 31, 2014, the Company had recorded a current liability of $8,732,922 based on the cumulative net free cash flow calculation under the existing arrangement.

On December 22, 2014, the Company announced that it had reached an agreement with AuRico to terminate the net free cash flow sharing arrangement in exchange for a one-time payment of C$20,000,000 and the granting of a 2% net smelter return royalty over the Fosterville Gold Mine commencing on the effective date of the termination agreement, and a 1% net smelter return royalty over Stawell Gold Mines commencing January 1, 2016. The agreement was subject only to approval by the Australian Foreign Review Investment Board, such approval having been received subsequent to December 31, 2014. The effective date of the termination agreement was January 14, 2015, at which time the Company made the one-time payment and granted the royalties over the Fosterville and Stawell Gold Mines. Consequently the contingent consideration obligation in the consolidated statement of financial position as at December 31, 2014 was fully extinguished on the execution date.

At December 31, 2014, the total contingent payment liability was revalued to reflect the valuation implied by the terms of the termination agreement between the two parties. The loss on the revaluation of the liability of $9,660,424 was recorded in other (losses) gains in the consolidated statement of operations (year ended December 31, 2013 – gain of $19,886,069). Accretion of the discount on the contingent payments of $2,768,483 was included in finance costs in the consolidated statement of operations for the year ended December 31, 2014 (year ended December 31, 2013 – $3,510,141).

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 years ended December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
Balance, beginning of the year	**$ 22,323,169**	$ 40,637,250
Payments	**(2,464,394)**	-
Accretion of discount	**2,768,483**	3,510,141
Loss (gain) on change in fair value through profit or loss	**9,660,424**	(19,886,069)
Effect of foreign exchange	**(2,117,682)**	(1,938,153)
Balance, end of the year	**30,170,000**	22,323,169
Current portion	**(8,732,922)**	-
Non-current portion	**$ 21,437,078**	$ 22,323,169

29. OPERATING LEASE ARRANGEMENTS – COMPANY AS THE LESSEE

Leasing arrangements:

The Company has entered into leases for offices and other equipment in Australia and Canada. These leases have terms of 1 to 5 years (2013 – 1 to 4 years) with renewal terms at the option of the lessee at lease payments based on market prices at the time of renewal. There are no restrictions placed upon the lessee by entering into these leases.

Payments recognized as an expense were as follows in the year ended:

	December 31, 2014	December 31, 2013
Minimum lease payments	**$ 1,414,989**	$ 2,515,291

Minimum commitments remaining under these leases were as follows:

	December 31, 2014	December 31, 2013
2014	**$ -**	$ 755,075
2015	**1,496,277**	10,805
2016	**119,083**	2,368
2017	**34,066**	2,368
2018	**5,648**	-
2019	**1,581**	-
	$ 1,656,655	$ 770,616

30. SUPPLEMENTAL CASH FLOW INFORMATION

As at December 31, 2014, the Company's cash and cash equivalents balance of $33,775,417 (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 $3,316,500 (December 31, 2013 – $nil) held in a metals account at the Perth Mint in Perth, Australia.

	2014	2013
Working capital adjustments		
Change in gold bullion	**$ (2,758,450)**	$ -
Change in receivables	**143,497**	(48,762)
Change in inventories	**8,002,502**	(1,147,467)
Change in prepaid expenses	**(802,138)**	(2,619,207)
Change in accounts payable and accrued liabilities	**(3,217,147)**	(2,330,311)
Change in provisions	**1,424,883**	555,967
Payments against rehabilitation liabilities	**(1,656,432)**	(796,273)
	$ 1,136,715	$ (6,386,053)
Non-cash transaction		
Property, plant and equipment acquired through capital lease	**$ 3,925,218**	$ -
Insurance premiums financed by loan	**3,700,841**	3,878,369
Value of shares received related to assets available for sale	**-**	1,584,719
Other information		
Interest paid (including any related withholding taxes)	**$ 367,292**	$ 716,533

31. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in note 3.

The Company's financial assets and financial liabilities as at December 31, 2014 and 2013 were as follows:

	Cash, loans and receivables	Assets / liabilities at fair value through profit and loss	Available for sale	Other financial assets / liabilities	Total
December 31, 2014:					
Cash and cash equivalents	$ 33,775,417	$ -	$ -	$ -	$ 33,775,417
Restricted cash	20,009,366	-	-	-	20,009,366
Receivables	2,308,503	-	-	-	2,308,503
Other financial assets – current	-	-	-	3,572,599	3,572,599
Other financial assets – non-current	2,284,696	-	-	-	2,284,696
Investments	-	5,238,810	393,104	-	5,631,914
Accounts payable and accrued liabilities	-	-	-	30,578,934	30,578,934
Other financial liabilities – current	-	-	-	1,658,602	1,658,602
Other financial liabilities – non-current	-	-	-	1,896,839	1,896,839
Contingent payments	-	30,170,000	-	-	30,170,000
December 31, 2013:					
Cash and cash equivalents	$ 27,591,430	$ -	$ -	$ -	$ 27,591,430
Restricted cash	24,807,575	-	-	-	24,807,575
Receivables	2,649,752	-	-	-	2,649,752
Other financial assets – current	-	-	-	2,988,738	2,988,738
Other financial assets – non-current	3,453,504	-	-	-	3,453,504
Investments	-	-	972,207	-	972,207
Accounts payable and accrued liabilities	-	-	-	36,275,576	36,275,576
Other financial liabilities – current	-	-	-	7,245,946	7,245,946
Other financial liabilities – non-current	-	-	-	260,089	260,089
Contingent payments	-	22,323,169	-	-	22,323,169

At December 31, 2014, there are no significant concentrations of credit risk for loans and receivables designated at fair value through profit and loss. The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables.

Capital management

The capital of the Company consists of common shares, warrants, options and debt instruments.

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mining properties. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, the risk characteristics of the underlying assets and working capital requirements. In order to maintain or adjust its capital structure, the Company may issue new shares, seek debt financing, or acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, transactions involving equity instruments, as well as capital and operating budgets.

The Company is not subject to any externally imposed capital requirements.

31. FINANCIAL INSTRUMENTS (continued)

Capital management (continued)

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes in the risks, objectives, policies and procedures in 2014 or 2013.

As at December 31, 2014, the capital structure of the Company consists of shareholders' equity totaling $123,781,305 (December 31, 2013 – $99,720,643), capital lease obligations of $2,765,501 (December 31, 2013 – $2,686,591), other borrowings of $789,940 (December 31, 2013 – $nil), a credit facility of $nil (December 31, 2013 – $4,819,444) and convertible unsecured debentures with a present value of $25,536,196 (December 31, 2013 – $26,737,930) and face value of $34,500,000 (December 31, 2013 – $34,500,000).

Financial risk factors

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

Credit risk

The Company's credit risk is primarily attributable to trade and other amounts receivable, which consist primarily of goods and services tax due from the Federal Governments of Australia and Canada. Consequently, credit risk is considered low and no allowance for doubtful debts has been recorded at the date of the statement of financial position. The company's cash and cash equivalents and restricted cash are held with large, reputable Canadian and Australian financial institutions from which management believes the risk of loss to be remote. At December 31, 2014, there were no significant trade receivables and the Company has no significant concentration of credit risk arising from operations.

Liquidity risk

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis; there are no significant payables or obligations related to the credit facility and derivative liability that are outstanding past their due dates. As at December 31, 2014, the Company had a net working capital of $12,600,087, including cash and cash equivalents and gold bullion (at fair value) of $37,091,917.

The Company undergoes an in-depth budgeting process each year which is supplemented by a continuous detailed cash forecasting process. Future financing requirements, if any, will depend on a number of factors that are difficult to predict and are often beyond the control of the Company. These would include the realized price of the actual gold produced from the Company's operating mines and the Cosmo underground development project, and the costs of development and operation of these mines.

31. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

Market risk

(a) Foreign currency risk

The Company is exposed to foreign currency risk as gold is priced in US dollars and the functional currency of the Australian operations is the Australian dollar. The development and operation of the Company's mining assets will largely be funded with Australian dollars. However, gold is priced on international markets in US dollars, the Company's reporting currency. At December 31, 2014, the Australian dollar was worth $0.8171 US dollars, compared to $0.8928 at December 31, 2013. During the year ended December 31, 2014, the average exchange rate of the Australian dollar against the US dollar was $0.9018 (year ended December 31, 2013 – $0.9674).

A 10% change in the average value of the Australian dollar against the US dollar with all other variables held constant would have changed the net income by $4,045,000, or $0.01 per share, during the year ended December 31, 2014.

The Company's cash and cash equivalents were held in the following currencies as at December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
US dollars	**$ 8,962**	$ 2,578
Australian dollars	**12,320,235**	24,718,429
Canadian dollars	**21,446,220**	2,870,423

Except for $60,340, held in Canadian dollars (C$70,000), the restricted cash is held in Australian dollars.

(b) Commodity price risk

The Company is exposed to price risk with respect to commodity prices, specifically the price of gold, but there is also price risk arising from the use of petroleum products. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves, and stability of exchange rates can all cause significant fluctuations in commodities prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

During the year ended December 31, 2014, the average realized gold price was $1,268 per ounce. A 10% change in the gold price realized by the Company during this period would have changed the net income by $28,189,000, or $0.06 per share.

(c) Interest rate risk

The Company's exposure to risks of changes in market interest rates relates primarily to its cash balances. The Company reviews its interest rate exposure periodically, giving consideration to potential renewals of existing positions and alternative financial investments. A 1% change in the short-term rates assuming the $33,775,417 held in cash and cash equivalents at December 31, 2014 would have an effect on income before income tax of approximately $338,000.

32. 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 years ended December 31, 2014 and 2013:

		2014		2013
Short-term compensation and benefits	**$**	**1,004,554**	$	1,798,967
Share-based payments		**352,111**		875,560
Termination payments		**9,919**		17,146
	$	**1,366,584**	$	2,691,673

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 consolidated 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 December 31, 2014, these contracts require that additional payments of approximately $884,000 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 $175,000. Minimum commitments due within one year under the terms of these contracts are $494,000.

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.

33. 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 2015 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 December 31, 2014 nor is it likely that such a scenario would eventuate in 2015, no amount has been accrued in the 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 Stawell Gold Mines 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 December 31, 2014 nor is it likely that such a scenario would eventuate in 2015, no amount has been accrued in the consolidated financial statements.

(b) Environmental bonds

As at December 31, 2014, the Company had provided performance guarantees totaling $19,864,538 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.

(d) Contingent contractual royalty obligations

As at December 31, 2014, 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 Mines 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.

On January 14, 2015, the Company granted royalties over the Fosterville and Stawell Gold Mines as part of the agreement with AuRico to terminate the existing net free cash flow sharing arrangement (refer to note 28).

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 December 31, 2014, approximately 876,400 ounces of gold had been treated in the plant.

33. COMMITMENTS AND CONTINGENCIES

(e) Forward sales commitment

In December 2014, the Company locked into forward sales on a delivery basis for 25,200 ounces of its production for the first quarter of 2015. The gold price for the orders was locked in at A$1,483.50, with equal delivery of 4,200 ounces on the following six dates: January 16, January 30, February 13, February 27, March 13, and March 27, 2015. Revenue will be recognized at the contractual price upon delivery of the gold under the normal revenue recognition policy.

34. SUBSEQUENT EVENTS

On December 22, 2014, the Company announced that it had entered into an agreement with AuRico to terminate the existing net free cash flow sharing arrangement in exchange for a one-time lump-sum payment and the granting of net smelter return royalties over the Fosterville and Stawell Gold Mines. The agreement was subject to approval by the Australian Foreign Investment Review Board. Such approval was received subsequent to December 31, 2014 and consequently the agreement was closed on January 14, 2015. Refer to note 28 for terms of the net free cash flow sharing arrangement and the termination agreement, and the impact on the consolidated financial statements.

On March 3, 2015, the Company subscribed for 357,143 common shares of JDS Silver for consideration of C$500,000. Refer to note 18 for the impact on the Company's interest in JDS Silver.

On March 6, 2015, the Supreme Court of the Northern Territory released its decision on the stamp duty dispute between the Company and the TRO and ruled in favour of the Company's appeal. Refer to note 15 for further details.