



Condensed Interim Consolidated Financial Statements

**True Gold Mining Inc.**

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

# TRUE GOLD MINING INC.

## Condensed interim consolidated statements of comprehensive loss

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

		Three months ended		Nine months ended	
	Note	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
		\$	\$	\$	\$
<b>Expenses</b>					
Exploration and evaluation expenditures	9	1,083,737	6,221,531	7,733,715	15,904,696
Office and general		589,627	185,963	2,065,418	1,556,009
Salaries and benefits		598,203	636,259	1,872,164	1,869,928
Travel and accommodation		296,282	121,503	888,416	643,128
Stock-based compensation	13	103,140	193,799	845,752	1,171,535
Professional fees		111,101	320,971	649,823	821,548
Investor relations, promotion and advertising		141,409	129,447	407,391	462,995
Amortization	7	9,797	13,988	30,958	53,334
Interest and charges		2,785	2,482	6,500	9,471
Write-down of equipment	7	-	-	-	185,671
Loss from operations		(2,936,081)	(7,825,943)	(14,500,137)	(22,678,315)
<b>Other items</b>					
Transaction costs for financing arrangement		(1,929,918)	-	(1,929,918)	-
Loss on foreign exchange		(323,842)	(100,758)	(128,727)	(204,926)
Change in fair value of financial liability	10	2,145,515	-	2,145,515	-
Change in fair value of financial assets	10	(5,456)	(1,095)	(6,149)	(39,973)
Interest and other income		161,679	83,510	496,261	169,173
		47,978	(18,343)	576,982	(75,726)
<b>Loss for the period</b>		<b>(2,888,103)</b>	<b>(7,844,286)</b>	<b>(13,923,155)</b>	<b>(22,754,041)</b>
<b>Other comprehensive loss</b>					
Net fair value loss on financial assets	10	(32,771)	-	(98,313)	(363,252)
Other comprehensive loss for the period		(32,771)	-	(98,313)	(363,252)
<b>Comprehensive loss for the period</b>		<b>(2,920,874)</b>	<b>(7,844,286)</b>	<b>(14,021,468)</b>	<b>(23,117,293)</b>
<b>Loss per share</b>					
Basic and diluted		\$ (0.01)	\$ (0.03)	\$ (0.04)	\$ (0.11)
<b>Weighted average number of shares outstanding</b>					
Basic and diluted		397,886,772	250,675,095	374,555,690	209,746,825

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

# TRUE GOLD MINING INC.

## Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

	Note	As at September 30, 2014	As at December 31, 2013
		\$	\$
<b>Assets</b>			
<i>Current assets</i>			
Cash	5	59,262,206	2,953,041
Short term investments		10,144,478	21,061,370
Receivables	6	50,303	73,217
Prepaid expenses		487,316	264,118
Total current assets		69,944,303	24,351,746
<i>Non-current assets</i>			
Property, plant and equipment	7	16,344,141	176,847
Deposits and advances on equipment and materials	8	17,036,324	-
Exploration and evaluation assets	9	1,519,314	17,645,970
Long term deposit	15	413,461	413,461
Financial assets	10	65,542	170,004
Total non-current assets		35,378,782	18,406,282
<b>Total assets</b>		105,323,085	42,758,028
<b>Liabilities and Shareholders' Equity</b>			
<i>Current liabilities</i>			
Trade payables and accrued liabilities	11	5,056,257	3,162,074
Total current liabilities		5,056,257	3,162,074
<i>Non-current liabilities</i>			
Financial liabilities	10	24,793,477	-
		24,793,477	-
Total liabilities		29,849,734	3,162,074
<i>Shareholders' equity</i>			
Share capital	12	152,836,862	105,266,846
Commitment to issue shares	7, 12	-	700,533
Reserves		8,992,822	5,963,440
Accumulated other comprehensive income (loss)	10	(486,836)	(388,523)
Accumulated deficit		(85,869,497)	(71,946,342)
Total shareholders' equity		75,473,351	39,595,954
<b>Total liabilities and shareholders' equity</b>		105,323,085	42,758,028
Commitments	14		
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These consolidated financial statements are approved by the Audit Committee and authorized for issue on November 21, 2014:

"Dwayne Melrose", Director

"Robin Merrifield", Director

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

# TRUE GOLD MINING INC.

Condensed interim consolidated statements of cash flows  
(Expressed in Canadian Dollars)  
(Unaudited - Prepared by Management)

	Nine months ended	
	September 30, 2014	September 30, 2013
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(13,923,155)	(22,754,041)
Adjusted for:		
Amortization	30,958	53,334
Stock-based compensation	845,752	1,171,535
Write-down of equipment	-	185,671
Change in fair value of financial assets	6,149	39,973
Change in fair value of financial liabilities	(2,145,515)	-
Movements in working capital:		
Receivables	22,914	138,052
Prepaid expenses	(223,198)	(18,887)
Trade payables and accrued liabilities	(1,793,596)	(87,635)
Cash deposit to Oxygen Capital	-	(113,461)
Net cash used in operating activities	(17,179,691)	(21,385,459)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common shares, gross	52,400,952	28,104,916
Common share issuance costs	(3,347,839)	(385,565)
Proceeds from financial liability	26,938,992	-
Proceeds from metal stream	14,397,942	-
Net cash generated by financing activities	90,390,047	27,719,351
<b>Cash flows from investing activities</b>		
Proceeds from royalty sale	-	6,041,700
Exploration and evaluation asset costs	-	(100,000)
Development asset costs	(11,938,353)	-
Deposits and advances on equipment and materials	(15,679,052)	-
Equipment costs	(200,678)	-
Redemption (purchase) of short term investments	10,916,892	(23,925,000)
Net cash used in investing activities	(16,901,191)	(17,983,300)
Change in cash	56,309,165	(11,649,408)
Cash at beginning of period	2,953,041	14,983,138
Cash at end of the period	59,262,206	3,333,730

## Supplemental Information

Shares issued for exploration and evaluation assets	700,533	44,000
Development asset costs included in AP	2,013,974	-
Development asset costs included in accruals	316,533	-
Deposits and advances on equipment and materials included in AP	1,357,272	-
Change in fair value of non-current investments	98,313	363,252
Fair value of options exercised	362,914	252,668
Fair value of warrants exercised	433	609,136
Amortization capitalized to development asset	6,844	-
Interest received	489,761	-
Interest paid	-	-

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

# TRUE GOLD MINING INC.

Condensed interim consolidated statements of changes in shareholders' equity  
(Expressed in Canadian Dollars)  
(Unaudited - Prepared by Management)

	Note	Number of shares	Share capital	Commitment to issue shares	Reserves	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
			\$	\$	\$	\$	\$	\$
Balance as at January 1, 2013		178,335,591	76,349,725	-	5,772,023	(30,271)	(39,164,803)	42,926,674
Shares issued as a result of financing		83,058,278	27,409,217	-	-	-	-	27,409,217
Share issue costs - cash		-	(385,565)	-	-	-	-	(385,565)
Shares issued on exercise of warrants		1,813,465	452,799	-	-	-	-	452,799
Fair value of warrants exercised		-	609,136	-	(609,136)	-	-	-
Shares issued on exercise of options		1,130,000	242,900	-	-	-	-	242,900
Fair value of options exercised		-	252,668	-	(252,668)	-	-	-
Shares issued for property		100,000	44,000	-	-	-	-	44,000
Stock-based compensation		-	-	-	1,171,535	-	-	1,171,535
Unrealized loss on long-term investments		-	-	-	-	(363,252)	-	(363,252)
Net loss for the period		-	-	-	-	-	(22,754,041)	(22,754,041)
Balance as at September 30, 2013		264,437,334	104,974,880	-	6,081,754	(393,523)	(61,918,844)	48,744,267
Balance as at January 1, 2014		265,142,334	105,266,846	700,533	5,963,440	(388,523)	(71,946,342)	39,595,954
Shares and units issued as a result of financing	12	129,879,395	49,363,680	-	2,546,977	-	-	51,910,657
Share issue costs - cash	12	-	(3,347,839)	-	-	-	-	(3,347,839)
Shares issued for property	12	1,773,500	700,533	(700,533)	-	-	-	-
Shares issued on exercise of warrants	12	11,000	5,170	-	-	-	-	5,170
Fair value of warrants exercised	13	-	433	-	(433)	-	-	-
Shares issued on exercise of options	12	2,035,000	485,125	-	-	-	-	485,125
Fair value of options exercised	13	-	362,914	-	(362,914)	-	-	-
Stock-based compensation	13	-	-	-	845,752	-	-	845,752
Unrealized loss on long-term investments	10	-	-	-	-	(98,313)	-	(98,313)
Net loss for the period		-	-	-	-	-	(13,923,155)	(13,923,155)
Balance as at September 30, 2014		398,841,229	152,836,862	-	8,992,822	(486,836)	(85,869,497)	75,473,351

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

## **1. GENERAL INFORMATION**

True Gold Mining Inc. ("True Gold" or the "Company") was incorporated in British Columbia in October 1987 and was transitioned under the Business Corporations Act (BC) in May 2004. In February 2013, articles of amendment were filed to change the name of the Company to True Gold Mining Inc. The Company's head office and principal address is Suite 1900, 1055 West Hastings Street, Vancouver, British Columbia, Canada V6E 2E9. The registered and records office is located at 10th floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

## **2. NATURE OF OPERATIONS**

As at September 30, 2014, True Gold is a development stage business engaged in the development of the Company's Karma Project and the acquisition, exploration, and development of other high quality mineral properties in Burkina Faso, West Africa.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company currently earns no operating revenues. Management believes that the Company has sufficient working capital to maintain its operations for the next year. As at September 30, 2014, the Company secured funding to commence the construction of the Karma Project and maintain its operations. While the Company has been successful in raising funds in the past, there can be no assurance that it will be able to do so in the future. The Company's Karma Project is supported by a Feasibility Study which demonstrates that the mineral reserves are economically recoverable. The Company has not yet determined whether any of its other properties contain mineral reserves that are economically recoverable. The continued acquisition and exploration activities of the Company and the recoverability of the amounts capitalized for the mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and, if warranted the development of the properties and upon future profitable production.

## **3. BASIS OF PREPARATION**

These condensed interim consolidated financial statements for the nine months ended September 30, 2014 (the "Interim Financial Statements"), have been prepared in accordance with IAS 34, 'Interim financial reporting'. The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013, which 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 ("IFRIC").

## **4. ACCOUNTING POLICIES**

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company's 2013 annual consolidated financial statements, except as noted below.

### *Changes in accounting policies*

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

### *Accounting for levies imposed by governments*

IFRIC 21, Accounting for levies imposed by governments ("IFRIC 21") is an interpretation on the accounting for levies. IFRIC 21 will affect entities that are subject to levies that are not income taxes within the scope of IAS 12 Income Taxes. This interpretation has had no impact on the consolidated financial statements of the Company.

### *Financial Instruments: Presentation*

The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities.

#### 4. ACCOUNTING POLICIES (continued)

The application of this IAS did not have any material impact on the amounts reported for the current or prior periods but may affect the presentation of future transactions or arrangements.

Several other amendments apply for the first time in 2014. However, they do not impact the consolidated financial statements of the Company.

##### *Gold Purchase and Sale Agreement (the "Agreement")*

The Agreement (refer to Note 10) contains two components, a loan which is designated as a financial liability at fair value through profit or loss, and a sale of a metal stream on the Karma Project. The sale of the stream was measured using a fair value model based on discounted cash flows at the time of the sale. The liability is also measured using a fair value model based on discounted cash flows. Management's best estimates of the cash flows arising from the liability at each reporting period, including estimates of the time of delivery of payable gold, the total amount of gold expected to be produced over the mine life, the timing of production, and the forecasted gold prices at each reporting period, as well as a discount rate are determined to be key inputs. The changes in fair value of the liability are recorded in the consolidated profit or loss for the period.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended December 31, 2013 except as noted below.

Management determined that the financial liability component in the Agreement contains one or more embedded derivatives and has designated the entire instrument as a financial liability at fair value through profit and loss. Management considers measurement of the fair value of the two components in the Agreement as critical accounting estimates. Management used a discounted cash flow technique which requires the use of estimates and assumptions such as forward gold prices, mineral reserve and resource estimates, long term foreign exchange rates and discount rates. These estimates and assumptions are subject to certain risks and uncertainties that may affect the determination of the fair value of the financial liability. Although management has made its best estimates of fair value, the interpretation of these factors is subjective and will not necessarily result in precise determinations. Should an underlying assumption change, the resulting estimates could change by a material amount.

##### *Standards Issued But Not Yet Effective*

##### Impairment of Assets

The amendments to IAS 36, Impairment of Assets ("IAS 36") address the disclosures required regarding the recoverable amount of impaired assets or cash generating units ("CGU"s) for periods in which an impairment loss has been recognized or reversed. The amendments to IAS 36 are effective for annual periods commencing on or after July 1, 2014. The Company is currently evaluating the impact of applying the amendments to IAS 36 on its consolidated financial statements.

##### Financial Instruments: Disclosure

The amendments to IFRS 7, Financial Instruments – Disclosure ("IFRS 7") require additional disclosures on transition from IAS 39 to IFRS 9. The amendments to IFRS 7 are effective for annual periods commencing on or after January 1, 2015. The Company is currently evaluating the impact of applying the amendments to IFRS 7 on its consolidated financial statements.

**TRUE GOLD MINING INC.****Notes to the Condensed Interim Consolidated Financial Statements**

Nine months ended September 30, 2014

(Expressed in Canadian Dollars, unless otherwise noted - unaudited)

**4. ACCOUNTING POLICIES (continued)**Financial Instruments: Classification and Measurement

IFRS 9, Financial Instruments – Classification and Measurement (“IFRS 9”) is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. The new IFRS 9 standard is effective for annual periods commencing on or after January 1, 2018. The Company is currently evaluating the impact of applying the new IFRS 9 standard on its consolidated financial statements.

Several other standards or amendments to standards have been issued but are not yet effective. However, they do not impact the consolidated financial statements of the Company.

**5. CASH**

The carrying amount of the Company’s cash is denominated in the following currencies:

	September 30, 2014	December 31, 2013
Canadian dollars	\$ 16,239,148	\$ 2,699,961
United States dollars ("USD")	41,451,029	-
West African CFA franc ("CFA")	1,572,029	253,080
	<u>\$ 59,262,206</u>	<u>\$ 2,953,041</u>

**6. RECEIVABLES**

	September 30, 2014	December 31, 2013
GST receivable	\$ 50,282	\$ 67,897
Other receivables	21	5,320
	<u>\$ 50,303</u>	<u>\$ 73,217</u>



**TRUE GOLD MINING INC.****Notes to the Condensed Interim Consolidated Financial Statements**

Nine months ended September 30, 2014

(Expressed in Canadian Dollars, unless otherwise noted - unaudited)

**7. PROPERTY, PLANT AND EQUIPMENT**

Cost:	Mineral properties \$	Development expenditure \$	Computer software & equipment \$	Furniture, fixtures and equipment \$	Leasehold improvements \$	Total \$
Balance as at December 31, 2012	-	-	214,756	121,192	227,351	563,299
Additions	-	-	-	-	(227,351)	(227,351)
Balance as at December 31, 2013	-	-	214,756	121,192	-	335,948
Transfer from exploration and evaluation assets	16,126,656	-	-	-	-	16,126,656
Additions	-	14,268,860	200,678	-	-	14,469,538
Capitalized amortization	-	6,844	-	-	-	6,844
Gold Purchase and Sale Agreement	(14,397,942)	-	-	-	-	(14,397,942)
Balance as at September 30, 2014	1,728,714	14,275,704	415,434	121,192	-	16,541,044
Amortization:						
Balance as at December 31, 2012	-	-	73,097	30,886	30,313	134,296
Amortization	-	-	31,873	23,245	11,367	66,485
Write-downs	-	-	-	-	(41,680)	(41,680)
Balance as at December 31, 2013	-	-	104,970	54,131	-	159,101
Amortization	-	-	26,786	11,016	-	37,802
Balance as at September 30, 2014	-	-	131,756	65,147	-	196,903
Net Book Value:						
As at December 31, 2013	-	-	109,786	67,061	-	176,847
As at September 30, 2014	1,728,714	14,275,704	283,678	56,045	-	16,344,141

During the period ending September 30, 2014, management determined that the technical feasibility and commercial viability of the Karma Project had been established, and the Board of Directors had approved the development of the Karma Project, and accordingly, the Company reclassified capitalized costs associated with the Karma Project, net of the LMM Royalty, from Exploration and Evaluation Assets (Note 9) to mineral properties within Property, Plant and Equipment. Capitalized mineral property costs will be carried at cost until the Karma Project is placed in commercial production, sold, abandoned or determined by management to be impaired in value. Prior to reclassifying the Karma Project's capitalized exploration and evaluation assets to mineral properties, management assessed the capitalized costs for impairment and noted no indicators of impairment.

Costs related to development work, such as earthworks, plant civils, and on-site infrastructure, are capitalized in property, plant and equipment as development expenditures. The Company's development expenditure asset all pertains to the Karma Project.

As part of the Agreement (Note 10), True Gold sold a stream on the Karma Project, which was recorded as a recovery to acquisition costs.

Part of the amortization expense on computer software and equipment, in the amount of \$6,844, recorded during the period ended September 30, 2014, is capitalized in property, plant and equipment as a development expenditure.

**TRUE GOLD MINING INC.**

**Notes to the Condensed Interim Consolidated Financial Statements**

Nine months ended September 30, 2014

(Expressed in Canadian Dollars, unless otherwise noted - unaudited)

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**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

*Karma Project, Burkina Faso:*

The Karma Project is located in the north-central part of Burkina Faso east of Ouahigouya. It comprises six contiguous permits, Goulagou, Kao, Rambo, Rouna, Youba, and Tougou. True Gold owns a 100% interest in each of these permits. The Government of Burkina Faso retains a statutory 10% (free-carried) interest in any Burkina Faso mining company formed for the purpose of gold production.

a) Goulagou, Rouna, Youba and Tougou Permits

These permits are 100% owned by the Company and are subject to an NSR royalty of between 0% and 2% depending on the quantity of gold produced.

In December 2013, the Company exercised its option to acquire the remaining 10% interest in the Goulagou and Rouna permits, from a third party holder. The Company now holds a 100% interest in these permits. Pursuant to the original terms, the option was exercisable for consideration of US\$1,000,000 and a 5% net profits interest but not until the commencement of commercial production. The Company negotiated the early exercise of its option to purchase the 10% interest for consideration consisting of US\$500,000, the issue of 1,773,500 common shares of True Gold, and a 5% net profits interest on the Goulagou and Rouna permits. The 1,773,500 common shares were issued for \$700,533 reflecting the fair value of the Company's shares on January 30, 2014, the date the shares were issued.

b) Rambo Permit

The property is 100% owned by the Company and subject to a 3% net smelter return royalty ("NSR") 2% of which may be purchased by the Company for US\$1,500,000.

c) LMM Royalty

In August 2013, the Company entered into an agreement with Liberty Metals & Mining Holdings, LLC ("LMM"), pursuant to which LMM purchased a 2% net smelter return royalty on the Company's interest in the Karma Gold Project (the "LMM Royalty") for \$6,041,700, which was recorded as a recovery to acquisition costs. The LMM Royalty is subject to certain repurchase options retained by True Gold.

**8. DEPOSITS AND ADVANCES ON EQUIPMENT AND MATERIALS**

During the nine months ended September 30, 2014, the Company advanced \$17,036,324 (December 31, 2013 - \$Nil) as non-refundable deposits on the purchase of the primary mining fleet as well as advances for construction materials and services for the Karma Project.

**TRUE GOLD MINING INC.**

**Notes to the Condensed Interim Consolidated Financial Statements**

Nine months ended September 30, 2014

(Expressed in Canadian Dollars, unless otherwise noted - unaudited)

**9. EXPLORATION AND EVALUATION ASSETS**

(i) Details of the Company's acquisition expenditures are as follows:

	December 31,			December 31,			September 30,
	2012	Additions	Write-down	2013	Additions	Reclassification to Development Asset	2014
	\$	\$	\$	\$	\$	\$	\$
<b>Burkina Faso</b>							
Karma	20,934,838	1,233,518	-	22,168,356	-	(22,168,356)	-
Liguidi Malguem	1,295,777	144,000	-	1,439,777	-	-	1,439,777
Bissa East	79,537	-	-	79,537	-	-	79,537
Royalty payment received (Note 7 (c))	-	(6,041,700)	-	(6,041,700)	-	6,041,700	-
<b>Total Burkina Faso</b>	<b>22,310,152</b>	<b>(4,664,182)</b>	<b>-</b>	<b>17,645,970</b>	<b>-</b>	<b>(16,126,656)</b>	<b>1,519,314</b>
<b>British Columbia</b> (Note 9 (vi))	<b>2,453,289</b>	<b>(7,500)</b>	<b>(2,445,789)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>24,763,441</b>	<b>(4,671,682)</b>	<b>(2,445,789)</b>	<b>17,645,970</b>	<b>-</b>	<b>(16,126,656)</b>	<b>1,519,314</b>

(ii) Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the condensed interim consolidated statements of comprehensive loss are as follows:

	December 31,			September 30,	December 31,			September 30,
	2012	Drilling costs	Other costs	2013	2013	Drilling costs	Other costs	2014
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Burkina Faso</b>								
Karma	37,335,849	5,180,955	9,897,658	52,414,462	56,822,379	2,540,744	5,134,322	64,497,445
Liguidi Malguem	1,831,560	277,724	467,707	2,576,991	2,590,968	-	23,022	2,613,990
Bissa East	2,735,518	45,787	(8,205)	2,773,100	2,739,639	-	15,258	2,754,897
Bissa West	182,084	-	15,970	198,054	215,399	-	20,369	235,768
<b>Total Burkina Faso</b>	<b>42,085,011</b>	<b>5,504,466</b>	<b>10,373,130</b>	<b>57,962,607</b>	<b>62,368,385</b>	<b>2,540,744</b>	<b>5,192,971</b>	<b>70,102,100</b>
<b>Other</b>	<b>398,641</b>	<b>-</b>	<b>27,100</b>	<b>425,741</b>	<b>429,533</b>	<b>-</b>	<b>-</b>	<b>429,533</b>
<b>Total</b>	<b>42,483,652</b>	<b>5,504,466</b>	<b>10,400,230</b>	<b>58,388,348</b>	<b>62,797,918</b>	<b>2,540,744</b>	<b>5,192,971</b>	<b>70,531,633</b>

**TRUE GOLD MINING INC.**

**Notes to the Condensed Interim Consolidated Financial Statements**

Nine months ended September 30, 2014

(Expressed in Canadian Dollars, unless otherwise noted - unaudited)

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**9. EXPLORATION AND EVALUATION ASSETS (continued)**

(iii) Liguidi Permit, Burkina Faso:

In fiscal 2007, the Company acquired an 80% interest in the Liguidi mineral permit (the "Liguidi Permit") in Burkina Faso under the terms of an option agreement from a Burkinabe company (Orex Resources Sarl ("Orex")). A joint venture company was formed to hold each company's respective interests in the permit.

In October 2008, Orex began legal proceedings to withdraw from the joint venture and to block the Company's efforts to have the Liguidi Permit transferred to the new joint venture company. The Company suspended all work on the property at that time. The legal challenge proceeded through several Burkina courts, with the Company winning a number of judgments. Burkina Faso court heard the dispute in January 2009 and a decision was rendered in favour of the Company. Orex filed an appeal of the decision and in June 2009, the appeal court reversed the January 2009 decision.

In December of 2011, an agreement was reached with Orex to resolve the legal dispute, and to resume exploration on the property. As per the terms of the agreement, the Company paid 22,000,000 CFA (\$45,000) and issued 100,000 shares (issued at a fair value of \$64,000) for a 100% interest in the exploration permit. As part of the agreement, Orex was to retain a 14% non-participating interest in any exploitation permit that is granted on the permit area.

In September 2012, the Company reached an agreement with Orex to acquire their 14% non-participating interest in any exploitation permit that is granted. As consideration, the Company paid Orex \$400,000 and issued them 100,000 common shares valued at \$58,000. Also, in September 2012, the Company announced that it had received the final transfer documentation from the Burkina Faso Ministry of Mines evidencing the transfer of the Liguidi Malguem exploration permit to True Gold. In February of 2013, the Company received a 3-year extension of the Liguidi Permit and paid \$100,000 and issued 100,000 common shares to Orex (issued at a fair value of \$44,000). Upon the date of first commercial production True Gold will pay to Orex \$500,000, and issue to Orex an additional 100,000 common shares.

(iv) Bissa East Permits, Burkina Faso:

The Company holds two permits (Tangapella and Biliga) in north-central Burkina Faso.

(v) Bissa West Permits, Burkina Faso:

The Company holds two permits (Pella and Bissiga) in central Burkina Faso.

(vi) Ball Creek Property, British Columbia:

Pursuant to the Blue Gold Mining Inc. acquisition (the "Blue Gold Acquisition"), the Company acquired the Ball Creek option agreement that Blue Gold entered into with Paget Minerals Corporation ("Paget"); whereby, the Company has the exclusive right and option to acquire up to a 65% interest in certain claims within Paget's Ball Creek project. Effective December 4, 2013, the Company terminated the Ball Creek Option Agreement. In consideration for the Company terminating the Ball Creek Option Agreement, Paget issued 500,000 common shares of Paget to the Company valued at \$0.015 per Paget share. The carrying value of the Ball Creek property was subsequently written down to \$Nil.

**10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

*Financial Assets*

From time to time, the Company may make strategic investments in other private or publicly traded entities. These investments are treated as long-term investments, unless the investment matures within twelve months, or management expects to dispose of them within twelve months, in which case management classifies them as marketable securities, and may take the form of common shares and share purchase warrants.

For accounting purposes, True Gold has determined that any share purchase warrants held are derivative financial instruments and any change in fair value is included in income (loss) for the period. The fair value of share purchase warrants is measured using the Black-Scholes option-pricing model that uses inputs that are primarily based on market

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**10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

indicators. Any common shares (equities) held are designated as available-for-sale and any change in fair value is included in other comprehensive income (loss), until such time as the common shares are sold or otherwise disposed of at which time any gains or losses will be included in income (loss) for the period.

*Financial Liabilities*

On August 11, 2014, the Company entered into a US\$100-million definitive Agreement with Franco-Nevada Corporation and Sandstorm Gold Inc. (the "Syndicate") to complete funding for the construction of the Karma Project. In exchange for US\$100 million in funding (the "Deposit"), True Gold is obligated to deliver 100,000 ounces of gold over five years (the "Delivery Period"). During the Delivery Period, which starts on March 31, 2016, True Gold shall deliver to the Syndicate an aggregate of 20,000 ounces of gold each year. The Syndicate will pay True Gold 20% of the spot price of gold ("Ongoing Payment") for each ounce delivered by True Gold. The Deposit is reduced on each delivery by the excess of the prevailing market value of the gold delivered over the Ongoing payment made by the Syndicate. Following the Delivery Period, True Gold shall deliver to the Syndicate an amount of refined gold equal to 6.5% of the equivalent amount of gold production at the Karma Project for the life of the Project in exchange for Ongoing Payments.

In addition, True Gold holds sole option to increase funding by up to US\$20-million ("Increase Option") during the first 18 months following the date of the execution of the Agreement. If the Increase Option is exercised in full, True Gold would deliver an additional 30,000 ounces of gold in exchange for Ongoing Payments. The Increase Option is repayable in eight quarterly deliveries totalling up to 30,000 ounces of gold based on the pro-rata portion of the amount drawn thereunder, starting 18 months from when the first tranche of the Increase Option is drawn down.

If True Gold constructs a processing plant, and the Karma Project produces gold equal to or greater than four million ounces, the price paid for the Syndicate as part of the Ongoing Payment will be 40% instead of 20%.

The proceeds of any advances under the Deposit and Deposit increase may only be used to pay for costs associated with the Karma Project.

If by the expiry of the initial forty-year term True Gold has not sold and delivered an amount of refined gold sufficient to reduce the uncredited balance of the Deposit to nil, then True Gold shall pay such uncredited balance of the Deposit to the Syndicate within 30 days after the expiry of that initial term.

The Company's obligation to deliver gold under the Agreement will be secured by (i) a performance guarantee by True Gold, and each of its subsidiaries that are party to the Agreement or hold a direct or indirect interest in the assets of the Karma Project ("True Gold Group Entities") in favour of the Syndicate; (ii) a pledge of the shares of each True Gold Entity (other than True Gold) in favour of the Syndicate; (iii) first ranking charges and security interests in favour of the Syndicate over the Karma Project, including any produced gold, and over all its respective present and after acquired property; and (iv) a written assignment, subordination and postponement of claims from the True Gold Group Entities in favour of the Syndicate.

Since the Delivery Period starts on March 31, 2016, the entire fair value of the financial liability through profit and loss is classified as a long-term liability at September 30, 2014.

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**10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

For the period ended September 30, 2014, the Company has drawn down US\$37.0M (\$41.3M CAD), representing the first draw down of the Deposit. For the loan portion of the Agreement, during the period ended September 30, 2014, the Company recorded a gain on the change in fair value of the liability of \$2,145,515. Changes in fair value of this financial liability through profit and loss are recorded in the consolidated statement of operations. True Gold allocated \$14,397,942 for the sale of the stream on the Karma Project, based on the fair value at the date of the sale.

	<u>September 30, 2014</u>
Initial cash drawdown received	\$ 41,336,934
Fair value attributable to metal stream	(14,397,942)
Change in fair value of financial liability through profit and loss	<u>(2,145,515)</u>
Fair value of financial liability through profit and loss	<u>\$ 24,793,477</u>

The loan component of the Agreement meets the definition of a derivative as it does not meet the own use exemption and it also contains certain other embedded derivatives as set out above. As allowed under IAS 39, the Company elected to designate the entire loan instrument at fair value through profit and loss instead of bifurcating the separate embedded derivatives from the host contract and separately accounting for them. Per IAS 39, the Agreement is measured in its entirety at fair value through profit and loss. The fair value of the Agreement is determined at each reporting period using a discounted cash flow model. Cash flows arising from the liability are forecasted at each reporting period based on management's best estimates of the time of delivery of payable gold, the total amount of gold expected to be produced over the mine life, the timing of production, the forecasted gold prices, and an initial discount rate.

Inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement are summarized in the three level hierarchies below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable data.

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**10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

The following table illustrates the classification of True Gold's financial instruments with the fair value hierarchy as at September 30, 2014:

Financial assets and liabilities at fair value as at September 30, 2014				
	Level 1	Level 2	Level 3	Total
Cash and short term investments	\$ 69,406,684	\$ -	\$ -	\$ 69,406,684
Equities - long term (a)	65,542	-	-	65,542
Share purchase warrants (a)	-	-	-	-
Financial liabilities through profit and loss	-	-	(24,793,477)	(24,793,477)

  

Financial assets and liabilities at fair value as at December 31, 2013				
	Level 1	Level 2	Level 3	Total
Cash and short term investments	\$ 24,014,411	\$ -	\$ -	\$ 24,014,411
Equities - long term (a)	163,855	-	-	163,855
Share purchase warrants (a)	-	6,149	-	6,149
Financial liabilities through profit and loss	-	-	-	-

- a) Pursuant to the Blue Gold Acquisition, the Company acquired 6,054,212 units of Paget. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant shall be exercisable into one common share of Paget at an exercise price of \$0.30 expiring August 8, 2014. During the period, the warrants expired unexercised. Blue Gold shall maintain a pre-emptive right to maintain its equity ownership position in Paget for a period of three years from the date of closing of the private placement.

In consideration for the Company terminating the Ball Creek Option Agreement, Paget issued 500,000 common shares of Paget to the Company valued at \$0.015 per Paget share (Note 9 (vii)).

The other comprehensive loss of \$98,313 (September 30, 2013: \$363,252) included in the comprehensive loss for the period is comprised entirely of the net value loss on financial assets relating to the revaluation of common shares True Gold holds in Paget.

**11. TRADE PAYABLES AND ACCRUED LIABILITIES**

	September 30, 2014	December 31, 2013
Trade payables	\$ 3,901,571	\$ 571,915
Accrued liabilities	1,154,686	2,590,159
	<u>\$ 5,056,257</u>	<u>\$ 3,162,074</u>

Trade payables and accrued liabilities are non-interest bearing and are normally settled on 30-day terms.

**TRUE GOLD MINING INC.****Notes to the Condensed Interim Consolidated Financial Statements**

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**12. SHARE CAPITAL***Authorized*

Unlimited number of common shares and preferred shares with no par value. No preferred shares are issued and outstanding.

*Share Issuances*

In December 2013, the Company exercised its option to acquire the remaining 10% interest in the Goulagou and Rounga permits. As part of the option exercise the Company committed to issue 1,773,500 common shares of True Gold (Note 7 (a)). The 1,773,500 common shares were issued subsequent to December 31, 2013 and as such were recorded in shareholder's equity, as at that date, as a commitment to issue shares for \$700,533, reflecting the fair value of the Company's shares on January 30, 2014, the date the shares were issued. In January, 2014, these shares were issued and reallocated from commitment to issue shares to share capital.

During the nine month period ended September 30, 2014, 2,035,000 options were exercised for total proceeds of \$485,125, resulting in the issuance of 2,035,000 True Gold common shares.

During the period ended September 30, 2014, pursuant to a bought deal financing and private placement, the Company issued 129,879,395 units for total proceeds of \$51,910,657 of which \$49,363,680 was allocated to share capital and \$2,546,977 to reserves. The bought deal financing consisted of 105,110,000 units at \$0.40 per unit for aggregate proceeds of \$42,044,000. The Company also completed a private placement to LMM consisting of 24,358,400 units at \$0.40 per unit and 410,995 common shares at \$0.30 for aggregate proceeds of \$9,866,657. The Company incurred costs of \$3,347,839 in relation to the bought deal financing and private placement which were allocated to share capital.

Each unit consists of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitled the holder to purchase one common share of the Company at a price of \$0.47 until August 18, 2014. The warrants had an estimated grant date fair value of \$2,546,977 which was allocated to reserves. The fair value was determined using the Black-Scholes option pricing model with the following assumptions: expected life of six months; a volatility of 55%; a risk free interest rate of 1.02%; and a dividend yield of nil%.

*Escrow Shares*

Pursuant to the Blue Gold Acquisition, 937,170 of the common shares issued to certain directors and employees of Blue Gold were subject to an escrow agreement. On April 21, 2014, the remaining 312,390 common shares held in escrow were released. At September 30, 2014, no shares remain held in escrow.

*Share Purchase Warrants*

Details of issued and outstanding warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at December 31, 2012	11,677,798	\$ 1.62
Expired	(1,813,465)	0.25
Exercised	(9,864,333)	1.88
Balance as at December 31, 2013	-	-
Issued	64,734,200	-
Exercised	(11,000)	0.47
Expired	(64,723,200)	0.47
Balance as at September 30, 2014	-	\$ 0.00



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**12. SHARE CAPITAL (continued)**

During the nine month period ended, September 30, 2014, 11,000 warrants with an exercise price of \$0.47 were exercised for total proceeds of \$5,170.

On August 18, 2014, the remaining 64,723,200 warrants with an exercise price of \$0.47 expired unexercised.

*Stock Options*

The Company has a fixed number stock option plan (the "Plan") reserving a total of 26,033,567 shares (the "2012 Plan Maximum") which represented approximately 20% of the issued and outstanding common shares of the Company ("Common Shares") as at May 3, 2012, for issuance or exercise of stock options granted under the Plan. The board of directors is authorized to set the exercise price, expiry date, and vesting provisions for each grant under the Plan, subject to the policies of the TSX Venture Exchange. All options granted under the current Plan have a maximum five year term, are generally exercisable at the last closing market price of the Common Shares prior to the date of grant. All stock options granted under the current Plan are subject to mandatory vesting: unless otherwise specified by the Board, (i) all options granted prior to December 31, 2013 will vest in stages over a period of 12 months, with 25% of the number of options granted in any three-month period vesting three months from the grant date and 25% of such options vesting every three months thereafter and (ii) all options granted after December 31, 2013 will vest in stages of 1/3 each year over a period of 3 years.

Details of issued and outstanding stock options are as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2012	18,696,904	\$ 0.61
Granted	800,000	0.46
Exercised	(1,835,000)	0.22
Expired	(687,099)	0.70
Cancelled	(237,000)	0.32
Balance as at December 31, 2013	16,737,805	0.65
Granted	6,630,000	0.40
Exercised	(2,035,000)	0.24
Expired	(2,248,810)	0.81
Balance as at September 30, 2014	19,083,995	\$ 0.60

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**12. SHARE CAPITAL (continued)**

At September 30, 2014, the following options were outstanding:

Number of Options Outstanding	Weighted Average Remaining Contractual Life	Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price of Options Exercisable
300,000	4.88	\$ 0.44	-	\$ 0.44
200,000	4.55	0.38	-	0.38
6,130,000	4.28	0.40	2,900,000	0.40
100,000	3.59	0.28	100,000	0.28
400,000	3.39	0.62	400,000	0.62
250,000	3.22	0.62	250,000	0.62
3,145,000	3.22	0.62	3,145,000	0.62
100,000	2.90	0.43	100,000	0.43
1,050,000	2.61	0.37	1,050,000	0.37
125,000	2.38	0.72	125,000	0.72
750,000	2.32	0.67	750,000	0.67
1,380,000	2.13	0.64	1,380,000	0.64
500,000	2.05	0.64	500,000	0.64
1,250,000	2.02	0.47	1,250,000	0.47
2,398,995	1.94	1.19	2,398,995	1.19
300,000	1.92	0.48	300,000	0.48
200,000	1.02	0.80	200,000	0.80
505,000	0.93	0.69	505,000	0.69
19,083,995	3.08	\$ 0.60	15,353,995	\$ 0.64

**13. RESERVES***Stock Options*

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. During the nine month period ended September 30, 2014 a balance of \$362,914 was transferred from reserves to share capital as a result of options exercised.

The weighted average fair value of the options granted during the nine month period ended September 30, 2014 was \$0.19 (2013 - \$0.21) per option. The fair value of each option granted was determined using the Black-Scholes option pricing model and used the following weighted average assumptions:

	September 30, 2014	September 30, 2013
Risk free interest rate	1.70%	1.16%
Expected Life	3 years	3 years
Expected Volatility	71%	71%
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%

For the nine month period ended September 30, 2014, the Company charged a total of \$845,752 (September 30, 2013 – \$1,171,535) of stock-based compensation expense to the statement of comprehensive loss as a result of options granted

### 13. RESERVES (continued)

and the timing of vesting requirements.

#### *Warrants*

The warrant reserve records the fair value of warrants issued in conjunction with a financing until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. During the nine month period ended September 30, 2014 a balance of \$433 was transferred from reserves to share capital as a result of warrants exercised.

### 14. COMMITMENTS

On August 11, 2014, the Company entered into a US\$100-million definitive Agreement with Franco-Nevada Corporation and Sandstorm Gold Inc. to complete funding for the construction of the Karma Project. Key terms, conditions and commitments under this facility are disclosed in Note 10.

True Gold has entered into a number of contractual commitments for items related to the development of the Karma Project. At September 30, 2014, these commitments totalled \$11.8 million, \$8.4 million of which are expected to be incurred during the remaining period in 2014.

The Company is party to operating leases for office premises in Canada, this includes an operating lease for shared office premises the Company occupies with Oxygen Capital Corp. ("Oxygen") (Note 15). The Company is committed to paying its attributable percentage of costs pursuant to a management services agreement (the "Oxygen Agreement") (Note 15). Upon termination of the Oxygen Agreement, the Company is required to indemnify Oxygen for costs associated with those agreements or obligations which had been executed or incurred by Oxygen in connection with or related to the services provided to the Company by Oxygen, these amounts are included in the table below. The percentage allocated to the Company by Oxygen for the operating lease, is subject to change. The lease terms are between five and ten years; each lease is renewable at the end of the lease period at market rate.

Total commitments, including for the Karma Project and total future minimum lease payments, under non-cancellable operating leases as at September 30, 2014 are as follows:

Year	Karma Project	Net Lease Amounts	Total
2014	\$ 8,394,191	\$ 96,976	\$ 8,491,167
2015	3,248,556	382,127	3,630,683
2016	167,055	403,677	570,732
2017	-	310,724	310,724
2018+	-	1,643,778	1,643,778
	\$ 11,809,802	\$ 2,837,282	\$ 14,647,084

During the nine month period ended September 30, 2014, the Company entered into an agreement whereby it subleased certain of its office premises in Canada for the remaining term of the Company's lease commencing May 1, 2014. Future payments to be received pursuant to the sublease agreement have been netted against future minimum lease payments.

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**15. RELATED PARTY TRANSACTIONS**

Details of transactions between the Company and its related parties are disclosed below.

*Compensation of key management personnel*

Key management includes members of the Board and executive officers of the Company. The aggregate compensation paid, or payable to key management for employee services is shown below:

	Nine months ended	
	September 30, 2014	September 30, 2013
Salaries and other short-term employee benefits	\$ 2,031,156	\$ 1,627,747
Stock-based compensation	621,558	666,707
Total	\$ 2,652,714	\$ 2,294,454

Trade payables and accrued liabilities (Note 11) include vacation and director fees payable to certain officers and directors in the amount of \$259,336 (December 31, 2013 - \$1,230,391).

*Oxygen Capital Corp.*

The Company is party to the Oxygen Agreement with Oxygen, a privately held management services company owned by certain directors of True Gold. Oxygen provides services to the Company at cost including staffing, office rental and other administrative functions. The Oxygen Agreement calls for True Gold to reimburse Oxygen for its share of office costs and salaries and wages of Oxygen employees for time spent by Oxygen personnel on projects and activities of True Gold. As part of the Oxygen Agreement, the Company provided a long-term security deposit amounting to \$413,461 (December 31, 2013 - \$413,461), equal to an estimated three months of services. The long-term security deposit will be applied to the last invoice under the Oxygen Agreement, with any remaining amount being refunded to True Gold. The Company incurred expenses with Oxygen as follows:

		Nine months ended	
	Note	September 30, 2014	September 30, 2013
Management services	(i)	\$ 1,385,158	\$ 1,083,309

(i) The total amount included in management services includes:

	Nine months ended	
	September 30, 2014	September 30, 2013
Salaries and benefits	\$ 510,151	\$ 595,478
Exploration and evaluation expenditures	419,174	309,303
Office and general	409,466	152,784
Other	46,367	25,744
Total	\$ 1,385,158	\$ 1,083,309

Amounts due to Oxygen as at September 30, 2014 are \$322,991 (December 31, 2013 - \$177,318).

**16. SEGMENTED INFORMATION**

The Company's operations are in one segment, the mineral development and exploration industry. At September 30, 2014 and at December 31, 2013, True Gold has two geographic locations: Canada and Burkina Faso. The total non-current assets attributable to the geographic locations relate primarily to the Company's development and exploration mineral properties and deferred development expenditures located in Burkina Faso, disclosed in Note 7 and Note 9, as well as deposits and

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**16. SEGMENTED INFORMATION (continued)**

advances on equipment and materials for the Karma Project, disclosed in Note 8.

Non-current assets, excluding financial instruments, are distributed by geographic segment per the table below:

	September 30, 2014	December 31, 2013
Canada	\$ 559,350	\$ 589,181
Burkina Faso	34,753,890	17,647,097
Total	\$ 35,313,240	\$ 18,236,278

The Company is in the development stage and accordingly, has no reportable segment revenues.