ROMARCO MINERALS INC.

2014 LETTER TO SHAREHOLDERS

FULLY PERMITTED. FULLY FINANCED. THE RIGHT TEAM.
ROMARCO IS READY TO BUILD

2014 was a pivotal year for Romarco. The Haile Gold Mine project is fully permitted for construction and operations and fully funded through to production. Now we begin transitioning Romarco from a development company to an operating company.

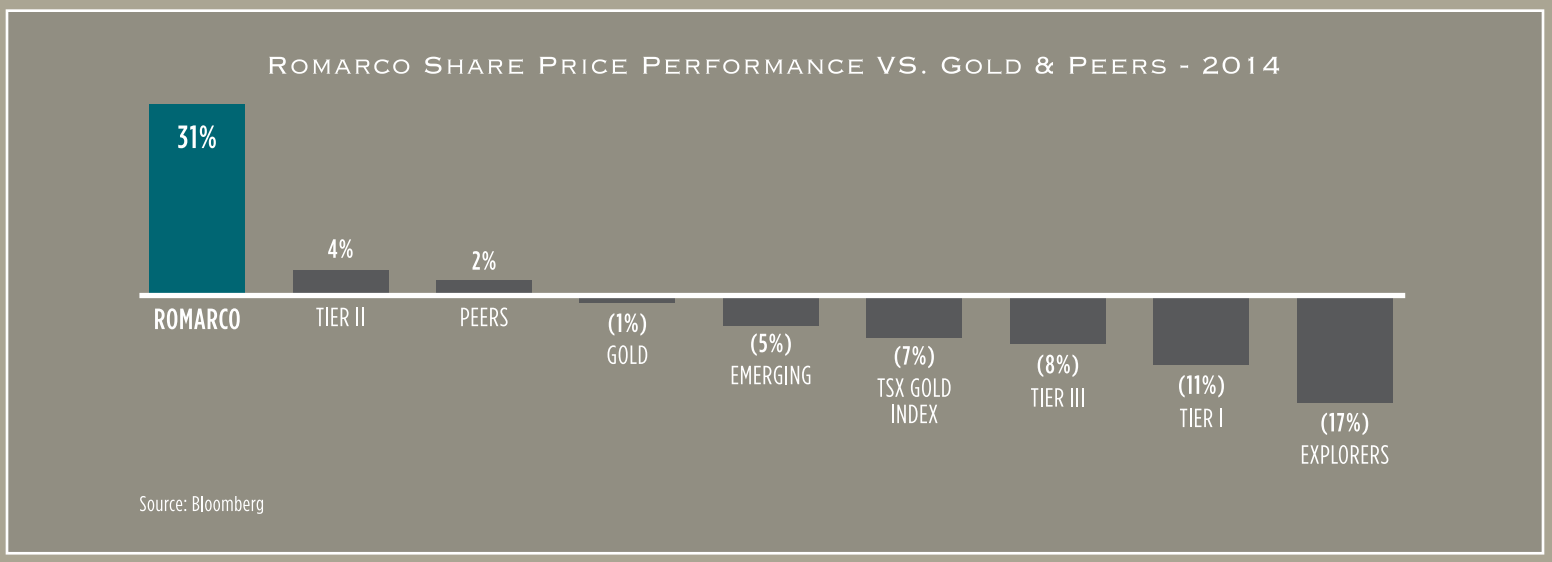
Although the permitting process was longer than initially anticipated, it is important to note that we completed a full Environmental Impact Statement in three and a half years and managed to resolve an 11th hour appeal of our mining permit by a national conservation group within weeks - it's pretty remarkable (or should I say "Romarcable"?).

We continued to demonstrate the strong economics of Haile throughout the year – even in a declining gold market - securing a binding project finance debt facility for US$200 million with no mandatory gold hedging and with a refreshed National Instrument 43-101 technical report that updated the cost information from our February 2011 feasibility study. As the calendar flipped into January 2015, an equity financing window presented itself and we were able to capitalize on that opportunity and raised C$300 million in a bought deal equity offering. With the proceeds of the equity financing and the binding debt commitment, Haile is fully funded to production.

Job one, two and three over the next two years is hitting commercial production on schedule and on budget. That is the priority and my message to our team. Our team was assembled over four years ago and has lived and breathed the Haile project through feasibility, mine planning and optimization, permitting and detailed engineering. We are now 88% complete on the detailed engineering design. We are engaging contractors and beginning the hiring and training process. Our equipment (haul trucks, dozers, front end loaders, fuel truck, support equipment, grinding mills) is in South Carolina and being mobilized to the project site.

Romarco CEO Diane Garrett and Lt. Col. Litz signing the 404 Federal Permit in October 2014

"NOT ONLY DID WE PERMIT THE HAILE PROJECT IN 2014, BUT WE ALSO DEMONSTRATED ITS STRONG ECONOMICS THROUGHOUT THE YEAR"



"2015 IS PROJECTED TO BE A HUGE YEAR IN THE COMPANY'S GROWTH AND EVOLUTION"

However, we also see some exciting prospects to increase value during our construction and ramp up at Haile. We are currently working on updating our mineral reserve and resource estimate at Haile and plan to publish the results of this work in mid-2015. Based on the updated reserve, we will be in a better position to continue expansion and underground studies at Haile.

And it's not too soon to look beyond Haile and what other opportunities may exist in the region. In order to conserve cash during the permitting process, we idled our exploration drilling program in 2013. We did not, however, idle our exploration team and kept them very busy evaluating over 60 historical mines in both North and South Carolina. Through our re-interpretation of the geology in the southeast we have a strong sense of other opportunities that exist regionally. Today we have four regional properties outside of Haile and through our field work during 2013 and 2014 we are actively working to secure a dozen others that we believe have solid potential. In our opinion, it is highly unlikely that Haile is the only multi-million ounce gold deposit in the Carolinas given the rich history of gold mining since the 1800s and given higher gold prices and new technology since the 1980s, this region becomes a viable, very under-explored opportunity for the gold industry. Throughout the construction phase, we should be in a position to generate exploration news as we drill test our "gold district" theory and also look to extend the mineralized zones at Haile.

On behalf of the entire management team and Board of Directors, I would like to take the opportunity to thank our shareholders for their continued support. Maintaining our core institutional shareholder base for six years - accounting for nearly 70% of the Company's shareholders – it's a testament to the quality of the asset and a vote of confidence in the management team. We all share a common vision for the Haile asset and are working diligently to making that vision a reality. Without our shareholders' support, we would not be in a position to execute on our collective vision of becoming a high-grade, low-cost gold producer. A testament to our shareholders' support was evident in December 2014, when Romarco was able to raise approximately C$32 million privately amidst very difficult markets and an appeal of our mining permit. This private placement financing was accomplished with participation by 10 institutional shareholders which includes Blackrock, Colonial First State, and Franklin Templeton – as well as members of our Board of Directors and management team. Then, of course, the true testament of support for the company was the successful C$300 million bought deal offering that closed on February 11, 2015 and gave us the balance of the equity funding required to build Haile.

So thank you, shareholders, for being there in good times and bad as we move towards a brighter – one might even dare to say 'golden' – future. We will continue to work hard for you and continue to strive in making our joint vision a reality. 2015 is projected to be a huge year in the company's growth and evolution, and we are pleased that you have supported us through difficult times and difficult markets as we begin to see the plan being put into action.

Diane R. Garrett

Diane R. Garrett M.A., Ph.D., Mineral Economics, Eng.
President & Chief Executive Officer

2014 MILESTONES

- ✔ Draft EIS Publication - March 2014
- ✔ EIS Public Hearing - April 2014
- ✔ Project Debt Financing Mandate - July 2014
- ✔ Final EIS Publication - July 2015
- ✔ Agreement with Conservation Groups - October 2014
- ✔ 401 Water Quality Certification - October 2014
- ✔ Granted Federal 404 Permit - October 2014
- ✔ Binding Project Debt Financing Commitment - November 2014
- ✔ Mine Operating Permit - November 2014
- ✔ C$32 Million Non-Brokered Private Placement - December 2014

TIMELINE TO PRODUCTION

CONSTRUCTION SCHEDULE	2015												2016											
	Q1			Q2			Q3			Q4			Q1			Q2			Q3			Q4		
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
MINING FLEET DELIVERED BEGIN DRILLING DE-PRESSURIZED WELLS BEGIN STORMWATER POLLUTION PREVENTION WORK, MINE & PLANT EXECUTE CONSTRUCTION CONTRACTS BEGIN CONSTRUCTION AT WATER TREATMENT PLANT & OTHER AREAS BEGIN PRE-STRIPPING AT MILL ZONE CONSTRUCTION OF WATER TREATMENT PLANT & JPAG BEGIN GRINDING MILL FOUNDATIONS; BEGIN TSF CONSTRUCTION	■	■	■	■	■	■	■	■	■	■	■	■												
BEGIN DRILLING & BLASTING IN MILL ZONE ERECT GRINDING MILLS & OTHER EQUIPMENT 69 kV POWER LINE & SUBSTATION COMPLETE BEGIN COMMISSIONING THE PLANT COMPLETE TSF CONSTRUCTION & HAUL ROAD CONSTRUCTION													■	■	■	■	■	■	■	■	■			
COMPLETE PLANT AREA CONSTRUCTION DELIVER COMMISSIONING ORE TO THE PLANT; POUR FIRST GOLD RAMP UP TO COMMERCIAL CONSTRUCTION																						■	■	■

The chart above sets out several of the milestones in the timeline leading to the Company's goal of commencing gold production by the end of 2014.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Letter to Shareholders and any documents incorporated by reference herein contain "forward-looking statements" within the meaning of applicable Canadian securities laws. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements include, but are not limited to, statements with respect to the future price of commodities, the estimation of mineral reserves and resources, capital expenditures, success of exploration activities, estimates for potential mineral deposits, permitting timelines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", or "does not expect", "budget", "estimates", "forecasts", "intends", "anticipates" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will", occur or be achieved.

Forward-looking statements are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:

- assumptions regarding the cost, timing and availability of additional required financing;
- the assumption that Romarco will be able to obtain or maintain the permits it requires on a timely basis, and comply with the terms of any such permits;
- the assumption that Romarco will be able to fulfill financial assurance obligations required by its permits;
- estimated capital costs, operating costs, production and economic returns;
- estimated commodity and metal pricing, mineability and marketability, together with other assumptions underlying resource and reserve estimates, as applicable;
- Romarco's expected ability to develop infrastructure and that the cost of doing so will be reasonable;
- assumptions made in the interpretation of drill results, geology, grade and continuity of mineral deposits;
- Romarco's expectations regarding demand for equipment, skilled labour and services needed for exploration and development of mineral properties; and
- Romarco's activities will not be adversely disrupted or impeded by development, operating or regulatory risks.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others:

- risks related to the Company possessing insufficient cash to fund its business as currently planned and the risks associated with securing additional financing through the Project Debt Facility;
- risks relating to Project Debt Facility, if consummated, including the ability of the Company to generate sufficient cash to make payments on the indebtedness and the risks associated with certain covenants and conditions of the Project Debt Facility that may effectively restrict the Company's current or future operations;
- uncertainties related to actual capital costs, sustaining capital costs, engineering and construction schedules, operating costs and expenditures, production schedules and economic returns;
- uncertainties related to fluctuation in gold prices;
- risks relating to the Company's requirement of further capital, including risks related to liquidity and negative cash flow, and the risk that holders of the common shares of the Company (the "Shares") may be diluted;
- the inherent speculative nature of exploration and development activities which may not result in the development of a producing mine;
- uncertainties related to Romarco's mineral resource and mineral reserve estimates, which are based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated;
- risks relating to maintaining necessary licenses and operating permits, including complying with financial assurance and other requirements of such permits;
- inherent risks and hazards related to exploration and development of mineral rights;
- risks associated with Romarco being subject to environmental laws and regulations;
- risks associated with Romarco being subject to significant governmental regulations;
- risks related to increased competition;
- uncertainties related to mineral exploration and potential mineral deposits becoming commercially mineable ore deposits;
- risks that the market price of Shares may fluctuate;
- risks related to Romarco's ability to attract and retain personnel;
- risks related to legal proceedings;
- Romarco's limited operating history and lack of history of earnings, positive cash flow or dividend payments;
- risks relating to Romarco's ability to insure Romarco's business and operations against unforeseen risks;
- uncertainties related to recent market events and general economic conditions;
- risks related to the integration of new acquisitions; and
- risks that Romarco's directors and officers may have conflicts of interest.

This list is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to under the heading "Risk Factors" in this document.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this document speak only as of the date of this AIF or as of the date specified in such statement. The Company assumes no obligation to update or revise forward-looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

CAUTIONARY NOTE TO U.S. INVESTORS CONCERNING MINERAL RESERVES & RESOURCES

Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and mineral resource and reserve information contained herein may not be comparable to the similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under U.S. standards, mineralization may not be classified as a "reserve", unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. U.S. investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulation; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by Romarco in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U.S. standards.

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TSX Exchange
Trading Symbol: R

ROMARCO MINERALS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Expressed in thousands of US dollars, unless otherwise indicated)

MD&A

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

ROMARCO MINERALS INC.

2014 AND SUBSEQUENT HIGHLIGHTS

Highlights from the fourth quarter and year ended December 31, 2014, and recent events include (all dollar amounts are expressed in US dollars unless otherwise indicated):

- During the fourth quarter of 2014, the following key permitting milestones were achieved for its 100%-owned Haile Gold Mine project ("Haile") required to construct and operate Haile:
  - The South Carolina Department of Health and Environmental Control ("SCDHEC") issued its Section 401 Water Quality Certification and the State Mine Operating Permit ("Permit"), the latter of which was appealed by a national conservation group. The appeal was resolved on January 8, 2015. Upon which, all permits for construction and operations became effective. The U.S. Army Corps of Engineers ("Corps") issued the Section 404 permit for Haile (the only required Federal environmental permit).
- During the fourth quarter of 2014 and the first quarter of 2015, the Company secured the equity component and project finance debt commitment, which provides a funding solution for the Haile project:
  - The Company announced (January 21, 2015) and closed (February 11, 2015) a bought deal financing of C$300 million (517,300,000 common shares, at a price of C$0.58 per Common Share). On December 18, 2014, the Company closed on a non-brokered private placement financing of C$32.4 million (64,770,700 common shares of the Company at a price of C$0.50 per share).
  - On November 3, 2014, the Company announced the signing of a binding commitment letter with Caterpillar Financial Services Corporation, Macquarie Bank Limited and Societe Generale Corporate & Investment Banking (together the "Lenders") in connection with a $200 million, 8.5-year senior secured project finance facility (the "Project Debt Facility") for the development of Haile with no mandatory hedging.
- On December 10, 2014, the Company announced an updated National Instrument ("NI") 43-101 Technical Report updating the economics of the project.
- Cash balance at December 31, 2014 was $34.3 million and approximately $232 million at February 19, 2015.
- Net cash spent on operating and investing activities was:
  - $17.6 million (including $10.3 million on project capital and $1.2 million on reclamation bonding) and $9.3 million during the three-month periods ended December 31, 2014 and 2013, respectively.
  - $41.7 million during the year ended December 31, 2014 compared with $41.4 million during the same period in 2013.
- Net loss was:
  - $3.4 million ($0.01 per share) and $2.7 million ($0.00 per share) for the three-month periods ended December 31, 2014 and 2013, respectively.
  - $13.6 million ($0.02 per share) and $14.2 million ($0.02 per share) for the years ended December 31, 2014 and 2013, respectively.

This MD&A is prepared as of February 19, 2015 and should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2014 and the related notes for the year then ended which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as set out in the Chartered Professional Accountants of Canada Handbook ("CPA Canada Handbook"). All dollar amounts referred to in this MD&A are expressed in US dollars unless otherwise indicated. The following Management's Discussion and Analysis ("MD&A") of Romarco Minerals Inc. and its subsidiaries ("Romarco", "we", "our" or the "Company") is intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as certain forward-looking statements relating to its potential future performance. Please see "Cautionary Language to U.S. Investors" and "Additional Risks" on pages 13 - 15.

CORPORATE OVERVIEW

Romarco Minerals Inc. is an exploration and development company engaged in the acquisition, exploration and development of precious metals mineral properties. The Company is formed under the laws of British Columbia with its head office in Toronto, Ontario.

The Company's primary asset is Haile which is located in Lancaster County, South Carolina, USA. The Company owned approximately 11,280 acres (4,565 hectares) of land at December 31, 2014, including approximately 5,915 acres (2,394 hectares) of regional and other properties. Included in the other properties are 1,828 acres (740 hectares) that will be transferred to the South Carolina Department of Natural Resources ("SCDNR") Heritage Trust Program as part of Haile's mitigation plan and 368 acres (149 hectares) of currently owned land in the Flat Creek area of Lancaster County that will be transferred to a land conservation organization as part of a settlement with South Carolina conservation groups. The Company's interest in the fee simple properties includes surface, water and mineral rights with no associated royalties and is free of all claims and access restrictions. At December 31, 2014, there were 254 acres (103 hectares) for $2.6 million under contractually committed land purchase contracts. Effective January 8, 2015, with the receipt of all Federal and State permits and expiration of all applicable appeal periods, the Company is obligated to purchase the Goodwill Plantation property comprising 2,516 acres (1,012 hectares) for $20.0 million after which title and ownership will be promptly transferred to the SCDNR Heritage Trust Program along with the properties mentioned above.

The Company is a reporting issuer in all of the provinces and territories of Canada and trades on the TSX under the symbol "R".

REVIEW OF HAILE PROJECT

Haile Gold Mine, South Carolina, USA

Haile is located in Lancaster County, South Carolina and is approximately an hour drive north of Columbia, South Carolina and a one and a half hour drive south of Charlotte, North Carolina. Geologically, Haile is situated in the Carolina terrane which also hosts the past-producing Brewer Gold Mine to the northeast and the past-producing Ridgeway Gold Mine to the southwest.

The total in-situ Haile gold resource approximates 4.0 million ounces of gold in the measured and indicated category, with an additional 0.8 million in-situ inferred ounces of gold (see updated NI 43-101 compliant technical report filed on SEDAR on December 10, 2014).

Business Overview

At January 8, 2015, the Company after having received the only required Federal environmental permit and all significant State permits was then in a position, subject to financing, to commence project construction at Haile. On February 11, 2015, the Company secured the equity portion required under the previously announced Project Debt Facility commitment and, upon completion of the formal documentation of the Project Debt Facility, will be in a position to begin construction. Other State and local permits that need to be procured are not expected to delay the construction schedule or prevent operation of the mine.

The Company expects to be in a position to mobilize equipment during the first quarter of 2015 and commence substantial construction on Haile during the second quarter of 2015. Based on the equity and Project Debt Facility financing structure, the total estimated future funding requirement for Haile at December 31, 2014 is $455 million, including initial project capital, wetlands mitigation, reclamation bonding, project debt financing fees, land purchases, working capital and other start-up costs, cost-overrun facility, pre-funded debt service reserve account and interest during construction. The Company has also raised funds for general and administrative expenses and regional exploration during the construction phase.

On January 21, 2015 the Company announced that it had entered into an agreement with a syndicate of underwriters led by BMO Capital Markets and Cormark Securities Inc. (the "Underwriters"), under which the Underwriters agreed to buy from the Company, on a bought deal basis, 517,300,000 common shares at an issue price of C$0.58 per common share for gross proceeds of C$300.0 million (the "Offering"). On February 11, 2015, the Company closed the Offering for net proceeds of approximately $226 million (C$284 million) after underwriter fees of C$15 million, professional fee expenses and the completed foreign currency transaction converting Canadian dollars into US dollars. The Company anticipates closing the Project Debt Facility during the first quarter of 2015. In addition to cash on hand, the Company may procure funding for regional drilling and other activities from other sources such as surety bonding or other cost effective alternatives.

On December 18, 2014, the Company closed a non-brokered private placement financing of 64,770,700 common shares of the Company (the "Offered Shares") at a price of C$0.50 per share for aggregate gross proceeds of approximately $27.9 million (C$32.4 million). The Offered Shares are subject to a four month hold period.

With the net equity proceeds raised and the anticipated closing during the first quarter of 2015 on the $200 million Project Debt Facility, the Company will be sufficiently financed to complete the Haile project into production.

On December 10, 2014, the Company released the results of an updated NI 43-101 compliant technical report entitled "Haile Gold Mine Project, NI 43-101 Technical Report Project Update, Lancaster County, South Carolina" dated effective November 21, 2014 and issued on December 10, 2014 (the "Technical Report") prepared by M3 Engineering & Technology Corporation ("M3"), with the participation and contribution of Independent Mining Consultants Inc. ("IMC"), Gochnour & Associates ("Gochnour") and NewFields Mining Design and Technical Services ("NewFields"). The Technical Report is available on SEDAR at www.sedar.com and on the Company's website at www.romarco.com. The Technical Report is based on the Company's previously filed NI 43-101 Technical Report dated March 13, 2012, but updates the economics of the project including initial and sustaining capital, operating, reclamation and mitigation costs and gold price.

Permitting

On November 7, 2014, SCDHEC issued the State Mine Operating Permit ("Permit") and on November 19, 2014, the Company announced that a national conservation group filed an appeal on the Permit requesting review of the permit conditions related to the reclamation plan and the dollar amount of reclamation financial assurance. On January 8, 2015, the Company announced a settlement agreement had been reached with the national conservation group, which agreed not to pursue an administrative appeal of the Permit. On January 8, 2015, the Company, after having received the only required Federal environmental permit and all significant State permits, was then in a position, subject to financing, to commence project construction at Haile.

On October 8, 2014, the Company announced that it had reached agreement with South Carolina conservation groups to provide ongoing protection for lands in the Lynches River Watershed of South Carolina. The conservation groups have agreed that they will not bring any suit or claim with respect to the Federal, State or local permits or authorizations issued for Haile as described in the Final EIS. As part of this agreement, subject to receipt of all Federal and State permits and expiration of all applicable appeal periods, Haile will transfer approximately 368 acres of currently owned land in the Flat Creek area of Lancaster County to a land conservation organization. These lands and wetlands are significant to water quality, fish, mussels, and other wildlife adjacent to Flat Creek in the Lynches River watershed, and close to a State preserve known as Forty Acre Rock. The original purchase price for these two parcels of land approximated $2 million, and they are located within a designated critical habitat for the endangered Carolina heelsplitter mussel. Haile and these groups have also agreed to establish an organization named the Lynches River Conservation Board ("Board"). Once Haile achieves commercial production, it will make four annual instalments of $1 million each ($4 million in total) to the Board. These funds will be used to further conserve and protect the Lynches River watershed.

The Company has received the only required Federal environmental permit and all the major State permits to construct and operate Haile.

a) Federal

On October 27, 2014, the Corps issued its Record of Decision ("ROD") and granted a permit under Section 404 of the Clean Water Act for Haile (the only required environmental Federal permit). The Section 404 permit became immediately effective on October 27, 2014.

With the issuance of the ROD and the 404 Wetlands permit on October 27, 2014, the federal environmental permitting process, including EIS, is complete and the permit was immediately effective at that time. The Corps' does not have an administrative appeal process for permit opponents after the issuance of the ROD and thus the EIS process was officially completed. The following summarizes the milestones achieved during the EIS process:

KEY MILESTONE	PROJECTED/CONFIRMED DATES
Alternatives Document Publication	Completed: August 5, 2013
Community Meeting	Completed: August 20, 2013
Draft EIS Publication	Completed: March 13, 2014
Draft EIS Public Hearing	Completed: April 24, 2014
Final EIS Publication	Completed: July 24, 2014
Issue Final Section 404 Wetlands Permit / ROD	Completed: October 27, 2014 and the permit was immediately effective

The Corps has communicated the EIS schedule and posted all relevant information related with the EIS process on its project website at www.hailegoldmineeis.com. The project website was managed by the Corps' third-party contractor. Information from www.hailegoldmineeis.com will be transferred to www.hailegoldmine.com, as the Corps' intends to close its project website now that the EIS is complete and the 404 Wetlands permit has been issued.

b) State and local

All major State and local permits have been received to commence construction; other State and local permits that need to be procured are not expected to delay the construction schedule or prevent operation of the mine.

On November 7, 2014, SCDHEC issued the Permit which is the final major State permit required for Haile, which was subject to a 15-day appeal period. The Permit is required to allow Haile to conduct mining, milling and reclamation activities at the project. On November 19, 2014, the Company announced that a national conservation group filed an appeal of the Permit requesting review of the permit conditions related to the reclamation plan and the dollar amount of reclamation financial assurance. The SCDHEC Board advised the parties on December 5, 2014 that it would not conduct a final review of the Permit and it became the effective date of the Permit (absent further appeal). On January 8, 2015, the Company announced that an agreement had been entered into between Haile, the SCDHEC and the national conservation group which resolved all claims that could have been raised by the national conservation group in an appeal to the Mining Council and thereby precluded further appeal of the Permit. The agreement also included a dispute resolution clause whereby the conservation group must work directly with the Company regarding any potential future disputes related to operations at Haile.

Under the permit, SCDHEC requires controls for safety and environmental protection, with monitoring and reporting during operations. Before the start of mining activities the Company will provide a bond of approximately $30 million for reclaiming and restoring the land when mining ceases, of which approximately $1 million was paid during the fourth quarter of 2014. With the agreed upon settlement with the national conservation group, the permit requires that additional security of approximately $35 million (originally $30 million before the settlement agreement) be provided over the life of the mine for a total financial security commitment of $65 million (originally $60 million before the settlement agreement).

On October 23, 2014, SCDHEC issued its final Section 401 Water Quality Certification for Haile. The certification became effective on that date because the 15-day statutory appeal period was completed with no appeal raised. The Section 401 Water Quality Certification was a prerequisite for the issuance of a permit under Section 404 of the Clean Water Act for Haile.

On August 13, 2014, SCDHEC approved the Stormwater Pollution Prevention Plan and the permit is now final and the 15-day appeal period closed with no appeals. In 2013, the Company received four State permits or authorizations – renewal of the National Pollutant Discharge Elimination System permit and effluent limitations for a new outfall associated with the proposed mine plan, Air Quality permit, Dam Safety permit for the Duckwood Tailing Facility dam, and authorization pursuant to the Construction General Permit. SCDHEC is the regulatory agency responsible for reviewing and issuing State permits. For a list of other required permits refer to the NI 43-101 compliant technical report filed on SEDAR on December 10, 2014.

Financing

As discussed earlier, the total estimated future funding requirement for Haile at December 31, 2014 was approximately $455 million including costs associated with the Project Debt Facility. The total funding requirement includes initial project capital, wetlands mitigation, reclamation bonding, purchase of land, project debt financing fees and interest during construction, working capital and other start-up costs, cost-overrun facility and the pre-funded debt service reserve account. The Company has sufficient funds for general and administrative expenses, exploration drilling during the construction phase and the ability to control specific regional land properties. On January 21, 2015, the Company announced a C$300 million bought deal equity financing that provided net cash proceeds of approximately C$284 million after underwriting fees and expenses. With the completed conversion of the Canadian dollars into US$, the Company's realized net cash proceeds amounted to approximately $226 million. The Company plans to fund the balance of the project capital with proceeds from the committed $200 million Project Debt Facility and the Company anticipates closing the Project Debt Facility during the first quarter of 2015. In addition to cash on hand, the Company may procure funding for regional drilling and other activities from other sources such as surety bonding or other cost effective alternatives.

On July 15, 2014, the Company announced it had executed a project financing mandate letter with the Lenders to arrange a $200 million Project Debt Facility. The mandate letter specified the roles and responsibilities of each syndicate member, including customary project finance terms and conditions and set forth the steps necessary to arrange the Project Debt Facility. On November 3, 2014, the Company announced the signing of a binding commitment letter with the Lenders in connection with a $200 million, 8.5-year term secured Project Debt Facility for the development of Haile, with no requirement for mandatory gold hedging. The commitment letter is valid for 120 days to reach closing and confirms that each lender has committed to provide one third of the debt, with an option to syndicate following closing. The interest rate during the term ranges from LIBOR plus 3.75% to LIBOR plus 4.25%. Closing of the Project Debt Facility is subject to the Company's internal approvals, the Company's requirement to raise a certain amount of equity and final documentation. The Company anticipates closing the Project Debt Facility during the first quarter of 2015.

NI 43-101 Updated Technical Report

As noted earlier, on December 10, 2014, the Company released the results of a NI 43-101 Technical Report which updated the economic inputs of the project including initial and sustaining capital, operating, reclamation and mitigation costs and gold price. The updated Technical Report retained the pit geometry and all drill data from the previous Technical Report; therefore, mineral resources and mineral reserves remained unchanged in the updated Technical Report.

The key results of the Technical Report are as follows:

- Cut-off grades for the mineral resources and average grade for the mineral reserves remain unchanged from the previous Technical Report.
- No change in the processing capabilities of 7,000 tons per day.
- In comparison to the previous Technical Report, after-tax NPV at a 5% discount rate increased from $191 million to $329 million and after-tax IRR increased from 15.7% to 20.1%. The increased results reflect the following significant changes in the Technical Report:
    - Gold price increased from $950/oz. to $1,250/oz.
    - Operating costs are approximately 26% higher than the costs reflected in the previous Technical Report due to higher labour, consumables and power costs.
    - Total initial capital costs are projected at $333 million, of which only $302 million was reflected in the cash flow model as approximately $31 million had been spent at time of publication of the NI 43-101 Technical Report compared with an initial capital cost of $275 million in the previous Technical Report.
        - The increase in initial project capital was primarily due to bringing forward some work that was previously projected to be sustaining capital, refinements in detailed engineering (now 85% complete), increased insurance amounts, permit requirements and increases in material and labour costs.
    - Sustaining capital increased by $20 million from $119 million to $139 million.

Development Activities

During December 2014, the Company amended its agreement with Blanchard Machinery Company ("BMC") the local Caterpillar ("CAT") dealer, to purchase a portion of the fleet ($6.8 million) and align the remaining payment (approximately $22 million) to the earlier of November 30, 2015 or 30 days after the resolution of the appeal of the Permit filed by a national conservation group. On February 17, 2015, the Company fulfilled its contractual obligations by making a final payment of $22 million for the balance of the Caterpillar equipment under contract. In conjunction with the amended agreement, delivery of the purchased equipment is to occur as directed by the Company and the warranty will not commence until the equipment is placed into service.

With the publication of the Draft EIS, the Company re-engaged its engineering partners in the 2014 second quarter to resume engineering design, including engineering and equipment procurement. During the second quarter engineering and construction management progressed on the early construction activities including the wastewater treatment plant, utilities and infrastructure. Procurement activities concentrated on soliciting updated pricing and deliveries from the various vendors for equipment yet to be procured and updating deliveries for purchases already made. During the third and fourth quarters of 2014, certain pieces of equipment for the water treatment plant were released for manufacture. Bearing housings, feed and discharge chutes and miscellaneous steel fabricated pieces for the SAG and Ball mills have also been released for manufacture while all other equipment releases remained on hold until receipt of final permits and financing.

Delivery of short-lead time mill components, such as shell liners, trommel screen and miscellaneous pieces was delayed waiting for receipt of final permits.

With approximately 80% of equipment prices known and detailed engineering at approximately 85% complete, the initial capital cost estimate for the Haile Gold Mine project is estimated at $333 million, of which $39 million had been spent at December 31, 2014. The remaining 20% of equipment costs consists of other equipment that is not long-lead and is viewed as having a lower risk of inflation and delivery risk. In order to maintain flexibility over cash spend, equipment purchase orders generally have a flexible release for manufacture date with some price indexing, positive or negative, to relevant underlying commodity indexes.

The current level of engineering work at approximately 85% exceeds the level of design and engineering work most projects achieve when they commence construction.

During January 2015, the Company amended its agreement with Flint Equipment Company ("Flint"), the local Hitachi dealer, to align delivery of the hydraulic shovel with the projected commencement of construction. This agreement maintains the previously agreed pricing, ensures timely delivery of the shovel, and allows the Company to defer the majority of the payment until the equipment is delivered to Haile on or before June 1, 2015. The hydraulic shovel is currently being stored in Savannah, Georgia.

Exploration Activities

In order to conserve cash, effective April 15, 2013, the Company suspended all exploration drilling activity for its three then-operating Company-owned drill rigs.

Haile exploration team continues to conduct surface sampling and mapping within the Carolina terrane. This work includes project generation and reviewing historical mine sites and data, which continues to identify and develop drill-ready targets.

Drill and surface samples are prepared at the Company's wholly owned Kershaw Mineral Laboratories ("KML"), an ISO/IEC 17025 accredited lab, in Kershaw, South Carolina. All publicly reported mineralization has been confirmed by independent laboratory assays completed in Vancouver, British Columbia by Acme Labs or in Reno, Nevada by ALS Chemex. Blank samples and third party standards are inserted at random for submittal with all of the samples. The results of the control samples are within acceptable ranges. Periodic duplicate and check samples are analyzed by ALS Chemex in Reno, Nevada. For additional information on the Company's sampling, analysis, and Quality Assurance and Quality Control, please see the Company's most recent Technical Report filed December 10, 2014 on SEDAR. Romarco's Qualified Person under NI 43-101 is Mr. James M. Berry, P.G., Chief Geologist at Haile.

Amended Annual Information Form ("AIF")

On December 8, 2014, the Company announced that it filed on SEDAR an amended AIF for the year ended December 31, 2013 in order to address a technical comment raised by the Ontario Securities Commission ("OSC"). The amended AIF now includes disclosure of the after-tax economic analysis (base case and sensitivity) of the Company's Haile Gold project. The original AIF included only the pre-tax analysis. The pre-tax and after-tax economic analysis has since been updated in the Technical Report published on December 10, 2014.

OUTLOOK

Haile Development

As discussed earlier, the total estimated future funding requirement for Haile at December 31, 2014 was approximately $455 million including costs associated with the Project Debt Facility. The funding requirement includes initial project capital, wetlands mitigation, reclamation bonding, land purchases, project debt financing fees and interest during construction, working capital and other start-up costs, cost-overrun facility and the pre-funded debt service reserve account. On January 21, 2015, the Company announced a C$300 million bought deal equity financing with net cash proceeds of approximately C$284 million after fees and expenses. With the completed conversion of the Canadian dollars into US$, the Company's realized net cash proceeds amounted to approximately $226 million. The Company currently plans to fund the balance of the project capital with proceeds from the committed $200 million Project Debt Facility and plans to close on the Project Debt Facility during the first quarter of 2015. In addition to cash on hand, the Company may procure funding for regional drilling and other activities from other sources such as surety bonding or other cost effective alternatives.

The Company targets mobilization of equipment during the first quarter of 2015 and commencing substantial construction during the second quarter of 2015.

Exploration

Due to the suspension of all exploration drilling activity previously discussed, Romarco is focused on exploration target generation within the Carolina terrane in order to develop a list of priority targets.

Use of Proceeds from February 2015 Equity Offering

In the February 4, 2015 final short form prospectus, the Company's use of proceeds includes $50.9 million for mitigation costs and bonding at Haile, $101.3 million for equipment purchases, earthworks, EPCM, owners costs and other project related activities, $60.5 million for required restricted cash and fees under the Project Debt Facility and $16.9 million for Haile operating expenses and general corporate purposes.

Use of Proceeds from December 2014 Non-Brokered Private Placement

As discussed earlier, on December 18, 2014, the Company closed on a non-brokered private placement financing of 64,770,700 common shares of the Company at a price of C$0.50 per share. The net proceeds from the private placement will be used to finance the advancement of Haile including working capital, equipment payments, regional exploration during the construction phase and general corporate purposes. The fourth quarter payment of $6.8 million for the purchase of certain Caterpillar mobile equipment from BMC was one of the uses of proceeds for this financing.

REVIEW OF FINANCIAL RESULTS

Selected Annual Information

($000s except per share data)	2014	2013	2012
Finance income	$ 89	$ 125	$ 240
Exploration expenses	(992)	(2,484)	(3,095)
General and administrative expenses	(12,099)	(9,784)	(9,038)
Finance expense	(243)	(274)	(203)
Write-down of non-core land	(111)	(1,485)	-
Foreign exchange gain (loss)	(213)	(313)	162
Net loss	(13,569)	(14,215)	(11,934)
Loss per share			
Basic and diluted	(0.02)	(0.02)	(0.02)
Total assets	$ 287,929	$ 266,808	$ 257,561
Total liabilities	$ 11,003	$ 9,211	$ 13,521

RESULTS OF OPERATIONS

Year ended December 31, 2014 compared with 2013

The Company reported a net loss of $13.6 million ($0.02 loss per share) for the year ended December 31, 2014 as compared with a net loss of $14.2 million ($0.02 loss per share) during the same comparable period in 2013, which represents a $0.6 million reduction in net loss when compared to the same period in 2013. The reduction in net loss was primarily due to a $1.5 million reduction in exploration expenses and the $1.5 million (2014 - $0.1 million) impairment charge recorded in 2013 on certain parcels of non-core land that were available for sale partially offset by a $2.3 million increase in general and administrative expenses.

The $1.0 million of exploration costs reported during the year ended December 31, 2014 were costs associated with geologists conducting surface sampling and mapping within the Carolinas and was $1.5 million lower than total exploration expenses recorded during the same period in 2013. As noted earlier, effective April 15, 2013, the Company suspended all exploration drilling activity for its three then-operating Company-owned drill rigs.

General and administrative expenses were $12.1 million during the year ended December 31, 2014 representing an increase of $2.3 million when compared with the same period in 2013. The $2.3 million increase was primarily due to higher professional fees ($1.7 million) and increased salaries and benefits ($0.3 million). The increase in professional fees was primarily related to costs associated with exploring and advancing project debt financing.

The $0.2 million foreign exchange loss recorded during 2014 primarily relates to the translation of cash and cash equivalents denominated in Canadian dollars into US dollars. The Canadian dollar depreciated by more than 8% against the US dollar during the year ended December 31, 2014.

RESULTS OF OPERATIONS

Summary of Quarterly Results

For the quarters ended:

($000s except per share data)		Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013	Mar. 31, 2013
Finance income	$	15	22	22	30	25	30	31	39
Exploration expenses		(214)	(242)	(240)	(296)	(223)	(452)	(736)	(1,073)
General and administrative expenses		(3,005)	(3,300)	(3,384)	(2,410)	(2,257)	(2,062)	(3,047)	(2,418)
Finance expense		(54)	(62)	(61)	(66)	(82)	(66)	(67)	(59)
Write-down of non-core land		(61)	-	-	(50)	(60)	(1,425)	-	-
Foreign exchange gain (loss)		(82)	(116)	96	(111)	(144)	62	(131)	(100)
Net loss	$	(3,401)	(3,698)	(3,567)	(2,903)	(2,741)	(3,913)	(3,950)	(3,611)
Loss per share									
Basic and diluted	$	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Total assets	$	287,929	261,862	263,529	262,150	266,808	244,937	247,564	250,280
Total liabilities	$	11,003	9,657	8,713	6,808	9,211	9,212	9,075	9,388

The decrease in general and administrative expenses during the fourth quarter of 2014 as compared to the third quarter of 2014 reflects the reduction in professional fees associated with exploring and advancing project debt financing.

Three months ended December 31, 2014 compared with 2013

The Company reported a net loss of $3.4 million ($0.01 loss per share) for the three-month period ended December 31, 2014, which represents an increased loss of $0.7 million when compared to the same period in 2013. The $0.7 million increase in net loss was primarily due to increased general and administrative expenses.

The $0.2 million of exploration costs reported during the three-month period ended December 31, 2014 were costs associated with regional exploration expenses in North and South Carolina and was consistent with the exploration expenses recorded in the same period in 2013.

General and administrative expenses were $3.0 million during the three-month period ended December 31, 2014 which represents an increase of $0.7 million when compared to the same period in 2013. The $0.7 million expense increase in 2013 was primarily due to higher professional fees ($0.6 million) related to costs associated with securing project debt financing.

The $0.1 million foreign exchange loss recorded during the three-month period ended December 31, 2014 primarily relates to the translation of cash and cash equivalents denominated in Canadian dollars into US dollars. The Canadian dollar depreciated by in excess of 3% against the US dollar during the three-month period ended December 31, 2014.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended December 31		Twelve Months Ended December 31	
Sources and Use of Cash ($000s)	2014	2013	2014	2013
Cash used in operations prior to changes in working capital	$ (2,668)	$ (1,872)	$ (9,913)	$ (9,175)
Net changes in non-cash working capital	232	233	729	(57)
Cash used in operating activities	(2,436)	(1,639)	(9,184)	(9,232)
Cash used in investing activities	(15,123)	(7,662)	(32,511)	(32,163)
Cash provided from financing activities	27,354	23,843	28,943	24,024
Effect of foreign exchange on cash and cash equivalents	(4)	(100)	(148)	(226)
Increase (decrease) in cash and cash equivalents	$ 9,791	$ 14,442	$ (12,900)	$ (17,597)

At December 31, 2014, cash and cash equivalents amounted to $34.3 million which represents a decrease of $12.9 million during 2014, as compared with a decrease of $17.6 million during the same period in 2013. Cash and cash equivalents increased by $9.8 million during the three-month period ended December 31, 2014, as compared with an increase of $14.4 million during the same period in 2013. Cash used in investing activities of $15.1 million during the fourth quarter of 2014 was primarily due to the $6.8 million purchase of specific Caterpillar mobile equipment, $1.2 million deposit of Haile's reclamation bond, project development costs and other project capital payments.

Financing activities

The Company's sole source of funding has been the issuance of equity securities for cash. Romarco has not generated any revenue from its current operations and does not expect to generate any revenue during the next twelve months.

During 2014, net cash flows from financing activities amounted to $28.9 million, as compared with $24.0 million during the same period in 2013. The 2014 proceeds of $28.9 million was primarily due to the $27.4 million of net proceeds generated by the non-brokered private placement financing of 64,770,700 common shares at a gross price of C$0.50 per share which closed on December 18, 2014, with the balance relating to the exercise of employee stock options. The 2013 proceeds of $24.0 million was primarily due to the $23.8 million of net proceeds generated by the non-brokered private placement financing of 71,678,599 common shares at a gross price of C$0.35 per share which closed on November 13, 2013.

During the three-month period ended December 31, 2014, net cash flows from financing activities amounted to $27.4 million as compared with $23.8 million during the same period in 2013. As noted above, the fourth quarter financing proceeds in both 2014 and 2013 were attributable to the non-brokered private placements which closed on December 18, 2014 and November 13, 2013, respectively.

Operating activities

During the years ended December 31, 2014 and 2013, cash used in operating activities amounted to $9.2 million. The composition of cash used in the two years was markedly different; cash spend in 2014 on exploring and advancing project debt financing was $1.7 million (2013 - $0.1 million) partially offset by reduced exploration expenses.

During the quarter ended December 31, 2014, cash used in operating activities amounted to $2.4 million which represented an increase of $0.8 million when compared with the same period in 2013. The increased use of cash was primarily due to payments associated with exploring project debt financing.

Investing activities

During the year ended December 31, 2014, net cash used in investing activities amounted to $32.5 million (2013 - $32.2 million), which represented an increase of $0.3 million when compared with the same period in 2013. The $0.3 million increase was primarily due to increased purchases of plant and equipment ($6.3 million) and increased net bonding outlays ($2.0 million) partially offset by reduced net land purchases of $4.0 million and lower development costs due to reduced permit payments and all drilling exploration activity was suspended in April 2013. As noted in the Development Activities section, the Company purchased certain mobile equipment for $6.8 million.

During the three-month period ended December 31, 2014, cash used in investing activities amounted to $15.1 million which represented an increase of $7.5 million when compared with the same period in 2013. The $7.5 million increase during the fourth quarter was primarily due to increased purchases of plant and equipment ($9.4 million), with the purchase of mobile equipment from BMC for $6.8 million accounting for the majority of the increase and the $1.2 million reclamation bond payment. The increases were partially offset by reduced land purchases of properties ($3.8 million), as the final payment of $3.4 million on the purchase of Cooks Mountain (mitigation property) occurred during the fourth quarter of 2013 and the $0.8 million net monetization of the $1.1 million Haile reclamation bond.

Liquidity, capital resources and going concern

During the three-month and twelve-month periods ended December 31, 2014, the Company received net cash proceeds of $27.4 million and $28.9 million, respectively. The Company's sole source of funding has been the issuance of equity securities for cash.

At December 31, 2014, the Company had net working capital of $29.7 million (December 31, 2013 - $44.9 million) including cash and cash equivalents of $34.3 million (December 31, 2013 - $47.2 million). Cash and cash equivalents are primarily held in major Canadian chartered banks and consist of short-term interest bearing deposits with maturity dates of three months or less at acquisition.

The Company targets mobilization of equipment during the first quarter of 2015 and commencing substantial construction during the second quarter of 2015. The Company has cash and cash equivalents totalling approximately $232 million at February 19, 2015.

On an ongoing basis, the Company examines various financing alternatives to address future funding requirements. The appropriateness of this approach is discussed in more detail in note 1 of the audited consolidated financial statements for the year-ended December 31, 2014.

RELATED PARTY TRANSACTIONS

Key Management and Directors Compensation

Key management includes the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and the Chief Operating Officer ("COO"). The compensation expense for key management and directors amounted to $5.3 million (2013 - $4.9 million) for the year ended December 31, 2014.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Commitments

The following is a summary of the contractual obligations and commitments at December 31, 2014:

			Payments due by period			
($000s)		Total	Less than 1 year	1 - 3 years	4 - 5 years	Beyond 5 years
Operating leases	$	411	284	122	5	-
Equipment (i)		24,097	24,097	-	-	-
Land purchase contracts		2,638	2,638	-	-	-
Other contracts		190	80	110	-	-
Mitigation holding costs		360	360	-	-	-
Total	$	27,696	27,459	232	5	-

(i) The equipment commitment of $24.1 million includes a $22.0 million commitment with BMC for the purchase of long-lead time mobile CAT equipment with BMC which was due 30 days after the resolution of the appeal of the State Mine Operating permit which was resolved on January 8, 2015. On February 17, 2015, the Company fulfilled its contractual obligations by making the final payment of $22 million for the balance of the Caterpillar equipment under contract.

Effective with the receipt of all Federal and State permits and the expiration of all applicable appeal periods on January 8, 2015, the Company became obligated to complete the mitigation plan submitted to the Corps on July 10, 2013. The Company's mitigation plan is built on protection of outstanding aquatic, cultural and historic resources on three key parcels of property that the Company currently has under its control: Rainbow Ranch, Cooks Mountain and Goodwill Plantation. Rainbow Ranch was purchased in 2011 and Cooks Mountain was purchased during the fourth quarter of 2013 and both properties are recorded in land. The Company controlled Goodwill Plantation through a purchase agreement, and with the expiration of all applicable appeal periods, the Company became obligated to acquire Goodwill Plantation for $20 million in the first quarter of 2015. The mitigation plan requires the Company to convey land ownership to these three properties to the SCDNR Heritage Trust Program. In addition, the mitigation plan requires the Company to provide financial support to SCDNR for the benefit of these three mitigation sites and regional aquatic needs. The Company will provide an endowment of $4.5 million ($1.0 million initial payment and $3.5 million paid over 15 years) for maintenance and management of the three properties included in the mitigation plan. In addition, a $4.9 million endowment will be provided to SCDNR and paid over 15 years for the benefit of the endangered heelsplitter mussel.

On October 8, 2014, the Company announced that it had reached agreement with South Carolina conservation groups to provide ongoing protection for lands in the Lynches River Watershed of South Carolina. The conservation groups have agreed that they will not bring any suit or claim with respect to the federal, state or local permits issued for Haile as described in the Final EIS. As part of this agreement, effective with the receipt of all Federal and State permits and expiration of all applicable appeal periods on January 8, 2015, Haile will transfer approximately 368 acres of currently owned regional land in the Flat Creek area of Lancaster County (original purchase price of approximately $2.0 million) to a land conservation organization. Once Haile achieves commercial production, it will make four annual instalments of $1 million each ($4 million in total) to the Board. These funds will be used to further conserve and protect the Lynches River watershed.

The total financial assurance required for the Haile project is set at $65 million to be funded over the life of the mine.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off balance sheet arrangements.

OUTSTANDING SHARE DATA

At February 19, 2015, the Company had the following outstanding securities:

- 1,242,644,074 common shares issued and outstanding; and
- 35,049,802 stock options to purchase Common Shares at a weighted average exercise price of C$0.86, of which, 29,076,202 options at an average exercise price of C$0.87 are vested and exercisable. The expiry dates range from June 12, 2015 to January 12, 2020.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Company considers the estimates concerning mineral properties and exploration and evaluation expenditures, stock-based compensation and asset retirement obligations to be significant.

- ### Mineral Property Interests and Exploration and Evaluation Expenditures

  The Company explores and develops its resource properties. Acquisition costs for land and mineral rights and costs to acquire tangible assets are capitalized. Exploration and project development costs, including costs incurred to determine technical and commercial viability and economic evaluations, are expensed in the period incurred until such time that the reserves are classified as proven or probable ore reserves and the Company has decided to develop the project. Option and lease payments prior to an acquisition decision are expensed. Subsequent development costs of the project will be capitalized and regional exploration costs will continue to be expensed. Once the mine is in production, capitalized development costs will be amortized on a units-of-production basis, based on proven or probable reserves. There may be instances where judgement will be necessary to differentiate between exploration and development costs and the accounting treatment. Also, the estimation of mineral resources as proven or probable ore reserves is complex and requires significant subjective assumptions. Although valid at the time of estimation, these assumptions may change significantly over time when new information becomes available and may cause the mineral resources and reserves estimates to change. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may have a significant impact on the economic assessment of the mineral resources and reserves and may result in their restatement, affecting the recoverability of mineral property interests capitalized.

- ### Stock-Based Compensation

  The compensation cost attributable to stock options granted is measured at the grant date using the Black-Scholes option pricing model to determine fair value. The Black-Scholes option pricing model requires estimates for the expected life of options and stock price volatility which can materially affect the fair value estimate. In addition, the Company is required to estimate the forfeiture rate which impacts the timing of amounts being recorded.

- ### Asset Retirement Obligation

  Future obligations for an asset retirement obligation, including a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of operations and reclamation costs arising when environmental disturbance is caused by the exploration or development of mineral properties and plant and equipment. Provisions for site closure and reclamation costs are recognized in the period in which the obligation is incurred or acquired and recorded as a liability based on estimated future cash flows discounted at a credit-adjusted risk free discount rate. The liability is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the credit-adjusted risk free discount rate.

  The liability is accreted to full value over the obligation period through periodic charges to earnings and is recorded to finance expense in the statement of comprehensive income (loss).

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments primarily consist of cash and cash equivalents (classified as loans and receivables), accounts receivable (classified as loans and receivables), reclamation bonds (classified as loans and receivables) and accounts payable and accrued liabilities (classified as other financial liabilities). The fair values of these financial instruments approximate their carrying values. The Company has not used any hedging or any other financial derivatives.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Management, including the CEO and the CFO, is responsible for designing, establishing, and maintaining a system of internal controls over financial reporting ("ICFR") to provide reasonable assurance that all information prepared by the Company for external purposes is reliable and timely. The internal control framework has been based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO", 1992). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately reflect the transactions of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements. Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements.

The CEO and CFO have evaluated whether there were changes to the ICFR during the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the ICFR. Based on this assessment and evaluation, there have been no material changes in the Company's internal control over financial reporting during the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

In accordance with NI 52-109, management of the Company, under the supervision of the CEO and CFO, has evaluated the design of the Company's disclosure controls and procedures over ICFR at December 31, 2014. Based on this review, the CEO and CFO certify that its disclosure controls and procedures and internal controls are appropriately designed at December 31, 2014.

CAUTIONARY NOTE TO U.S. INVESTORS CONCERNING MINERAL RESERVES AND RESOURCES

Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and mineral resource and reserve information contained herein may not be comparable to the similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under U.S. standards, mineralization may not be classified as a "reserve", unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. U.S. investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulation; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by Romarco in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U.S. standards.

ADDITIONAL RISKS

Certain statements in this document, including statements which may contain words such as "outlook", "anticipate", "project", "target", "believe", "estimate", "expect", "intend", "should", "scheduled", "will", "plan", and similar expressions and statements related to matters that are not historical facts, are forward-looking statements. These forward-looking statements relate to, among other things, Romarco's business strategy, financial results, future plans, timing, results of exploration and related expenses, property acquisitions, mine development, industry expectations, and general economic, business and political conditions. All forward-looking statements in this document are based on management's beliefs, intentions and expectations with respect to future events. Such forward-looking statements involve known and unknown risks and uncertainties, including those set out below and described in greater detail under Risk Factors in Romarco's AIF, which may cause the actual results, performances, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. In light of the many risks and uncertainties that may cause future results to differ materially from those expected, the Company cannot give assurances that the forward-looking statements contained in this document will be realized. Forward-looking statements are not guarantees of future performance.

Although Romarco has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A based on the opinions and estimates of management, and Romarco disclaims any obligation to update any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise, except to the extent required by law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company is subject to the following risks and uncertainties which are described in greater detail in the Company's AIF:

- assumptions regarding the cost, timing and availability of additional required financing;
- the assumption that Romarco will be able to obtain or maintain the permits it requires and on a timely basis, and comply with the terms of any such permits;
- the assumption that Romarco will be able to fulfill financial assurance obligations required by its permits;
- estimated capital costs, operating costs, production and economic returns;
- estimated commodity and metal pricing, mineability and marketability, together with other assumptions underlying resource and reserve estimates, as applicable;
- Romarco's expected ability to develop infrastructure and that the cost of doing so will be reasonable;
- assumptions made in the interpretation of drill results, geology, grade and continuity of mineral deposits;
- Romarco's expectations regarding demand for equipment, skilled labour and services needed for exploration and development of mineral properties;
- Romarco's activities will not be adversely disrupted or impeded by development, operating or regulatory risks;
- risks related to the Company possessing insufficient cash to fund its business as currently planned and the risks associated with securing additional financing through the Project Debt Facility;
- risks relating to Project Debt Facility, if consummated, including the ability of the Company to generate sufficient cash to make payments on the indebtedness and the risks associated with certain covenants and conditions of the Project Debt Facility that may effectively restrict the Company's current or future operations;
- uncertainties related to actual capital costs, sustaining capital costs, engineering and construction schedules, operating costs and expenditures, production schedules and economic returns;
- uncertainties related to fluctuation in gold prices;
- risks relating to the Company's requirement of further capital, including risks related to liquidity and negative cash flow, and the risk that holders of the common shares of the Company (the "Shares") may be diluted;
- the inherent speculative nature of exploration and development activities which may not result in the development of a producing mine;
- uncertainties related to Romarco's mineral resource and mineral reserve estimates, which are based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated;
- risks relating to maintaining necessary licenses and operating permits, including complying with financial assurance and other requirements of such permits;
- inherent risks and hazards related to exploration and development of mineral rights;
- risks associated with Romarco being subject to environmental laws and regulations;
- risks associated with Romarco being subject to significant governmental regulations;

- risks related to increased competition;
- uncertainties related to mineral exploration and potential mineral deposits becoming commercially mineable ore deposits;
- risks that the market price of the Shares may fluctuate;
- risks related to Romarco's ability to attract and retain personnel;
- risks related to legal proceedings;
- Romarco's limited operating history and lack of history of earnings, positive cash flow or dividend payments;
- risks relating to Romarco's ability to insure Romarco's business and operations against unforeseen risks;
- uncertainties related to recent market events and general economic conditions;
- risks related to the integration of new acquisitions; and
- risks that Romarco's directors and officers may have conflicts of interest.

Additional information related to Romarco is available on the Company's website at www.romarco.com or on SEDAR at www.sedar.com.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Expressed in thousands of US dollars, unless otherwise indicated)

ROMARCO MINERALS INC.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Romarco Minerals Inc. is responsible for the integrity and fair presentation of the accompanying consolidated financial statements.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and reflect management's best estimates and judgements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management has developed and maintains a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable. Any system of internal control over financial reporting has inherent limitations, including the possibility of circumvention and overriding of controls, and therefore, can provide only reasonable assurance with respect to financial statement preparation and presentation. Management concludes that at December 31, 2014, the Company's internal control over financial reporting was effective.

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee, which is composed entirely of independent directors. The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval. The Audit Committee also reviews and approves the quarterly financial statements, reviews with management the Company's systems of internal control and approves the scope of the independent auditors audit and non-audit work.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

(Signed) *"Diane R. Garrett"*	(Signed) *"Stanton K. Rideout"*
Diane R. Garrett, Ph. D.	Stanton K. Rideout
President and Chief Executive Officer	Sr. Vice President and Chief Financial Officer

February 19, 2015

February 19, 2015

Independent Auditor's Report

To the Shareholders of
Romarco Minerals Inc.

We have audited the accompanying consolidated financial statements of Romarco Minerals Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and the related notes, which comprise 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of US dollars)

		December 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents	(Note 2(d))	$ 34,280	$ 47,180
Receivables		126	155
Prepaid expenses		286	447
Assets held for sale	(Note 4)	326	813
Equipment deposits	(Note 5)	3,220	3,220
		38,238	51,815
Non-current assets			
Mineral property interests	(Note 4)		
Land		81,761	81,936
Development costs		123,009	103,227
Plant and equipment - net	(Note 5)	43,437	29,510
Reclamation bonds	(Note 7)	1,484	320
		$ 287,929	$ 266,808
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	(Note 8)	$ 7,103	$ 5,595
Asset retirement obligation	(Note 7)	1,457	1,350
		8,560	6,945
Non-current liabilities			
Asset retirement obligation	(Note 7)	2,443	2,266
		11,003	9,211
Shareholders' Equity			
Share capital	(Note 6(a))	495,850	465,936
Stock options	(Note 6(b))	15,253	16,736
Contributed surplus		8,906	4,439
Deficit		(243,083)	(229,514)
		276,926	257,597
		$ 287,929	$ 266,808

Commitments and contingencies (Note 17)

The consolidated financial statements approved by the Board of Directors on February 19, 2015 are signed on its behalf by:

"Diane R. Garrett"
Director

"R.J. MacDonald"
Director

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Expressed in thousands of US dollars, except shares and per share data)

		2014	2013
Expenses			
Exploration expenses	(Note 12)	$ 992	$ 2,484
General and administrative expenses	(Note 13)	12,099	9,784
Finance expense		243	274
Finance income		(89)	(125)
Write-down of non-core land	(Note 4)	111	1,485
Foreign exchange loss		213	313
Net loss and comprehensive loss		$ (13,569)	$ (14,215)
Loss per share			
Basic and diluted		$ (0.02)	$ (0.02)
Weighted average number of shares outstanding (000s)		662,102	595,167

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Expressed in thousands of US dollars)

		2014	2013
Operating Activities			
Net loss for the year		$ (13,569)	$ (14,215)
Items not affecting cash			
Depreciation		87	171
Write-down of non-core land	(Note 4)	111	1,485
Net gain on sale of assets		-	(11)
Finance expense	(Note 7)	243	274
Stock-based compensation	(Note 6(b))	3,133	2,979
Unrealized foreign exchange loss		132	219
Asset retirement obligation		(50)	(77)
		(9,913)	(9,175)
Net changes in non-cash working capital	(Note 16)	729	(57)
Cash used in operating activities		(9,184)	(9,232)
Investing Activities			
Reclamation bond, net	(Note 7)	(1,164)	806
Land, net	(Note 4)	175	(3,829)
Mineral property interests	(Note 4)	(17,869)	(21,532)
Plant and equipment	(Note 5)	(14,149)	(7,893)
Net proceeds from sale of non-core land and equipment		496	285
Cash used in investing activities		(32,511)	(32,163)
Financing Activities			
Net proceeds from private placement	(Note 6(a))	27,354	23,836
Exercise of stock options	(Note 6(b))	1,589	188
Cash provided from financing activities		28,943	24,024
Decrease in cash and cash equivalents		(12,752)	(17,371)
Effect of foreign exchange on cash and cash equivalents		(148)	(226)
Cash and cash equivalents - beginning of year		47,180	64,777
Cash and cash equivalents - end of year		$ 34,280	$ 47,180
Cash and cash equivalents consist of:			
Cash		$ 1,144	$ 2,260
Cash equivalents		33,136	44,920
		$ 34,280	$ 47,180

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Expressed in thousands of US dollars, unless otherwise indicated)

	Equity attributable to shareholders					
	Share capital		Stock options	Contributed surplus	Deficit	Total equity
	# (000's)					
Balance at January 1, 2013	**584,979**	**$ 441,794**	**13,725**	**3,820**	**(215,299)**	**$ 244,040**
Issued for non-brokered private placement	71,679	23,836	-	-	-	23,836
Stock-based compensation	-	-	3,748	-	-	3,748
Issued on exercise of stock options	1,000	306	(118)	-	-	188
Expired and forfeited vested options	-	-	(619)	619	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(14,215)	(14,215)
Balance at December 31, 2013	**657,658**	**$ 465,936**	**16,736**	**4,439**	**(229,514)**	**$ 257,597**
Issued for non-brokered private placement	64,771	27,354	-	-	-	27,354
Stock-based compensation	-	-	3,955	-	-	3,955
Issued on exercise of stock options	2,890	2,560	(971)	-	-	1,589
Expired and forfeited vested options	-	-	(4,467)	4,467	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(13,569)	(13,569)
Balance at December 31, 2014	**725,319**	**$ 495,850**	**15,253**	**8,906**	**(243,083)**	**$ 276,926**

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

1 NATURE OF OPERATIONS

Romarco Minerals Inc. (the "Company" or "Romarco") is formed under the laws of British Columbia, Canada and its registered office is Three Bentall Centre, 595 Burrard Street, Suite 2600, Vancouver, British Columbia, V7X 1L3. The Company is listed on the TSX and trades under the symbol "R" and its principal business activities are the acquisition, exploration and development of precious metals mineral properties. Romarco's strategic objective is to become a gold producer through development of its own projects. The consolidated audited financial statements of the Company at and for the years ended December 31, 2014 and 2013 include the accounts of Romarco Minerals Inc. and all of its wholly owned subsidiaries including its US subsidiaries, Haile Gold Mine Inc., Romarco Minerals U.S. Inc., Romarco Minerals NC LLC, Kershaw Mineral Laboratories LLC, Romarco Holdings Inc. and Romarco Consolidated Inc. and its wholly owned dormant Mexican subsidiaries Romarmex S.A. de C.V. and Exploraciones Santo Tomas S.A. de C.V., (companies incorporated under the laws of Mexico). The Company's principal development project is Haile Gold Mine Inc., located in Lancaster County, South Carolina, USA.

The Company is a development stage entity and has not generated any operating revenues from any of its existing properties and has limited financial resources. The Company is subject to risks and challenges similar to companies in a comparable stage of development. These risks include the challenges of securing adequate capital in view of exploration, development and operational risks inherent in the mining industry and global economic and gold price volatility. The underlying value of the Company's mineral properties and the recoverability of the related capitalized costs are entirely dependent on the Company's ability to obtain the necessary permits to mine and the required financing to complete development and upon future profitable production from, or the proceeds from the disposition of, its mineral properties.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as set out in the Chartered Professional Accountants of Canada Handbook ("CPA Canada Handbook") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from December 31, 2014. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future. For the year ended December 31, 2014, the Company reported a loss of $13,569 and an accumulated deficit of $243,083 at that date.

The Company's sole source of funding has been the issuance of equity securities for cash. The Company's cash balance at December 31, 2014 is $34,280 and it has no sources of operating cash flows. Over the next 15 months, the Company plans to 1) incur expenditures required to commence construction at Haile including reclamation bonding, professional fees, and other administrative fees and expenses; 2) purchase long-lead project equipment (see note 17); 3) incur other mine project costs including ongoing project design and engineering costs, wetlands mitigation costs, other equipment payments, etc.; 4) commence construction on the mine project; 5) make land purchases; and 6) incur general corporate and operating expenses. On an ongoing basis, the Company examines various financing alternatives including equity financing and project debt to address future funding requirements (see note 6(a) and note 18 for recent equity financings). Although Romarco has been successful in these activities in the past, the Company has no assurance on the success or sufficiency of these initiatives in the foreseeable future.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and includes interpretations by the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements are expressed in thousands of US dollars.

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. See note 3 for significant accounting estimates and judgements.

The consolidated financial statements have been prepared under the historical cost convention. Certain comparative amounts have been reclassified to conform to the current year's presentation.

b) Consolidation

These consolidated financial statements include the financial statements of the Company and all of its subsidiaries. All intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

c) Foreign currency translation

Items included in the consolidated financial statements of each consolidated entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional and presentation currency of the Company and its subsidiaries is the US dollar. Monetary assets and liabilities of the Company denominated in currencies other than the US dollar are translated to US dollars at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities are translated to US dollars at historical rates of exchange on the date of the transaction. Transactions in foreign currencies are translated at the actual rates of exchange on the transaction dates.

Gains and losses on foreign currency translation are recorded in the consolidated statement of net income (loss) and comprehensive income (loss). Transactions for revenues and expenses are translated at the average rates during the period in which they occurred with the exception of depreciation of plant and equipment which is recorded at the historical rates of exchange.

Certain financial information are expressed in thousands of Canadian dollars and are identified as C$.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid short-term investments with a maturity date of three months or less when acquired. Of the $34,280 (2013- $47,180) cash and cash equivalents balance, $33,763 (2013- $46,543) is held in large Canadian financial institutions.

e) Plant and equipment

Plant and equipment are recorded at cost and are depreciated on a declining balance basis, with the exception of leasehold improvements (which are amortized on a straight-line basis over the lease term), over their estimated useful lives at their following annual rates:

Office equipment	20 - 30%
Mobile equipment	30%
Building	4%

Assets under construction will be classified to plant and equipment categories when they are substantially complete. At that time, depreciation of assets will commence over the useful lives.

The Company reviews the estimated useful lives, residual values and depreciation methods of plant and equipment at the end of each financial year and when events or circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

f) Exploration and evaluation expenditures

Exploration expenditures typically include costs associated with prospecting, sampling, mapping, drilling and other activities involved in searching for ore. Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition.

Exploration and evaluation costs are recorded in the consolidated statement of net income (loss) and comprehensive income (loss) in the period in which they are incurred until such time that the mineral resources are classified as proven or probable ore reserves and the Company has decided to develop the project, subject to financing and permitting. Cash flows attributable to exploration and evaluation expenditures are classified as operating activities in the consolidated statement of cash flows.

g) Mineral property interests

Acquisition costs for land and mineral rights and costs to acquire tangible assets are capitalized. Once the mineral resources are classified as proven or probable ore reserves and the Company has decided to develop the project, subject to financing and permitting, subsequent costs incurred for the project are capitalized as development costs.

Development costs includes condemnation drilling, in-fill drilling and step-out drilling which is in close proximity to known mineralization and is located within or adjacent to the mine property. All costs related to the development of the project such as compensation, permitting and other expenses are capitalized.

Once the mine is in production, capitalized development costs are amortized on a units-of-production basis, based on proven and probable reserves. Costs for prospects to be sold, abandoned or allowed to lapse are written down to their estimated net realizable value at the time a decision is made to either sell the prospect or discontinue exploration and development.

Cash flows attributable to development expenditures are classified as investing activities in the consolidated statement of cash flows.

h) Impairment of non-financial assets

The carrying amount of the Company's long-lived assets, which consist of mineral property interests and plant and equipment, is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverability of assets to be held and used are measured by a comparison of the carrying value of the asset to the recoverable amount. The recoverable amount of an asset is the greater of its 'fair value less costs to sell' and its 'value in use'. Fair value is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties. Value in use is determined based on the future discounted net cash flows expected to be generated by the asset or cash generating unit.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recorded in the consolidated statement of net income (loss) and comprehensive income (loss). Impairment losses recognized in prior periods are assessed at each reporting period for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years, net of accumulated depreciation.

i) Asset retirement obligation

Future obligations for an asset retirement obligation, including a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of operations and reclamation costs arising when environmental disturbance is caused by the exploration or development of mineral properties and plant and equipment. Provisions for site closure and reclamation costs are recognized in the period in which the obligation is incurred or acquired and recorded as a liability based on estimated future cash flows discounted at a credit-adjusted risk free rate. The liability is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the credit-adjusted risk free discount rate. Based on the stage of development, the charge will be recorded to either mineral property interests or in the consolidated statement of net income (loss) and comprehensive income (loss) (see notes 2(f) and 2(g)).

The liability is accreted to full value over the obligation period and is recorded to finance expense in the consolidated statement of net income (loss) and comprehensive income (loss).

j) Stock-based compensation

Typically on an annual basis, the Company grants stock options to employees and directors and these stock options vest over an eighteen month period (25% on issuance and 25% per six month period thereafter) and expire over a five year period.

The Company recognizes stock-based compensation expense using the fair value method at the date of grant, based on the number of stock options estimated to vest. The Company estimates the number of stock options likely to vest at the time of grant and updates the forfeiture estimate based on actual forfeitures. Under this method, compensation cost attributable to options granted is measured at the grant date using the Black-Scholes option pricing model to determine fair value, with the offset to a separate component of shareholders' equity (stock options). The Black-Scholes option pricing model requires the input of highly subjective assumptions including estimates of expected life of options and historical stock price volatility that can materially affect the fair value estimate. Compensation expense is recognized over the vesting period of the underlying options using the graded vesting method. Any consideration paid by employees on exercise of stock options, along with the related fair value previously credited to the separate component of shareholders' equity, is credited to share capital.

k) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the year that includes the date of enactment or substantive enactment. Deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which the assets can be utilized.

l) Loss per share

Basic loss per share is calculated by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding. For all periods presented, loss attributable to common shareholders equals reported loss. The Company uses the treasury stock method to calculate earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. In periods when a loss is incurred, the exercise of outstanding stock options and warrants would not be included in this calculation as these would be anti-dilutive, and accordingly basic and diluted loss per share are the same.

m) Financial instruments

The Company's financial instruments primarily consist of cash and cash equivalents (classified as loans and receivables), accounts receivable (classified as loans and receivables), reclamation bonds (classified as loans and receivables) and accounts payable and accrued liabilities (classified as other financial liabilities). The fair values of these financial instruments approximate their carrying values. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Loans and receivables and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net income (loss).
- Held for trading financial instruments are measured at fair value. All gains and losses are included in net income (loss) for the period in which they arise.
- All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net income (loss) in the period in which they arise, except for derivative instruments which represent a cash flow hedge, where gain or loss is recognized in other comprehensive income (loss).

The three levels of the fair value hierarchy are:

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

Financial assets and financial liabilities are recognized on the statement of financial position when the Company has become party to the contractual provisions of the instruments.

n) New accounting policies

Effective January 1, 2014, the Company implemented the following new and revised accounting standards, including any consequential amendments thereto. These changes were made in accordance with the applicable transitional provisions as provided in those standards and amendments.

The implementation of these standards did not have a significant impact on the consolidated financial statements of the Company.

IFRIC 21 Levies ("IFRIC 21")

IFRIC 21 was issued by the IASB in May 2013 and is an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 provides guidance on when an obligating event occurs that gives rise to a liability to pay a government levy that is not income tax.

International Accounting Standard ("IAS") 36 Impairment of Assets ("IAS 36")

The Company implemented certain amendments to IAS 36 which require that the Company disclose, if appropriate, the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal or value-in-use of the asset, when an impairment loss is recognized or when an impairment loss is subsequently reversed. These amendments resulted in the Company including additional disclosure in respect of the recognition of impairment losses associated with non-core land (see Note 4).

IAS 32 Financial Instruments: Presentation ("IAS 32")

The Company implemented certain amendments to IAS 32 which require the Company to provide clarification on the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

IFRS 10 Consolidated Financial Statements ("IFRS 10")

The Company adopted certain amendments to IFRS 10 relating to the exception to the consolidation requirements as outlined in IFRS 10 as they apply to investment entities. The implementation of these amendments is not applicable to the consolidated financial statements of the Company.

o) Recent accounting pronouncements

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015, and have not been applied in preparing these consolidated financial statements. The following may be relevant to the Company:

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income (loss) indefinitely.

Requirements for financial liabilities are included in IFRS 9 and they largely carry forward existing requirements from IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income (loss). IFRS 9 was amended in December 2011 and November 2013, and completed in July 2014. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is in the process of evaluating the impact that IFRS 9 may have on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which supersedes IAS 18 Revenue, IAS 11 Construction Contracts and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company is in the process of evaluating the impact that IFRS 15 may have on the consolidated financial statements.

IAS 16 Property, Plant and Equipment" ("IAS 16") and IAS 38 Intangible Assets ("IAS 38")

In May 2014, the IASB issued amendments to IAS 16 and IAS 38 to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly,

amendments to IAS 38 eliminates the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is in the process of evaluating the impact of adopting these amendments to its consolidated financial statements.

IAS 1 Presentation of Financial Statements ("IAS 1")

In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statements of net income or loss and comprehensive income or loss, and providing additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendments to IAS 1 may be applied immediately, and become mandatory for annual periods beginning on or after January 1, 2016. The Company is in the process of evaluating the impact of adopting these amendments to its consolidated financial statements.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

The following are the critical judgements that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

a) Mineral property interests and exploration and evaluation expenditures

Exploration costs are expensed in the period incurred until such time that the mineral resources are classified as proven or probable ore reserves and the Company has decided to develop the project. Subsequent development costs of the project are capitalized. There may be instances where judgement will be necessary to differentiate between exploration and development costs and the accounting treatment.

b) Impairment of non-financial assets

If indicators exist that non-financial assets are impaired, an impairment test is carried out and an estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and its value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, and future operating performance. The recoverable amount for assets is determined in accordance with the Company's accounting policy as described in note 2(h).

The estimation of mineral resources as proven or probable ore reserves is complex and requires significant subjective assumptions which are believed to be valid at the time of estimation. These assumptions may change significantly over time when new information becomes available and may cause the mineral resources and reserves estimates to change. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may have a significant impact on the economic assessment of the mineral resources and reserves and may result in their restatement, affecting the recoverability of mineral property interests capitalized.

The Company's market capitalization at December 31, 2014 exceeded the Company's net book value and management's analysis of the Haile project at December 31, 2014 did not reflect any indicators of impairment at December 31, 2014.

c) Asset retirement obligation

The net present value of the asset retirement obligation has been discounted to its net present value at a credit-adjusted risk free rate which represents the 10 year United States Treasury Bond Rate and an estimate of the Company's pricing in the market to obtain debt. Assuming that all other variables remain constant, a one percentage point change in the discount rate would result in a liability change of approximately $161 (2013 -$145). The estimate also assumes a long term inflation rate. Assuming that all other variables remain constant, a one percentage point change in the long-term inflation rate would result in a liability change of approximately $168 (2013 - $150). See note 7 for additional information.

d) **Stock-based compensation**

The compensation cost attributable to stock options granted is measured at the grant date using the Black-Scholes option pricing model to determine fair value. The Black-Scholes option pricing model requires estimates for the expected life of options and stock price volatility which can materially affect the fair value estimate. In addition, the Company is required to estimate the forfeiture rate which impacts the timing of amounts being recorded.

4 MINERAL PROPERTY INTERESTS

		Land		Development		Total
At January 1, 2013	$	80,405		80,187	$	160,592
Additions, net		3,829		23,040		26,869
Write-down of non-core land (i)		(1,485)		-		(1,485)
Reclassified as held for sale (i)		(813)		-		(813)
At December 31, 2013	$	81,936		103,227	$	185,163
Additions, net		32		19,782		19,814
Proceeds on sale of timber		(207)		-		(207)
At December 31, 2014	$	81,761		123,009	$	204,770

(i) At December 31, 2013, the Company planned to dispose of certain parcels of non-core land and, after recording an impairment write-down of $1,485 within mineral property interests, reclassified $813 to assets held for sale which reflected the estimated recoverable amount of these properties. The net recoverable amount of these properties was their estimated fair value less costs of disposal. During 2014, the Company sold a portion of these properties for proceeds of $376. At December 31, 2014, the likelihood of the Company selling these remaining parcels of non-core land continues to be highly probable and $326 is the estimated recoverable amount of the these properties and are recorded as assets held for sale under current assets of the consolidated statements of financial position. The $326 balance includes a 2014 recorded impairment write-down of $111.

The development costs are as follows:

		December 31, 2014		December 31, 2013
Drilling	$	28,532	$	28,532
Geological and geochemistry		9,137		8,142
Environmental and permitting		33,177		27,470
Administration		26,403		19,144
Maintenance		4,825		4,079
Equipment holding costs		9,778		6,697
Depreciation		7,230		6,058
Stock-based compensation		3,927		3,105
	$	123,009	$	103,227

Development costs for the year ended December 31, 2014 includes salaries and benefits of $26,922 (2013 – $20,472).

5 PLANT AND EQUIPMENT

	Office equipment	Mobile equipment	Buildings	Assets under construction	Total
Year ended December 31, 2013					
Opening net book value	$ 722	4,873	3,586	17,761	$ 26,942
Additions, net of rellocations	-	14	-	4,686	4,700
Adjustments for disposals/write-off	(98)	(1,264)	(71)	-	(1,433)
Depreciation	(205)	(1,439)	(144)	-	(1,788)
Adjustments for disposals/write-off	78	998	13	-	1,089
Closing net book value	$ 497	3,182	3,384	22,447	$ 29,510
At December 31, 2013					
Cost	$ 1,463	9,910	3,788	22,447	$ 37,608
Accumulated depreciation	(966)	(6,728)	(404)	-	(8,098)
Net book value	$ 497	3,182	3,384	22,447	$ 29,510
Year ended December 31, 2014					
Opening net book value	$ 497	3,182	3,384	22,447	$ 29,510
Additions, net of reallocations	33	6,754	-	8,468	15,255
Adjustments for disposals/write-off	-	(368)	-	-	(368)
Depreciation	(166)	(957)	(136)	-	(1,259)
Adjustments for disposals/write-off	-	299	-	-	299
Closing net book value	$ 364	8,910	3,248	30,915	$ 43,437
At December 31, 2014					
Cost	$ 1,496	16,296	3,788	30,915	$ 52,495
Accumulated depreciation	(1,132)	(7,386)	(540)	-	(9,058)
Net book value	$ 364	8,910	3,248	30,915	$ 43,437

Equipment deposits of $3,220 (December 31, 2013 - $3,220) reflect payments on long-lead time capital equipment.

6 CAPITAL STOCK

a) Common shares

The Company has authorized an unlimited number of common shares. Common shares have no par value.

	Number of shares	Amount
At January 1, 2013	584,979,275	$ 441,794
Issued for non-brokered private placement	71,678,599	23,966
Non-brokered private placement issue costs	-	(130)
Issued on exercise of stock options	1,000,000	306
At December 31, 2013	657,657,874	465,936
Issued for non-brokered private placement	64,770,700	27,934
Non-brokered private placement issue costs	-	(580)
Issued on exercise of stock options	2,890,000	2,560
At December 31, 2014	725,318,574	$ 495,850

The Company's common shares primarily trade on the TSX and historically all shares, option and warrant issuances have been denominated in Canadian dollars.

On December 18, 2014, the Company closed on a non-brokered private placement financing of 64,770,700 (2013 – 71,678,599) common shares of the Company at a price of C$0.50 (2013 – C$0.35) per share for aggregate gross proceeds of $27,934 (C$32,385) (2013 - $23,966 (C$25,088)) and net proceeds of $27,354 (C$31,713) (2013 - $23,836 (C$24,950)).

b) **Stock options**

The following stock options to purchase common shares of the Company were authorized and outstanding at December 31, 2014:

	Number		Average exercise price		Amortized Value
At January 1, 2013	26,100,002	C$	1.24	$	13,725
Stock-based compensation - issued this year	13,095,000		0.47		2,388
Stock-based compensation - issued prior years	-		-		1,362
Forfeited - non-vested (i)	(3,006,250)		1.16		(2)
Expired - vested	(872,750)		1.37		(619)
Exercised	(1,000,000)		0.19		(118)
At December 31, 2013	34,316,002		0.98		16,736
Stock-based compensation - issued this year	8,789,300		0.78		2,679
Stock-based compensation - issued prior years	-		-		1,303
Forfeited - non-vested	(72,000)		0.79		(27)
Expired - vested	(5,043,000)		1.72		(4,467)
Exercised	(2,890,000)		0.60		(971)
At December 31, 2014	35,100,302	C$	0.86	$	15,253

(i) All 3,000,000 non-market performance condition stock options issued on February 9, 2012 were forfeited.

	Options outstanding			Options exercisable	
Exercise price per share (C$)	Number outstanding	Weighted-average remaining life (years)	Weighted-average exercise price (C$)	Number exercisable	Weighted-average exercise price (C$)
$0.47 - $0.99	29,045,302	3.41	0.65	23,090,452	0.62
$1.00 - $1.80	2,680,000	0.49	1.61	2,680,000	1.61
$1.81 - $2.00	3,150,000	1.44	1.98	3,150,000	1.98
$2.01 - $2.65	225,000	0.86	2.63	225,000	2.63
Total	35,100,302	3.00	0.86	29,145,452	0.87

For the year ended December 31, 2014, the Company received $1,589 (C$1,742) for the exercise of 2,890,000 stock options at an average exercise price of C$0.60 and the average market price at date of exercise was C$0.77.

For the year ended December 31, 2014, the Company recognized stock-based compensation related to stock options, net of actual and estimated forfeitures, of $3,955 (2013 - $3,748). Of the $3,955, the amount of $3,063 (2013 - $2,889) was charged to general and administrative expenses, $70 (2013 - $90) was recorded to exploration expenses and $822 was capitalized to mineral properties (2013 - $769). Stock-based compensation expense is recognized over the vesting period of the underlying options. The weighted average fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	For the years ended	
	December 31, 2014	December 31, 2013
Expected option lives	3.5 years	3 - 3.5 years
Risk-free interest rate	1.33%	1.38% - 1.65%
Dividend yield	Nil	Nil
Volatility	81%	65% - 80%
Weighted average exercise price	C$0.78	C$0.47
Weighted average fair value	C$0.44	C$0.26

Option pricing models require the input of highly subjective assumptions including the expected price volatility, which is estimated using the Company's historic stock price volatility over the expected life of the options. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period.

7 ASSET RETIREMENT OBLIGATION

The Company's activities are subject to various laws and regulations regarding the reclamation and closure provisions for which the Company estimates future costs. This provision may be revised on the basis of amendments to such laws and regulations and the commencement of construction.

At January 1, 2013	$	3,791
Settlement of obligations during the year		(77)
Decrease in estimated obligations		(372)
Finance expense		274
At December 31, 2013		3,616
Settlement of obligations during the year		(50)
Increase in estimated obligations		91
Finance expense		243
At December 31, 2014		3,900
Less: Current portion		1,457
Long-term portion	$	2,443

Although the ultimate amount of the reclamation costs incurred cannot be predicted with certainty, the total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations at Haile Gold Mine is $5,296 (2013- $5,172). These closure reclamation costs are expected to be incurred over the period to 2026. In determining the present value of the asset retirement obligation, the Company has assumed a credit-adjusted risk free rate of 6.42% at December 31, 2014 (2013 – 7.54%) and a long-term inflation rate of 2.00%.

Regulatory requirements in South Carolina require financial assurance to be provided for the estimated costs of reclamation. The Company has satisfied its financial assurance requirements by using a surety bond of $1,055 which relates to the Haile Gold Mine and the Company has provided the surety company with cash collateral of $264 or 25% of the $1,055 surety bond. Further, during the fourth quarter of 2014, the Company made a $1,220 cash deposit to the South Carolina Department of Health and Environmental Control for the initial reclamation bond requirements for the Haile Gold Mine project.

8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2014	December 31, 2013
Trade payables	$	974	674
Accrued liabilities		3,993	3,088
Employee related accrued liabilities		2,136	1,833
	$	7,103	5,595

9 MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, to pursue the continued development of its mineral properties, and to maintain a flexible capital structure which optimizes the costs of capital within a framework of acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity, as well as cash and cash equivalents. Management reviews its capital management approach on an ongoing basis and adjusts it for changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or new debt to facilitate the management of its capital requirements. There can be no assurance that the Company will be able to continue to meet its funding requirements in this manner.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments (in good credit quality major Canadian chartered banks or with Canadian government securities) with maturities of 90 days or less from the original date of acquisition.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during 2014.

10 RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management includes all Directors (management and non-management) and the Chief Financial Officer. Both the Chief Executive Officer and Chief Operating Officer are management Directors. The compensation paid or payable to key management for services is shown below:

		December 31, 2014	December 31, 2013
Salaries, accrued bonuses and other employee benefits	$	2,085	1,812
Directors fees		713	687
Stock-based compensation - stock options		2,528	2,422
	$	5,326	4,921

Key management participated in the non-brokered private placement which closed on December 18, 2014, with a combined purchase of 280,700 common shares (2013 – 1,485,714) and the Company received total gross proceeds of $122 (C$140) (2013 - $496 (C$520)).

11 INCOME TAXES

The Company operates in Canada and the United States, and is subject to various rates of taxation. Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to income (loss) before income taxes. These differences result from the following items:

		December 31, 2014	December 31, 2013
Accounting loss for the year	$	13,569	14,215
Statutory tax rates		26.5%	26.5%
Income tax recovery based on above tax rates	$	3,596	3,767
Non-deductible stock-based compensation		(812)	(766)
Share issuance costs		154	34
Difference in foreign tax rates		749	926
Foreign exchange and other items		10	7
Income tax benefits not recognized		(3,697)	(3,968)
	$	-	-

Deductible temporary differences for which deferred taxes have not been recognized:

		December 31, 2014	December 31, 2013	December 31, Expiry Date
Non-capital losses	$	151,962	129,322	2023 to 2034
Capital losses		25,580	25,580	Unlimited
Mineral property, plant and equipment		(8,091)	(219)	Unlimited
Share issuance costs		1,656	3,660	2015 to 2018
Asset retirement obligation		3,900	3,876	Unlimited
Other		11,512	13,115	Unlimited
	$	186,519	175,334	

12 EXPLORATION EXPENSES

		December 31, 2014	December 31, 2013
Carolina Terrane, USA			
Depreciation	$	-	73
Drilling		-	1,072
Geological and geochemistry		731	1,053
Gain on sale of assets		-	(30)
Maintenance & leases		191	226
Stock-based compensation		70	90
	$	992	2,484

Exploration expenses for the year ended December 31, 2014 includes salaries and benefits of $653 (2013 - $1,485).

13 GENERAL AND ADMINISTRATIVE EXPENSES

		December 31, 2014	December 31, 2013
General and administrative expenses			
Depreciation	$	87	98
Directors fees		713	687
Office and other		791	804
Professional fees		2,738	1,081
Salaries and benefits		3,752	3,421
Shareholder relations and transfer agent		455	414
Stock-based compensation - stock options (note 6(b))		3,063	2,889
Travel		500	371
Loss on sale and write-down of office assets		-	19
	$	12,099	9,784

14 FINANCIAL INSTRUMENTS

Foreign exchange risk

The Company is exposed to financial risk related to foreign exchange rates. The Company operates in Canada and the United States. At December 31, 2014, the Company conducts the majority of its business in the United States and the majority of the project development and exploration expenditures will be paid in US dollars. The Company's common shares trade in Canadian dollars and the Company expects that any future equity raised will be raised in Canadian dollars. A significant change in the currency exchange rates between the Canadian dollar and the US dollar could have an effect on the Company's results of operations. The Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars ("C$"):

	December 31, 2014 C$	December 31, 2013 C$
Cash and cash equivalents	19,186	3,479
Other assets	249	210
Accounts payable and other liabilities	(1,051)	(408)

Based on the above net exposures at December 31, 2014, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase/decrease of approximately $1,585 (2013 - $308) (after translation into the US dollar reporting currency at the December 31, 2014 US dollar exchange rate) in the Company's consolidated statement of net loss and comprehensive loss.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes the credit risk on cash and cash equivalents is limited since $33,763 of the $34,280 cash and cash equivalents balance are held with large Canadian financial institutions which are closely monitored by management.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage. Accounts payable and accrued liabilities are due within the current operating period.

Interest rate risk

The Company has cash balances, cash equivalents and no debt. The Company's current policy is to invest excess cash in certificates of deposit with select Canadian chartered banks or with Canadian government securities. Based on current interest rates, any 10% increase or decrease in rates would have minimal impact.

Commodity price risk

The value of the Company's mineral resource properties are related to the price of gold and other minerals and the outlook for these minerals. The Company does not have any hedging or other commodity based risks respecting its operations. To date, the Company has not generated operating revenues from any of its existing properties and it has not commenced the construction phase.

Gold and other mineral prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors specifically related to gold.

15 SEGMENTED INFORMATION

The Company currently operates in one business segment being the acquisition, exploration and development of mineral properties.

a) **Operating segment**

In order to determine reportable operating segments, the Chief Executive Officer reviews various factors, including geographical location, quantitative thresholds and managerial structure.

b) **Geographic segments**

The Company's assets, income and expenses by geographic areas are as follows:

Year ended December 31, 2014	Canada & Other	United States	Total
Capital expenditures, net	$ -	31,347	$ 31,347
Finance income	$ 89	-	$ 89
Finance expense	-	(243)	(243)
Write-down of non-core land (Note 4)	-	(111)	(111)
Depreciation	-	(87)	(87)
Exploration expenses	-	(992)	(992)
General and administrative expenses	(5,003)	(7,009)	(12,012)
Foreign exchange loss	(213)	-	(213)
Net loss for the year	$ (5,127)	(8,442)	$ (13,569)

Year ended December 31, 2013	Canada & Other	United States	Total
Capital expenditures, net	$ -	32,969	$ 32,969
Finance income	$ 125	-	$ 125
Finance expense	-	(274)	(274)
Write-down of non-core land (Note 4)	-	(1,485)	(1,485)
Depreciation	(42)	(129)	(171)
Exploration expenses	-	(2,411)	(2,411)
General and administrative expenses	(4,035)	(5,651)	(9,686)
Foreign exchange loss	(313)	-	(313)
Net loss for the year	$ (4,265)	(9,950)	$ (14,215)

The following table presents long-term assets by geographic area at December 31, 2014 and December 31, 2013:

	Canada	United States	Total
At December 31, 2014	$ -	249,691	249,691
At December 31, 2013	$ -	214,993	214,993

The United States assets presented above primarily represent amounts for the Haile Gold Mine located in South Carolina while general and administrative expenses in the United States relate primarily to compensation for certain members of senior management.

16 NET CHANGES IN NON-CASH WORKING CAPITAL

	December 31, 2014	December 31, 2013
Accounts receivable	$ 14	22
Prepaid expenses	(5)	(93)
Accounts payable and accrued liabilities	720	14
	$ 729	(57)

17 COMMITMENTS AND CONTINGENCIES

The following is a summary of the Company's contractual obligations and commitments at December 31, 2014:

		Payments due by period				
		Total	Less than 1 year	1-3 years	4-5 years	Beyond 5 years
Operating leases (i)	$	411	284	122	5	-
Equipment (ii)		24,097	24,097	-	-	-
Land purchase contracts (iii)		2,638	2,638	-	-	-
Other contracts		190	80	110	-	-
Mitigation holding costs		360	360	-	-	-
Total	$	27,696	27,459	232	5	-

(i) Net of sub-lease rental income of $153.
(ii) The equipment commitment includes $21,976 for the purchase of long-lead time Caterpillar capital equipment due on the earlier of November 30, 2015 or 30 days after the resolution of the appeal of the State Mine Operating Permit filed by the Sierra Club (see note 18).
(iii) Land purchase commitments relates to contracts, where the due diligence period has expired, and the Company is contractually committed.

Effective with the receipt of all Federal and State permits and the expiration of all applicable appeal periods on January 8, 2015 (see note 18), the Company became obligated to complete the mitigation plan submitted to the US Army Corps of Engineers ("Corps") on July 10, 2013. The Company's mitigation plan is built on protection of outstanding aquatic, cultural and historic resources on three key parcels of property that the Company currently has under its control: Rainbow Ranch, Cooks Mountain and Goodwill Plantation. Rainbow Ranch was purchased in 2011 and Cooks Mountain was purchased during the fourth quarter of 2013 and are both recorded in land (see note 4). The Company controlled Goodwill Plantation through a purchase agreement, and with the expiration of all applicable appeal periods, the Company became obligated to acquire Goodwill Plantation for $20,000 in the first quarter of 2015. The mitigation plan requires

the Company to convey title to these three properties to the South Carolina Department of Natural Resources ("SCDNR") Heritage Trust Program. In addition, the Company will provide an endowment of $4,500 ($1,000 initial payment and $3,500 paid over 15 years) for maintenance and management of the three properties included in the mitigation plan and a $4,900 endowment will be provided to SCDNR over 15 years for the benefit of the endangered heelsplitter mussel.

On October 8, 2014, the Company announced that it had reached agreement with the conservation community in South Carolina regarding Haile. The conservation groups have agreed that they will not bring any suit or claim with respect to the federal, state or local permits issued for Haile as described in the Final Environmental Impact Statement. As part of this agreement, effective with the receipt of all Federal and State permits and expiration of all applicable appeal periods (see note 18), Haile will transfer approximately 368 acres of currently owned regional land in the Flat Creek area of Lancaster County (original purchase price of approximately $2,015) to a land conservation organization. Once Haile achieves commercial production it will make four annual donations to the conservation organization in the amount of $1,000 each.

The total financial assurance required for the Haile project is set at $65,000 to be funded over the life of the mine (see note 18).

18 SUBSEQUENT EVENTS

Permit update

On November 7, 2014, the South Carolina Department of Health and Environmental Control issued its State Mine Operating Permit ("Permit") for the Haile Gold Mine project. During the mandatory 15-day appeal period, the Sierra Club filed an appeal on the Permit which cited the reclamation plan and the dollar amount of reclamation bonding as areas of concern. On January 8, 2015, a settlement agreement was reached with the Sierra Club and the Permit became immediately effective.

With this agreement, the total financial assurance for reclamation provided for in the Permit increased from $60,000 to $65,000 over the mine life. Before the start of mining activities the Company will provide a bond of approximately $30,000 for reclaiming and restoring the land when mining ceases, of which approximately $1,220 was funded during the fourth quarter of 2014.

With the completion of the above agreements, the Company has obtained all major Federal and State permits and all applicable appeal periods have expired. Subject to financing (see below) and payment of bonding requirements, the Company will commence construction at the Haile project.

Common share offering

On January 21, 2015, the Company announced that it had entered into an agreement with a syndicate of underwriters, under which the underwriters agreed to buy on a bought deal basis 517,300,000 common shares, at a price of C$0.58 per Common Share for gross proceeds of approximately C$300,000. On February 11, 2015, the Company closed on the bought deal for common shares, for net proceeds of approximately C$284,100.

Purchase of Caterpillar equipment

On February 17, 2015, the Company fulfilled its contractual obligations by making the final payment of $21,976 for the balance of the Caterpillar equipment under contract (see note 17).

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