**Form 51-102F4**
***Business Acquisition Report***

## Item 1 Identity of Company

### 1.1 Name and Address of Company

OceanaGold Corporation ("OceanaGold" or the "Company")
Level 14, 357 Collins Street
Melbourne, Victoria, 3000
Australia

with an office in Vancouver at:

Suite 1910
777 Hornby Street
Vancouver, British Columbia
V6Z 1S4
Canada

### 1.2 Executive Officer

| | |
|---|---|
| Name of Executive Officer: | Liang Tang |
| Telephone Number: | +61 3 9656 5313 |

## Item 2 Details of Acquisition

### 2.1 Nature of Business Acquired

OceanaGold has acquired all of the issued and outstanding common shares of Romarco Minerals Inc. ("Romarco") in an all-share transaction completed by way of a statutory Plan of Arrangement under the *Business Corporations Act* (British Columbia).

Romarco's primary asset is the Haile Gold Mine Project located in Lancaster County, South Carolina, USA.

### 2.2 Acquisition Date

October 1, 2015

## 2.3 Consideration

Romarco shareholders are entitled to receive 0.241 of an OceanaGold common share (an "OceanaGold Share") for each Romarco common share (a "Romarco Share"), representing the equivalent of C$0.68 per Romarco Share based on the July 29, 2015 closing prices of OceanaGold and Romarco on the TSX, the day prior to announcement of the transaction. The Exchange Ratio implies a total equity value of approximately C$856 million on a fully-diluted in the money basis. There is no cash consideration in the transaction.

## 2.4 Effect on Financial Position

Subsequent to the acquisition date, on October 8, 2015, OceanaGold cancelled the US$200 million senior secured project finance facility established by Romarco in June, 2015 (the "Romarco Facility") and repaid the US$10 million loan drawn down by Romarco under the Romarco Facility. On October 8, 2015 OceanaGold also cancelled certain oil derivatives contracts established by Romarco and those hedges were settled on October 13, 2015.

## 2.5 Prior Valuations

None.

## 2.6 Parties to Transaction

The transaction with Romarco was not conducted with any informed person, associate or affiliate of OceanaGold as such terms are defined under National Instrument 51-102 – *Continuous Disclosure Obligations*.

## 2.7 Date of Report

October 20, 2015.

## Item 3 Financial Statements and Other Information

The following financial statements and related notes thereto are included as part of this Business Acquisition Report:

1. Unaudited pro forma consolidated financial statements of OceanaGold as at and for the six months ended June 30, 2015 and for the year ended December 31, 2014.
2. The historical unaudited interim consolidated financial statements of Romarco as at and for the three and six months ended June 30, 2015, together with the notes thereto.

3. The historical audit consolidated annual financial statements of Romarco as at and for the year ended December 31, 2014, together with the notes thereto and the auditor's report thereon.

The auditors of Romarco have not given their consent to include their audit report in this Business Acquisition Report.

ROMARCO MINERALS INC.

**Romarco Minerals Inc.**

**Consolidated Financial Statements**

For the years ended December 31, 2014 and 2013

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

## 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*"**
**Diane R. Garrett, Ph.D.**
President and Chief Executive Officer

**(Signed) "*Stanton K. Rideout*"**
**Stanton K. Rideout**
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**

# Romarco Minerals Inc.

## 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"* | *"R. J. MacDonald"* |
|---|---|
| Director | Director |

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

# Romarco Minerals Inc.

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

# Romarco Minerals Inc.

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

# Romarco Minerals Inc.

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

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

## 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.

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

## 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),

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

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

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

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

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

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:

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

- 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 21was 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:

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

**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.

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

## 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.

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

**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).

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

## 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 reallocations | | - | 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.

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

## 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 | | 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 |

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

(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** | **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.

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

| | |
|---|---|
| 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

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

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) |
| | $ | - | - |

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

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 |

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

## 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

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

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) |

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

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")

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

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).

ROMARCO MINERALS INC.

**Romarco Minerals Inc.**

Condensed Consolidated Interim Financial Statements

**For the three and six months ended June 30, 2015**

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

# Romarco Minerals Inc.

Consolidated Interim Statements of Financial Position
At June 30, 2015 and December 31, 2014

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

| | | | June 30, 2015 | | December 31, 2014 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | (Note 4) | $ | 145,101 | $ | 34,280 |
| Accounts receivable | | | 227 | | 126 |
| Prepaid expenses | | | 566 | | 286 |
| Assets held for sale | | | 168 | | 326 |
| Equipment deposits | (Note 8) | | - | | 3,220 |
| | | | 146,062 | | 38,238 |
| **Non-current assets** | | | | | |
| Restricted cash | (Note 5) | | 35,000 | | - |
| Deferred financing charges | (Note 6) | | 7,567 | | - |
| Mineral property interests | (Note 7) | | | | |
| Land | | | 76,498 | | 81,761 |
| Development costs | | | 168,035 | | 123,009 |
| Plant and equipment, net | (Note 8) | | 92,223 | | 43,437 |
| Reclamation bond collateral | (Note 9) | | 6,220 | | 1,484 |
| | | $ | 531,605 | $ | 287,929 |
| **Liabilities and Shareholders' Equity** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | (Note 10) | $ | 12,357 | $ | 7,103 |
| Asset retirement obligation | (Note 9) | | 2,340 | | 1,457 |
| Other liabilities | (Note 11) | | 480 | | - |
| Derivative financial liability | (Note 12) | | 161 | | - |
| | | | 15,338 | | 8,560 |
| **Non-current liabilities** | | | | | |
| Asset retirement obligation | (Note 9) | | 2,554 | | 2,443 |
| Derivative financial liability | (Note 12) | | 554 | | - |
| Long-term debt | (Note 13) | | 9,597 | | - |
| Other liabilities | (Note 11) | | 7,630 | | - |
| | | | 35,673 | | 11,003 |
| **Shareholders' Equity** | | | | | |
| Share capital | (Note 14(a)) | | 721,328 | | 495,850 |
| Stock options | (Note 14(b)) | | 16,283 | | 15,253 |
| Contributed surplus | | | 8,964 | | 8,906 |
| Deficit | | | (250,643) | | (243,083) |
| | | | 495,932 | | 276,926 |
| | | $ | 531,605 | $ | 287,929 |

| | |
|---|---|
| **Commitments and contingencies** | (Note 20) |
| **Subsequent event** | (Note 21) |

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

# Romarco Minerals Inc.

Consolidated Interim Statements of Loss and Comprehensive Loss

**For the three and six months ended June 30, 2015 and 2014**

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

| | | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|---|
| | | **2015** | **2014** | **2015** | **2014** |
| **Expenses** | | | | | |
| Exploration expenses | (Note 16) | $ 540 | $ 240 | $ 780 | $ 536 |
| General and administrative expenses | (Note 17) | 2,568 | 3,384 | 6,299 | 5,794 |
| Finance expense | (Notes 9,11) | 114 | 61 | 297 | 127 |
| Finance income | | (72) | (22) | (108) | (52) |
| Fair value change in derivative instruments | (Note 12) | 715 | - | 715 | - |
| Foreign exchange (gain) loss | | (38) | (96) | (473) | 15 |
| Write-down of assets held for sale | | 50 | - | 50 | 50 |
| **Net loss and comprehensive loss** | | $ (3,877) | $ (3,567) | $ (7,560) | $ (6,470) |
| **Loss per share** | | | | | |
| Basic and diluted | | $ (0.00) | $ (0.01) | $ (0.01) | $ (0.01) |
| **Weighted average number of shares outstanding (000s)** | | 1,242,644 | 659,683 | 1,125,464 | 658,710 |

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

# Romarco Minerals Inc.

Consolidated Interim Statements of Cash Flows

**For the three and six months ended June 30, 2015 and 2014**

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

| | | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|---|
| | | **2015** | **2014** | **2015** | **2014** |
| **Operating Activities** | | | | | |
| Net loss for the period | | $ (3,877) | $ (3,567) | $ (7,560) | $ (6,470) |
| Items not affecting cash | | | | | |
| Depreciation | | 88 | 22 | 109 | 43 |
| Change in derivative instruments | | 715 | - | 715 | - |
| Write-down of assets | | 50 | - | 50 | 50 |
| Finance expense | | 114 | 61 | 297 | 127 |
| Stock-based compensation | (Note 14(b)) | 576 | 1,326 | 899 | 1,713 |
| Unrealized foreign exchange loss (gain) | | (114) | (97) | 113 | 10 |
| Asset retirement obligation | | (4) | (15) | (10) | (30) |
| | | (2,452) | (2,270) | (5,387) | (4,557) |
| Net changes in non-cash working capital | (Note 19) | (1,220) | 118 | (920) | (149) |
| **Cash used in operating activities** | | (3,672) | (2,152) | (6,307) | (4,706) |
| **Investing Activities** | | | | | |
| Reclamation bond, net | | (4,736) | - | (4,736) | 56 |
| Restricted cash | (Note 5) | (35,000) | - | (35,000) | - |
| Land, net | (Note 7) | (877) | 124 | (21,353) | 169 |
| Mineral property interests | (Note 7) | (5,632) | (4,613) | (10,134) | (10,201) |
| Proceeds from assets held for sale | | 108 | - | 108 | 132 |
| Plant and equipment, net | (Note 8) | (14,540) | (677) | (39,103) | (1,947) |
| **Cash used in investing activities** | | (60,677) | (5,166) | (110,218) | (11,791) |
| **Financing Activities** | | | | | |
| Advances under debt facility | (Note 13) | 10,000 | - | 10,000 | - |
| Deferred finance charges | | (7,964) | - | (7,964) | - |
| Net proceeds from share issuance | | - | - | 225,462 | - |
| Proceeds from exercise of stock options | | - | 1,379 | 10 | 1,527 |
| **Cash provided from financing activities** | | 2,036 | 1,379 | 227,508 | 1,527 |
| **Increase (decrease) in cash and cash equivalents** | | (62,313) | (5,939) | 110,983 | (14,970) |
| Effect of foreign exchange rate changes on cash and cash equivalents | | 121 | 100 | (162) | (12) |
| **Cash and cash equivalents – beginning of period** | | 207,293 | 38,037 | 34,280 | 47,180 |
| **Cash and cash equivalents – end of period** | | $ 145,101 | $ 32,198 | $ 145,101 | $ 32,198 |

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

# Romarco Minerals Inc.

Consolidated Interim Statements of Changes in Shareholders' Equity

**For the six months ended June 30, 2015 and 2014**

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

| | Equity attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | | | Stock options | Contributed surplus | Deficit | | Total equity |
| | # (000s) | | | | | | | |
| **Balance at January 1, 2015** | **725,319** | **$** | **495,850** | **15,253** | **8,906** | **(243,083)** | **$** | **276,926** |
| Issued for common share offering | 517,300 | | 225,462 | - | - | - | | 225,462 |
| Stock-based compensation | - | | - | 1,094 | - | - | | 1,094 |
| Issued on exercise of stock options | 25 | | 16 | (6) | - | - | | 10 |
| Expired and forfeited vested options | - | | - | (58) | 58 | - | | - |
| Loss and comprehensive loss for the period | - | | - | - | - | (7,560) | | (7,560) |
| **Balance at June 30, 2015** | **1,242,644** | **$** | **721,328** | **16,283** | **8,964** | **(250,643)** | **$** | **495,932** |
| | | | | | | | | |
| **Balance at January 1, 2014** | **657,658** | **$** | **465,936** | **16,736** | **4,439** | **(229,514)** | **$** | **257,597** |
| Stock-based compensation | - | | - | 2,162 | - | - | | 2,162 |
| Expired and forfeited vested options | - | | - | (880) | 880 | - | | - |
| Issued on exercise of stock options | 2,790 | | 2,456 | (929) | - | - | | 1,527 |
| Loss and comprehensive loss for the period | - | | - | - | - | (6,470) | | (6,470) |
| **Balance at June 30, 2014** | **660,448** | **$** | **468,392** | **17,089** | **5,319** | **(235,984)** | **$** | **254,816** |

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

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

## 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 condensed consolidated interim financial statements of the Company at and for the three and six-month periods ended June 30, 2015 include the accounts of Romarco Minerals Inc. and all of its wholly owned subsidiaries including its US subsidiaries, Haile Gold Mine Inc. ("Haile"), Romarco Minerals U.S. Inc., Romarco Minerals NC LLC, Kershaw Mineral Laboratories LLC, HGM Holdings Inc., Romarco Exploration Inc., 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. (the "Haile Project"), 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 development and operational risks inherent in the mining industry, global economic and gold price volatility, maintaining adequate financing for development of its projects and for exploration activities, and obtaining and maintaining permits for development and exploration. 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 complete development of the project 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 June 30, 2015. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future. For the six-month period ended June 30, 2015, the Company reported a loss of $7,560 and an accumulated deficit of $250,643 at that date.

Previous to the closing of the $200,000 senior secured project finance facility (the "Debt Facility") on May 29, 2015 and the initial $10,000 first drawdown on June 5, 2015 (see note 13), the Company's sole source of funding has been the issuance of equity securities for cash. The Company's cash balance at June 30, 2015 was $145,101 and it has no other sources of operating cash flows. There can be no assurance that the Company will meet all required ongoing conditions and covenants necessary for any subsequent loan advances under the Debt Facility. In these circumstances, if debt or equity capital markets are not available, the Company may have to delay the construction and development activities at the Haile Project.

Over the next 18 months, the Company plans to 1) continue project development at Haile and complete construction of the project during the fourth quarter of 2016; 2) make land purchases at Haile; 3) control regional properties and focus exploration on regional opportunities; and 4) incur general corporate and operating expenses. On an ongoing basis, the Company examines various financing alternatives to address future funding requirements. 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.

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

## 2 Basis of Presentation

These condensed consolidated interim financial statements are expressed in thousands of US dollars and have been prepared in accordance with Canadian generally accepted accounting principles as set out in the CPA Canada Handbook. These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and including interpretations by the International Financial Reporting Interpretations Committee ("IFRIC"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS.

The preparation of these condensed consolidated interim 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.

These condensed consolidated interim financial statements have been prepared under the historical cost convention.

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

These condensed consolidated interim financial statements were authorized for issuance by the Audit Committee of the Company on August 5, 2015.

## 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 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 financial statements:

### a) Mineral property interests and exploration and evaluation expenditures

Exploration and evaluation expenditures 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 assets

Non-financial assets are evaluated at each reporting period by management for indicators that the carrying value is impaired and may not be recoverable. 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

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

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, exploration potential and future operating performance. 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. The recoverable amount for assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets. Cash flows are discounted by an appropriate discount rate to determine the net present value.

The estimation of mineral resources as proven or probable ore reserves is complex and requires significant subjective assumptions which are 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 June 30, 2015 was less than the Company's net book value. Management considers this an impairment indicator and as such, performed an impairment analysis on the Haile Project at June 30, 2015.

Based on the results of the valuation model, management believes that the net carrying value of the Haile assets is properly supported and no impairment is currently required. The Company believes that the estimates and assumptions incorporated in the impairment analysis are reasonable; however, the estimates and assumptions are subject to significant uncertainties and judgements and any changes in the assumptions may result in a future impairment.

**c) Asset retirement obligation**

The net present value of the asset retirement obligation has been discounted to its present value at a credit-adjusted risk free rate which is based upon 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 percent change in the discount rate would result in a liability change of approximately $150 (December 31, 2014 - $161). The estimate also assumes a long-term inflation rate. Assuming that all other variables remain constant, a one percent change in the long-term inflation rate would result in a liability change of approximately $180 (December 31, 2014 - $168). See note 9 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.

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

## 4 Cash and Cash Equivalents

Included in the Company's consolidated cash and cash equivalents balance of $145,101 at June 30, 2015 is $113,625 of cash held in bank accounts that are to be spent specifically for the Haile Project.

## 5 Restricted Cash

As a condition precedent to the initial draw of $10,000 under the Debt Facility (see note 13), the Company was required to fund and maintain $35,000 (December 31, 2014 - $nil) in the following two restricted cash bank accounts:

### a) Debt Service Reserve Account

Funds of $20,000 held until the date the Company meets certain operating tests and conditions ("the Completion Date") after commencement of commercial or steady state production. The funds will be immediately released on achievement of the operating tests and conditions and can be used at the Company's discretion.

### b) Surety Bond Reserve Account

Funds of $15,000 are held to fund future surety bonds and will be released on a dollar-for-dollar basis as future reclamation bonding is completed.

## 6 Deferred Finance Charges

Deferred finance charges represents expenses incurred to finalize and service the Debt Facility and includes bank arrangement fees, advisory fees and legal expenses. These costs have been treated as deferred finance charges and are considered borrowing transaction costs. A total of $7,994 in deferred finance charges have been incurred to date and a proportional amount of $427 of these costs have been recorded against loan advances under the Debt Facility (see note 13).

## 7 Mineral Property Interests

| | Land | Development | Total |
|---|---|---|---|
| At December 31, 2014 | $ 81,761 | 123,009 | $ 204,770 |
| Additions | 21,353 | 18,410 | 39,763 |
| Transfer title of mitigation properties (i) | (26,616) | 26,616 | - |
| At June 30, 2015 | $ 76,498 | 168,035 | $ 244,533 |

(i) As part of the Company's mitigation plan, with the receipt of all permits, land ownership of properties known as Rainbow Ranch, Cooks Mountain and Goodwill Plantation was conveyed to the South Carolina Department of Natural Resources ("SCDNR") Heritage Trust program during the second quarter of 2015. See notes 11 and 20 (b) for future endowment payments and additional land donations associated with the mitigation plan.

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

The development costs are as follows:

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Drilling | $ 28,532 | $ 28,532 |
| Geological and geochemistry | 9,321 | 9,137 |
| Environmental and permitting | 35,598 | 33,177 |
| Administration | 30,691 | 26,403 |
| Maintenance | 5,072 | 4,825 |
| Transfer of mitigation properties (i) | 26,616 | - |
| Endowment and other payments (Note 11) | 10,170 | - |
| Holding costs | 10,065 | 9,778 |
| Depreciation | 7,848 | 7,230 |
| Stock-based compensation | 4,122 | 3,927 |
| | $ 168,035 | $ 123,009 |

Development costs at June 30, 2015 includes salaries and benefits of $30,807 (December 31, 2014 - $26,922).

## 8 Plant and Equipment

| | Office Equipment | Mobile/Other Equipment | Buildings | Assets under Construction | Total |
|---|---|---|---|---|---|
| **At December 31, 2014** | | | | | |
| Cost | $ 1,496 | 16,296 | 3,788 | 30,915 | $ 52,495 |
| Accumulated depreciation | (1,132) | (7,386) | (540) | - | (9,058) |
| Closing net book value | $ 364 | 8,910 | 3,248 | 30,915 | $ 43,437 |
| **Three months ended June 30, 2015** | | | | | |
| Opening net book value | $ 364 | 8,910 | 3,248 | 30,915 | $ 43,437 |
| Additions, net of reallocations | 3 | 25,236 | - | 24,274 | 49,513 |
| Depreciation for the period | (70) | (592) | (65) | - | (727) |
| Closing net book value | $ 297 | 33,554 | 3,183 | 55,189 | $ 92,223 |
| **At June 30, 2015** | | | | | |
| Cost | $ 1,499 | 41,532 | 3,788 | 55,189 | $ 102,008 |
| Accumulated depreciation | (1,202) | (7,978) | (605) | - | (9,785) |
| Closing net book value | $ 297 | 33,554 | 3,183 | 55,189 | $ 92,223 |

Equipment deposits of $nil (December 31, 2014 - $3,220). Mobile equipment additions for the year include the transfer of $3,220 from equipment deposits.

Total borrowing costs of $594 have been capitalized to Assets under Construction (see note 13).

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

## 9 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. These provisions may be revised on the basis of amendments to such laws and regulations and the availability of new information such as changes in the mine life, acquisition or construction of new mines.

| | | |
|---|---|---|
| At December 31, 2014 | $ | 3,900 |
| Settlement of obligations during the period | | (10) |
| Increase in estimated obligations | | 847 |
| Finance expense | | 157 |
| At June 30, 2015 | | 4,894 |
| Less: Current portion | | (2,340) |
| Long-term portion | $ | 2,554 |

Although the ultimate amount of the reclamation costs incurred cannot be predicted with certainty, management has applied their best estimate and determined that the total undiscounted amount of the estimated cash flows required to settle the Company's estimated obligations at Haile at June 30, 2015 is $6,209. These expenditures are expected to be incurred over the period to 2027. In determining the carrying value of the asset retirement obligation, the Company has assumed a credit-adjusted risk free rate of 6.60% for the June 30, 2015 (December 31, 2014 – 6.42%) and a long-term inflation rate of 2.00%.

The mine operating permit which became final and effective during the first quarter of 2015 includes a schedule for estimated financial assurance of $65,000 over the mine life consisting of $55,000 in surety bonds or other mechanisms and $10,000 in an interest bearing cash trust. The Company has satisfied its current financial assurance payment requirements by using a surety bond of $30,100 and the Company has provided the surety companies with cash collateral of $6,020 (20% of the $30,100 surety bond) which includes the reclamation bonds balance at December 31, 2014. With the $30,100 surety bond in place, all previous surety bonds were replaced during the three-month period ended June 30, 2015. In addition, the Company has paid $200 in trust funding.

The remaining estimated financial assurance of $34,700 will be paid over the life of the mine with the next financial assurance payment anticipated to occur in 2017.

The surety bond and other financial assurance must be maintained in force continuously throughout the life of the mining operation and may only be released, partially or in full, after the State of South Carolina ("State") approves release of financial assurance (see note 20(a)).

## 10 Accounts Payable and Accrued Liabilities

| | | June 30, 2015 | December 31, 2014 |
|---|---|---|---|
| Trade payables and accrued liabilities | $ | 11,120 | 4,967 |
| Employee related accrued liabilities | | 1,237 | 2,136 |
| | $ | 12,357 | 7,103 |

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

## 11 Other Liabilities

| | | Payments to State of South Carolina (a) | Payments to Conservation Groups (b) | | Total |
|---|---|---|---|---|---|
| At December 31, 2014 | $ | - | - | $ | - |
| Increase in liability | | 6,790 | 3,380 | | 10,170 |
| Payments | | (2,200) | - | | (2,200) |
| Finance expense | | 90 | 50 | | 140 |
| **At June 30, 2015** | **$** | **4,680** | **3,430** | **$** | **8,110** |
| Less: Current portion | | (480) | - | | (480) |
| **Long-term portion** | **$** | **4,200** | **3,430** | **$** | **7,630** |

(a) With the receipt of all permits and as required by the mitigation plan, the Company was required to provide financial support to the SCDNR Heritage Trust program for the benefit of the mitigation sites that was transferred to the State and regional aquatic needs (see note 7). The Company will provide a total endowment of $9,400 ($2,200 initial payment was made during the three months ended June 30, 2015 and $7,200 to be paid over the next 14 years) for maintenance and management of the properties included in the mitigation plan and for the benefit of the endangered heelsplitter mussel.

In determining the carrying value of the payments to the State, the Company applied a discount rate of 6.47% at June 30, 2015.

(b) On October 8, 2014, in connection with the issuance of the environmental permits, the Company entered into an agreement with various Conservation Groups in South Carolina ("the Conservation Groups") to provide on-going protection for lands in the Lynches River Watershed of South Carolina. This agreement ensured that the Conservation Groups will not bring any suit or claim with respect to the federal, state or local permits issued for the Haile Project as described in the Final Environmental Impact Statement.

The Company is obligated to contribute $4,000 to the Conservation Groups to be used solely and exclusively for land conservation projects. The contributions will commence no later than 90 days after the first gold pour, which is defined as the initial production of a dore bar, containing gold and silver. The full $4,000 will be paid no later than the third anniversary of the initial contribution. The Company will make contributions of $1,000 each on the annual anniversaries of the first payment for the ensuing three years.

In determining the carrying value of the payments of $4,000, the Company applied a discount rate of 5.33% at June 30, 2015.

## 12 Derivative financial liability

In connection with the Debt Facility, the Company entered into Ultra Low Sulphur Diesel ("ULSD") commodity swap derivative contracts for Haile for the period July 1, 2015 to September 30, 2019. The total amount of the derivative contract represents 8.0 million gallons at a flat fixed price of $2.0975 per gallon. The derivative instruments were not designated as hedging instruments and accordingly are classified as financial instruments at fair value, with changes in the fair value of these instruments recorded in the consolidated statement of income (loss). The contracts are settled on a quarterly basis.

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

At June 30, 2015, these contracts were fair valued and a loss of $715 (2014 - $nil) was recognized in the income statement. The liability was classified between current ($161) and non-current ($554) based on the effective settlement dates of the contracts.

## 13 Long-Term Debt

On April 10, 2015, the Company signed a $200,000 credit facility agreement (the "Credit Agreement") with Caterpillar Financial Services Corporation, ING Capital LLC, Macquarie Bank Limited and Société Générale (together "the Lenders") to fund the construction and development of the Haile Project. On May 29, 2015, the Company closed the $200,000 Debt Facility.

The Debt Facility is comprised of two tranches: a $180,000 project facility maturing June 30, 2022 ("Tranche A"), and a $20,000 cost overrun facility maturing September 30, 2023 ("Tranche B"). Advances under Tranche A will bear interest at LIBOR plus 3.75% to 4.25% and any advances under Tranche B will bear interest at LIBOR plus 6.25%. The Debt Facility is supported by secured guarantees from the Company.

The long-term debt outstanding consists of the following at:

| | | June 30, 2015 | December 31, 2014 |
|---|---|---|---|
| Tranche A loan advances | $ | 10,000 | - |
| Deferred finance charges | | (427) | - |
| Amortization of deferred finance charges | | 24 | - |
| | $ | 9,597 | - |

At June 30, 2015, the interest rate on the $10,000 outstanding loan balance was 4.53% (three-month LIBOR rate of 0.28% plus 4.25%).

Interest expense on the $10,000 loan advance for the three and six-month periods ended June 30, 2015 amounted to $33 (2014 - $nil). Commitment fees of $537 (2014 - $nil) were incurred during the three and six-month period ended June 30, 2015, and represents 1.35% on the undrawn loan balances. Total borrowing costs of $594 (2014 - $nil) ($33 interest expense, $537 commitment fee and $24 amortization of deferred finance charges) have been capitalized to Assets under Construction under Plant and Equipment (see note 8).

The first principal repayment date is June 30, 2017 and continues quarterly thereafter over the tenor of the Debt Facility.

At and subsequent to completion of project development, Haile will be required to maintain certain financial and non-financial covenants and reporting requirements. At June 30, 2015, the Company is in compliance with its Debt Facility covenants. The Debt Facility also provides for prepayment of 35% (if the outstanding principal amount of loans is equal to or greater than $100,000) or 20% (if the outstanding principal amount of loans is less than $100,000) of Excess Cash (as defined in the Credit Agreement) following each quarterly payment date.

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

## 14 Capital Stock

### a) Share capital

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

Issued

| | Number of Shares | Amount |
|---|---|---|
| At December 31, 2014 | 725,318,574 | $ 495,850 |
| Issued for common share offering | 517,300,000 | 225,462 |
| Issued on exercise of stock options | 25,500 | 16 |
| At June 30, 2015 | 1,242,644,074 | $ 721,328 |

The Company's common shares primarily trade on the TSX and historically all shares, options and warrant issuances have been denominated in Canadian dollars. The above dollar amounts have been translated into US dollars at historical exchange rates.

On February 11, 2015, the Company closed a common share public offering for aggregate gross proceeds of $237,933 (C$300,034) and net proceeds of $225,462. A syndicate of underwriters purchased an aggregate of 517,300,000 common shares of the Company at a price of C$0.58 per share.

### b) Stock options

The following stock options to purchase common shares of the Company were authorized and outstanding at June 30, 2015:

| | **Number** | **Average exercise price** | **Amortized value** |
|---|---|---|---|
| At December 31, 2014 | 35,100,302 | C$ 0.86 | $ 15,253 |
| Stock-based compensation – issued this year | 5,300,000 | 0.43 | 379 |
| Stock-based compensation - issued prior years | - | - | 720 |
| Forfeited – non-vested | (55,550) | 0.54 | (5) |
| Expired - vested | (80,000) | 1.68 | (58) |
| Exercised | (25,500) | 0.47 | (6) |
| At June 30, 2015 | 40,239,252 | C$ 0.80 | $ 16,283 |

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

| | **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$)** |
| $0.14 - $0.99 | 34,264,252 | 3.21 | 0.62 | 28,138,442 | 0.63 |
| $1.00 - $1.80 | 2,600,000 | 0.08 | 1.61 | 2,600,000 | 1.61 |
| $1.81 - $2.00 | 3,150,000 | 0.94 | 1.98 | 3,150,000 | 1.98 |
| $2.01 - $2.65 | 225,000 | 0.36 | 2.63 | 225,000 | 2.63 |
| Total | 40,239,252 | 2.81 | 0.80 | 34,113,442 | 0.84 |

There was no exercise of stock options for the three months ended June 30, 2015. For the six months ended June 30, 2015, the Company received $10 (C$12) for the exercise of 25,500 stock options at an average exercise price of C$0.47 and the average market price at date of exercise was C$0.71.

The Company recognized stock-based compensation related to stock options, net of actual and estimated forfeitures, of $687 (2014 - $1,662) and $1,094 (2014 - $2,162) for the three and six months ended June 30, 2015, respectively. Of the $687 recorded during the three month period ended June 30, 2015, the amount of $559 (2014 - $1,299) was charged to general and administrative expenses, $17 (2014 - $27) was recorded to exploration expenses and $111 (2014 - $336) was capitalized to mineral properties. Of the $1,094 recorded during the six month period ended June 30, 2015, the amount of $875 (2014 - $1,678) was charged to general and administrative expenses, $24 (2014 - $35) was recorded to exploration expenses and $195 (2014 - $449) was capitalized to mineral properties. Stock-based compensation expense is recognized over 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:

| | **Six Months ended June 30** | |
|---|---|---|
| | **2015** | **2014** |
| Expected option lives | 3.5 years | 3.5 years |
| Risk-free interest rate | 1.07% | 1.33% |
| Dividend yield | n/a | n/a |
| Volatility | 82% | 81% |
| Weighted average exercise price | C$0.43 | C$0.78 |
| Weighted average fair value | C$0.24 | C$0.44 |

Option pricing models require the input of highly subjective assumptions including the expected price volatility. 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.

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

## 15 Related Party Transactions

*Key Management and Directors Compensation*

Key management includes the Chief Executive Officer, Chief Financial Officer and the Chief Operating Officer. The compensation expense for key management and directors amounted to $1,098 (2014 - $1,682) and $2,563 (2014 - $2,816) for the three and six months ended June 30, 2015, respectively. Compensation expense includes salaries and benefits, accrued bonuses and amortization of current year and prior year stock option grants.

## 16 Exploration Expenses

| | | Three Months Ended June 30 | | | Six Months Ended June 30 | |
|---|---|---|---|---|---|---|
| | | 2015 | 2014 | | 2015 | 2014 |
| **Carolina Terrane, USA** | | | | | | |
| Depreciation | $ | 69 | - | $ | 69 | - |
| Drilling & geology | | 381 | 168 | | 550 | 410 |
| Maintenance & leases | | 73 | 45 | | 137 | 91 |
| Stock-based compensation | | 17 | 27 | | 24 | 35 |
| | $ | 540 | 240 | $ | 780 | 536 |

Exploration expenses for the three and six months ended June 30, 2015 includes salaries and benefits of $225 (2014 - $160) and $374 (2014 - $369), respectively.

## 17 General and Administrative Expenses

| | | Three Months Ended June 30 | | | Six Months Ended June 30 | |
|---|---|---|---|---|---|---|
| | | 2015 | 2014 | | 2015 | 2014 |
| **General and administrative expenses** | | | | | | |
| Depreciation | $ | 19 | 22 | $ | 40 | 43 |
| Directors fees | | 291 | 189 | | 496 | 395 |
| Office and other | | 189 | 213 | | 389 | 399 |
| Professional fees | | 240 | 508 | | 1,425 | 872 |
| Salaries and benefits | | 918 | 886 | | 2,473 | 1,906 |
| Shareholder relations and transfer agent | | 127 | 143 | | 288 | 279 |
| Stock-based compensation (Note 14(b)) | | 559 | 1,299 | | 875 | 1,678 |
| Travel | | 225 | 124 | | 313 | 222 |
| | $ | 2,568 | 3,384 | $ | 6,299 | 5,794 |

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

## 18 Segmented Information

The Company currently operates in one business segment being the acquisition, exploration and development of mineral properties in the United States. All non-current assets are located in the United States.

## 19 Net Changes in Non-cash Working Capital

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Accounts receivable | $ (110) | (28) | $ (108) | 102 |
| Prepaid expenses | (143) | (160) | (139) | (114) |
| Accounts payable and accrued liabilities | (967) | 306 | (673) | (137) |
| | $ (1,220) | 118 | $ (920) | (149) |

## 20 Commitments and Contingencies

### a) Reclamation bonding

Reclamation bonding reflects the estimated cash payments, on an undiscounted and nominal basis, associated with asset retirement closure requirements. The timing and amounts of these payments could change due to a number of factors including changes in regulatory requirements, changes in scope and timing of closure activities. The State requires financial assurance for the estimated costs of mine reclamation and closure, including groundwater quality protection programs. See note 9 for additional information on future bonding requirements and asset retirement obligations.

### b) Agreement with conservation groups

As part of the agreement with the Conservation Groups, the Company will transfer ownership of two parcels of land to the Conservation Groups. The two properties are recorded in Land under Mineral Property Interests and have a net book value of approximately $2,025 and will be transferred to Development Costs under Mineral Property Interests upon conveyance of land ownership. See note 11(b) for future payments associated with the agreement.

(Unaudited, expressed in thousands of US dollars, unless otherwise indicated)

### c) Other commitments

The following is a summary of the Company's contractual obligations and commitments at June 30, 2015.

| | | | **Payments due by period** | | | |
|---|---|---|---|---|---|---|
| | | **Total** | **Less than 1 year** | **1 – 3 years** | **4 – 5 years** | **Beyond 5 years** |
| Operating leases, net | $ | 1,786 | 306 | 562 | 574 | 344 |
| Capital project contracts | | 1,310 | 1,310 | - | - | - |
| Land purchase contracts | | 1,821 | 1,821 | - | - | - |
| Other contracts | | 142 | 76 | 66 | - | - |
| Total | $ | 5,059 | 3,513 | 628 | 574 | 344 |

## 21 Subsequent Event

On July 30, 2015, Romarco and OceanaGold Corporation ("OceanaGold") announced they entered into a definitive agreement pursuant to which OceanaGold agreed to acquire all of the issued and outstanding common shares of Romarco in an all-share transaction to be completed by way of a statutory Plan of Arrangement ("Arrangement") under the Business Corporations Act (British Columbia).

The implementation of the Arrangement will be subject to the approval of at least 66 ⅔% of the votes cast by holders of Romarco Shares at a special meeting of Romarco shareholders expected to take place near the end of September or early October, 2015. The issuance of shares by OceanaGold under the Arrangement is also subject to the approval of a majority of the votes cast by the holders of OceanaGold shares at a special meeting of OceanaGold shareholders, which is also expected to take place at the same time. In addition to the shareholder approvals, the Arrangement is also subject to the receipt of certain regulatory, court and stock exchange approvals and other closing conditions customary in transactions of this nature.

Upon completion of the Arrangement, all outstanding Romarco common shares will be automatically exchanged on the basis of 0.241OceanaGold common shares for each whole Romarco common share.

The Arrangement agreement also provides for, among other things, a non-solicitation covenant on the part of Romarco, subject to customary "fiduciary out" provisions that entitles Romarco to consider and accept a superior proposal, a right in favour of OceanaGold to match any superior proposal and the payment to OceanaGold of a termination payment equal to C$34 million under certain circumstances. The termination fee of C$34 million is also payable by OceanaGold in certain circumstances.

# APPENDIX C
# UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF OCEANAGOLD AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND FOR THE YEAR ENDED DECEMBER 31, 2014

**(Expressed in thousands of United States dollars, unless otherwise noted)**

## Unaudited Pro Forma Statement of Financial Position as at June 30, 2015

| US$000s | OGC (i) | | OGC Waihi acquisition (ii) | OGC Pro forma prior to Arrangement | Romarco (iii) | | Impact of the Arrangement (iv) | OGC Pro forma |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| **Current assets** | | | | | | | | |
| Cash and equivalents | 48,707 | (ii)B | 1,293 | 50,000 | 145,101 | (iv) | (15,100) | 180,001 |
| Trade and other receivables | 31,543 | | 2,077 | 33,620 | 227 | | - | 33,847 |
| Derivatives and other financial assets | 596 | | - | 596 | - | | - | 596 |
| Assets held for sale | - | | - | - | 168 | | - | 168 |
| Inventories | 86,939 | | 7,267 | 94,206 | - | | - | 94,206 |
| Prepayments | 3,491 | | 199 | 3,690 | 566 | | - | 4,256 |
| **Total current assets** | **171,276** | | **10,836** | **182,112** | **146,062** | | **(15,100)** | **313,074** |
| **Non-current assets** | | | | | | | | |
| Trade and other receivables | 58,694 | | 1,551 | 60,245 | 35,000 | (v) | - | 95,245 |
| Derivatives and other financial assets | 13,750 | | 8 | 13,758 | 13,787 | | - | 27,545 |
| Inventories | 115,970 | | - | 115,970 | - | | - | 115,970 |
| Deferred tax assets | 18,989 | | 2,850 | 21,839 | - | | - | 21,839 |
| Property, plant and equipment | 280,261 | | 19,023 | 299,284 | 92,223 | | - | 391,507 |
| Mining assets | 247,020 | (ii)C | 104,559 | 351,579 | 244,533 | (iv) | 61,554 | 657,666 |
| Goodwill | - | (ii)C | 19,541 | 19,541 | - | (iv) | 23,544 | 43,085 |
| **Total non-current assets** | **734,684** | | **147,532** | **882,216** | **385,543** | | **85,098** | **1,352,857** |
| **Total assets** | **905,960** | | **158,368** | **1,064,328** | **531,605** | | **69,998** | **1,665,931** |
| **Liabilities** | | | | | | | | |
| **Current liabilities** | | | | | | | | |
| Trade and other payables | 65,999 | | 10,213 | 76,212 | 12,357 | | - | 88,569 |
| Employee benefits | 6,195 | | 2,560 | 8,755 | - | | - | 8,755 |
| Interest bearing loans and borrowings | 14,510 | (ii)B | 60,000 | 74,510 | - | | - | 74,510 |
| Asset retirement obligation | 1,108 | | 553 | 1,661 | 2,340 | | - | 4,001 |
| Derivatives and other financial liabilities | 10,049 | | - | 10,049 | 641 | | - | 10,690 |
| **Total current liabilities** | **97,861** | | **73,326** | **171,187** | **15,338** | | **-** | **186,525** |
| **Non-current liabilities** | | | | | | | | |
| Asset retirement obligation | 29,096 | (ii)Ac | 26,793 | 55,889 | 2,554 | | - | 58,443 |
| Interest bearing loans and borrowings | 86,460 | (ii)B | 37,284 | 123,744 | 9,597 | | - | 133,341 |
| Employee benefits | 1,115 | | - | 1,115 | - | | - | 1,115 |
| Deferred tax liability | - | (ii)C | 20,965 | 20,965 | - | (iv) | 23,544 | 44,509 |
| Derivatives and other financial liabilities | 3,997 | | - | 3,997 | 8,184 | | - | 12,181 |
| Other obligations | 2,026 | | - | 2,026 | - | | - | 2,026 |
| **Total non-current liabilities** | **122,694** | | **85,042** | **207,736** | **20,335** | | **23,544** | **251,615** |
| **Total liabilities** | **220,555** | | **158,368** | **378,923** | **35,673** | | **23,544** | **438,140** |
| **Net assets** | **685,405** | | **-** | **685,405** | **495,932** | (iv) | **46,454** | **1,227,791** |
| **Equity** | | | | | | | | |
| Share capital | 652,954 | | - | 652,954 | 721,328 | (iv) | (184,259) | 1,190,023 |
| Reserves | 12,742 | | - | 12,742 | - | | - | 12,742 |
| Stock options | 10,608 | | - | 10,608 | 16,283 | (iv) | (10,966) | 15,925 |
| Retained earnings/(accumulated losses) | (20,942) | | - | (20,942) | (250,643) | (vi) | 250,643 | (20,942) |
| Contributed surplus/(deficit) | 30,043 | | - | 30,043 | 8,964 | (vi) | (8,964) | 30,043 |
| **Total equity** | **685,405** | | **-** | **685,405** | **495,932** | | **46,454** | **1,227,791** |

*The accompanying notes are an integral part of these unaudited pro-forma consolidated financial statements.*

***Footnotes to the unaudited Pro Forma Statement of Financial Position as at June 30, 2015***

i) Extracted from the unaudited Statement of Financial Position of OceanaGold as at June 30, 2015.

ii) Represents the pro forma impact of the acquisition of 100% of the share capital in Waihi Gold Company Limited and Newmont Waihi Gold Limited (the **Waihi acquisition**). The unaudited pro forma adjustment reflects:

A) the net assets of Waihi Gold Company Limited (**WGCL**) and Newmont Waihi Gold Limited (**NWGL**) extracted from the unaudited trial balance for the respective entities as at June 30, 2015, adjusted to reflect the following:

a) Translation of net assets from NZD to USD based on prevailing FX rate at June 30, 2015 of 0.68
b) Elimination of intercompany balances between WCGL and NWGL
c) Reduction in rehabilitation provision ($5.3million) on alignment to OceanaGold estimates.

B) the consideration payable for Waihi of $101.0 million, of which $3.7 million is assumed to be paid from OceanaGold cash on hand and the remainder ($97.3 million) from debt funding of which $60.0 million is expected to be repayable within the first 12 months following completion of the acquisition.

C) the estimated fair value increment allocated to mineral property interests (mining assets) on acquisition ($69.8million), representing the difference between the consideration payable ($101.0 million) and the estimated net assets of Waihi immediately prior to acquisition ($31.2 million). An additional $19.5 million of deferred tax liability relating to the purchase price allocation has been recognized, along with a corresponding recognition of goodwill ($19.5 million). In practice, the actual consideration on completion of the acquisition will be compared to the fair value of the Waihi identifiable assets, liabilities and contingent liabilities as at the date of completion, both of which may differ to the amounts shown above. At this time the relevant studies, valuations or events have not progressed to a stage to allow definitive measurement and the purchase price allocation adjustments are preliminary in nature and are likely to change on final completion of the Waihi acquisition.

(iii) Derived from the unaudited Statement of Financial Position of Romarco as at June 30, 2015.

(iv) Represents the impact of the Arrangement, including the estimated transaction costs ($15.1million) charged directly to equity and an adjustment for the estimated incremental fair value of mining assets ($61.6 million) representing the difference between the consideration under the Arrangement ($557.5 million) compared with the historical book value of Romarco net assets acquired ($495.9 million). An additional $23.5 million of deferred tax liability relating to the purchase price allocation has been recognized, along with a corresponding recognition of goodwill ($23.5 million). The consideration included in these pro forma unaudited financial statements represents the market value of Romarco's issued share capital of 1,242,644,074 shares assumed to be on issue at transaction date based on the closing market price of OceanaGold Shares on August 18, 2015 of $1.84 (CAD $2.41) and the fair value of the stock options issued to Romarco employees in exchange for their Romarco options for which the fair value is estimated at $5.3 million.

**In practice, the actual consideration of the Arrangement will be based on the actual value of components of the consideration as at the completion date of the Arrangement. The actual consideration on completion of the Arrangement will be compared to the fair value of Romarco's identifiable assets, liabilities and contingent liabilities as at the completion date of the Arrangement, both of which may differ from the amounts shown above.**

**At the time of preparation of these pro forma consolidated financial statements, the measurement of the fair value of the consideration to be issued and of the fair value of assets and liabilities to be acquired is dependent upon certain valuations and other studies or events that have yet to progress to a stage where there is sufficient information for a definitive measurement.**

**Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma consolidated financial statements. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying pro forma consolidated financial statements.**

v) As at June 30, 2015, within unaudited pro forma Non-Current Trade and Other Receivables is $35 million of Restricted Cash from Romarco. As a Condition Precedent to the initial draw down of $10 million under the Romarco Debt Facility, Romarco was required to maintain $35 million in restricted bank accounts.

(vi) Adjustment to eliminate historical equity accounts of Romarco and recognise pro forma OceanaGold equity balances post the Arrangement.

## Unaudited Pro Forma Income Statement for the six months ended June 30, 2015

| US$000s | OGC (i) | | OGC Waihi acquisition (ii) | OGC Pro forma prior to Arrangement | Romarco (iii) | Impact of the Arrangement (iv) | OGC Pro forma |
|---|---|---|---|---|---|---|---|
| Revenue | 254,792 | | 94,292 | 349,084 | - | - | 349,084 |
| Cost of sales, excluding depreciation and amortisation | (133,199) | (ii)b | (42,440) | (175,639) | (711) | - | (176,350) |
| Depreciation and amortisation | (59,366) | (ii)d | (14,862) | (74,228) | (109) | - | (74,337) |
| General and administration expenses | (18,447) | | (5,245) | (23,692) | (6,259) | - | (29,951) |
| **Operating profit** | **43,780** | | **31,745** | **75,525** | **(7,079)** | **-** | **68,446** |
| **Other expenses** | | | | | | | |
| Interest expense and finance costs | (5,211) | (ii)c | (1,502) | (6,713) | (297) | - | (7,010) |
| Foreign exchange gain/(loss) | (2,360) | | 2,452 | 92 | 473 | - | 565 |
| Gain on disposal of plant, property, equipment | 30 | | 17 | 47 | - | - | 47 |
| Loss on fair value of available-for-sale assets | (16) | | - | (16) | (50) | - | (66) |
| **Total other expenses** | **(7,557)** | | **967** | **(6,590)** | **126** | **-** | **(6,464)** |
| Loss on fair value of undesignated hedges | (24,798) | | - | (24,798) | (715) | - | (25,513) |
| Interest income | 416 | | 131 | 547 | 108 | - | 655 |
| Impairment charges | - | | - | - | - | - | - |
| Other income/(expense) | 50 | | 16 | 66 | - | - | 66 |
| **Profit/(loss) before income tax** | **11,891** | | **32,859** | **44,750** | **(7,560)** | **-** | **37,190** |
| Income tax benefit/(expense) | 11,603 | (ii)e | (12,077) | (474) | - | - | (474) |
| **Net profit/(loss)** | **23,494** | | **20,782** | **44,276** | **(7,560)** | **-** | **36,716** |
| **Net earnings/(loss) per share:** | | | | | | | |
| Basic | $0.08 | | - | $0.15 | ($0.01) | - | $0.06 |
| Diluted | $0.08 | | - | $0.14 | ($0.01) | - | $0.06 |
| **Weighted average number of common shares outstanding (in thousands)** | | | | | | | |
| Basic | 302,886 | | - | 302,886 | 1,125,464 | (825,987) | 602,363 |
| Diluted | 308,680 | | - | 308,680 | 1,125,464 | (816,289) | 617,855 |

*The accompanying notes are an integral part of these unaudited pro-forma consolidated financial statements.*

***Footnotes to the unaudited Pro Forma Income Statement for the six months ended June 30, 2015***

(i) Extracted from the unaudited income statement of OceanaGold for the six months ended June 30, 2015.
(ii) Represents the pro forma net profit impact of the acquisition of 100% of the share capital in Waihi Gold Company Limited and Newmont Waihi Gold Limited (the **Waihi acquisition**), assuming that completion of the acquisition had occurred on 1 January 2014. The pro forma adjustment reflects the net profit of Waihi Gold Company Limited (**WGCL**) and Newmont Waihi Gold Limited (**NWGL**) extracted from the unaudited trial balance for the respective entities for the six months ended June 30, 2015, adjusted to reflect the following:

- a) Elimination of intercompany transactions between the WCGL and NWGL for the six month period;
- b) Adjustment to reflect $1.4 million pro forma management charges for the six months period, expected to be incurred by OceanaGold to manage the Waihi operations;
- c) Adjustment to reflect the estimated increase in interest expenses of $0.54 million related to the debt drawdown ($97.3 million) to partially fund the Waihi acquisition for the six month period based upon an interest rate of 3.98% with quarterly stepdown of the principal;
- d) Adjustment to reflect an additional depreciation and amortization charge of $6.9 million for the six months to June 30, 2015, on the fair value uplift of $69.8 million allocated provisionally to Mining Assets; and
- e) Income tax benefit/ (expense) has been adjusted for tax effect of items listed in (a-d).

(iii) Derived from the unaudited income statement of Romarco for the six months ended June 30, 2015.
(iv) Pro forma assumes for the six months ended June 30, 2015, no additional depreciation and amortization charge from Romarco as the primary asset, the Haile Gold Mine, is in the development stage.

## Unaudited Pro Forma Income Statement for the twelve months ended December 31, 2014

| US$000s | OGC audited (i) | | OGC Waihi acquisition (ii) | OGC Pro forma prior to Arrangement | Romarco audited (iii) | Impact of the Arrangement (iv) | OGC Pro forma |
|---|---|---|---|---|---|---|---|
| Revenue | 563,328 | | 174,845 | 738,173 | - | - | 738,173 |
| Cost of sales, excluding depreciation and amortisation | (289,888) | (ii)b | (100,318) | (390,206) | (992) | - | (391,198) |
| Depreciation and amortisation | (129,561) | (ii)d | (43,344) | (172,905) | (87) | - | (172,992) |
| General and administration expenses | (34,539) | | - | (34,539) | (12,012) | - | (46,551) |
| **Operating profit** | **109,340** | | **31,183** | **140,523** | **(13,091)** | **-** | **127,432** |
| **Other expenses** | | | | | | | |
| Interest expense and finance costs | (11,687) | (ii)c | (4,006) | (15,693) | (243) | - | (15,936) |
| Foreign exchange gain/(loss) | 1,711 | | 312 | 2,023 | (213) | - | 1,810 |
| Loss on disposal of plant, property, equipment | (140) | | - | (140) | - | - | (140) |
| Loss on fair value of available-for-sale assets | (980) | | - | (980) | (111) | - | (1,091) |
| **Total other expenses** | **(11,096)** | | **(3,694)** | **(14,790)** | **(567)** | **-** | **(15,357)** |
| Gain/(loss) on fair value of undesignated hedges | (876) | | - | (876) | - | - | (876) |
| Interest income | 481 | | - | 481 | 89 | - | 570 |
| Impairment charges | - | | - | - | - | - | - |
| Other income/(expense) | 303 | | 1,307 | 1,610 | - | - | 1,610 |
| **Profit/(loss) before income tax** | **98,152** | | **28,796** | **126,948** | **(13,569)** | **-** | **113,379** |
| Income tax benefit/(expense) | 13,383 | (ii)e | (10,047) | 3,336 | - | - | 3,336 |
| **Net profit/(loss)** | **111,535** | | **18,749** | **130,284** | **(13,569)** | **-** | **116,715** |
| **Net earnings/(loss) per share:** | | | | | | | |
| Basic | $0.37 | | - | $0.43 | ($0.02) | - | $0.19 |
| Diluted | $0.36 | | - | $0.42 | ($0.02) | - | $0.19 |
| **Weighted average number of common shares outstanding (in thousands)** | | | | | | | |
| Basic | 300,994 | | - | 300,994 | 662,102 | (360,733) | 602,363 |
| Diluted | 306,980 | | - | 306,980 | 662,102 | (351,227) | 617,855 |

*The accompanying notes are an integral part of these unaudited pro-forma consolidated financial statements.*

***Footnotes to the unaudited Pro Forma Income Statement for the twelve months ended December 31, 2014***

(i) Extracted from the audited income statement of OceanaGold for the twelve months ended December 31, 2014.
(ii) Represents the pro forma net profit impact of the acquisition of 100% of the share capital in Waihi Gold Company Limited and Newmont Waihi Gold Limited (the **Waihi acquisition**), assuming that completion of the acquisition had occurred on 1 January 2014. The pro forma adjustment reflects the net profit of Waihi Gold Company Limited (**WGCL**) and Newmont Waihi Gold Limited (**NWGL**) extracted from the unaudited financial statements for the respective entities for the twelve months ended December 31, 2014, adjusted to reflect the following:

a) Elimination of intercompany transactions between WCGL and NWGL for the twelve month period;
b) Adjustment to reflect $2.8 million pro forma management charges for the twelve months period, expected to be incurred by OceanaGold to manage the Waihi operations;
c) Adjustment to reflect the estimated increase in interest expenses of $2.9 million related to the debt drawdown ($97.3 million) to partially fund the Waihi acquisition for the twelve month period based upon an interest rate of 3.98% with quarterly stepdown of the principal;
d) Adjustment to reflect an additional depreciation and amortization charge of $13.5 million for the twelve months to December 31, 2014, on the fair value uplift of $69.8 million allocated provisionally to Mining Assets; and
e) Income tax benefit/ (expense) has been adjusted for tax effect of items listed in (a-d).

(iii) Derived from the audited income statement of Romarco for the twelve months ended December 31, 2014.
(iv) Pro forma assumes for the twelve months ended December 31, 2014, no additional depreciation and amortization charge from Romarco as the primary asset, the Haile Gold Mine, is in the development stage.

## Unaudited Pro forma earnings per share

The weighted average shares outstanding for OceanaGold have been adjusted to reflect the additional shares resulting from transactions described.

| **For the six months ended June 30, 2015** | *(thousands)* |
|---|---|
| OceanaGold weighted average number of shares – Basic | 302,886 |
| Adjustment for estimated number of shares to be issued for acquisition | 299,477 |
| **Pro forma weighted average number of shares - Basic** | **602,363** |

| **For the six months ended June 30, 2015** | |
|---|---|
| OceanaGold Weighted average number of shares – Diluted | 308,680 |
| Adjustment for estimated number of shares to be issued for acquisition and dilutive impact of options | 309,175 |
| **Pro forma weighted average number of shares - Diluted** | **617,855** |

| **For the twelve months ended December 31, 2014** | *(thousands)* |
|---|---|
| OceanaGold weighted average number of shares – Basic | 300,994 |
| Adjustment for estimated number of shares to be issued for acquisition | 301,369 |
| **Pro forma weighted average number of shares - Basic** | **602,363** |

| **For the twelve months ended December 31, 2014** | |
|---|---|
| OceanaGold Weighted average number of shares – Diluted | 306,980 |
| Adjustment for estimated number of shares to be issued for acquisition and dilutive impact of options | 310,875 |
| **Pro forma weighted average number of shares - Diluted** | **617,855** |

# OceanaGold Corporation
# Notes to the unaudited Pro-Forma Consolidated Financial Statements
# As at and for the six months ended June 30, 2015
# and for the year ended December 31, 2014
# (Expressed in thousands of United States dollars, unless otherwise noted)

## 1. Description of the transaction and nature of operations

The pro forma consolidated financial statements have been prepared for the purpose of inclusion in a joint information circular dated August 20, 2015 in connection with the arrangement agreement (the "Arrangement Agreement") announced on July 30, 2015. OceanaGold has agreed to acquire all of the issued and outstanding common shares of Romarco in an all-share transaction to be completed by way of a statutory Plan of Arrangement ("Arrangement") under the Business Corporations Act (British Columbia). Assuming the Arrangement becomes effective; each shareholder of Romarco will be entitled to receive, in exchange for each Romarco share held, 0.241 of an OceanaGold common share as consideration. Upon completion of the Arrangement, existing OceanaGold and Romarco shareholders will own approximately 51% and 49% of the combined company, respectively. Details related to the Arrangement, including details of the separate Waihi transaction currently being undertaken by OceanaGold be can be found in the Joint Management Information Circular to which this appendix is attached.

## 2. Basis of presentation

These unaudited pro forma consolidated financial statements have been prepared in connection with the proposed acquisition by OceanaGold of all the outstanding shares of Romarco.

The unaudited pro forma condensed consolidated statement of financial position as at June 30, 2015 and the unaudited pro forma consolidated statements of comprehensive income for the year ended December 31, 2014 and six months ended June 30, 2015 have been prepared, for illustrative purposes only, to give effect to the proposed acquisition of Romarco by OceanaGold pursuant to the assumptions described in within the footnotes to the individual statements and notes 3 and 4 to these unaudited pro forma consolidated financial statements. These unaudited pro forma consolidated financial statements have been prepared based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The pro forma consolidated statement of comprehensive income for the year ended December 31, 2014 and unaudited pro forma consolidated statement of comprehensive income for the six months ended June 30, 2015 give effect to the transactions described in note 1 as if they had occurred on January 1, 2014.

The pro forma consolidated balance sheet as at June 30, 2015 gives effect to the transactions described in note 1 as if they had occurred on June 30, 2015.

The pro forma consolidated financial statements are based on, and where available, should be read in conjunction with the:

- separate audited consolidated financial statements of OceanaGold as at and for the year ended December 31, 2014, prepared in accordance with IFRS as issued by the IASB;
- separate audited consolidated financial statements of Romarco as at and for the year ended December 31, 2014, prepared in accordance with IFRS as issued by the IASB;
- separate audited consolidated financial statements of Newmont Waihi Gold Limited ("Waihi") as at and for the year ended December 31, 2014, prepared in accordance with New Zealand equivalents to IFRS ("NZ IFRS");
- unaudited condensed consolidated interim financial statements of OceanaGold as at and for the six months ended June 30, 2015, prepared in accordance with Accounting Standard ("IAS") 34, *Interim Financial Reporting*;
- unaudited condensed consolidated interim financial statements of Romarco as at and for the six months ended June 30, 2015, prepared in accordance with IAS 34; and
- unaudited interim consolidated trial balance of Waihi as at and for the six months ended June 30, 2015.

Certain presentation reclassifications have been made to the historical financial statements of Romarco and Waihi in the preparation of the pro forma consolidated financial statements to conform to the financial statement presentation currently adopted by OceanaGold.

The historical consolidated financial statements have been adjusted to give effect to pro forma events that are (1) directly attributable to the transactions, (2) factually supportable, and (3) with respect to the income statement, expected to have a continuing impact on the consolidated results.

The pro forma consolidated financial statements as at and for the six months ended June 30, 2015 and for the year ended December 31, 2014 have been prepared using the acquisition method of accounting. OceanaGold is considered the legal and accounting acquirer of Romarco and Waihi, and accordingly, these pro forma consolidated financial statements give effect to the business combination reflecting OceanaGold as the acquirer for accounting purposes.

At the time of preparation of these pro forma consolidated financial statements, the measurement of the fair value of the consideration to be issued and of the assets and liabilities assumed is dependent upon certain valuations and other studies or events that have yet to progress to a stage where there is sufficient information for a definitive measurement.

Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing pro forma consolidated financial statements. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying pro forma the consolidated financial statements.

The unaudited pro forma consolidated financial statements are not intended to reflect the financial performance or the financial position of OceanaGold, which would have actually resulted had the transactions been effected on the dates indicated. Actual amounts recorded upon consummation of the agreement will likely differ from those recorded in the unaudited pro forma consolidated financial statements. Similarly, the calculation and allocation of the purchase price has been prepared on a preliminary basis and is subject to change between the time such preliminary estimations were made and closing as a result of several factors which could include among others: changes in fair value of assets acquired and liabilities assumed and the market price of the related shares and options.

Any potential synergies that may be realized and integration costs that may be incurred upon consummation of the transactions have been excluded from the unaudited pro forma financial information. Further, the pro forma financial information is not necessarily indicative of the financial performance that may be obtained in the future.

### 3. Significant accounting policies

The accounting policies used in the preparation of these unaudited pro forma consolidated financial statements are those as set out in OceanaGold's audited consolidated financial statements as at December 31, 2014. In preparing the unaudited pro forma consolidated financial statements, a review was undertaken by management to identify accounting policy differences between OceanaGold and Romarco, where the impact was potentially material. The significant accounting policies of Romarco and Waihi conform in all material respects to those of OceanaGold.

### 4. Estimated consideration transferred

The pro forma consolidated financial statements reflect the following preliminary estimate of consideration to be transferred to effect the Arrangement:

| | **Conversion Calculation** | **Fair Value** |
|---|---|---|
| | | USD ('$000) |
| Romarco common shares outstanding at July 30, 2015 | 1,242,644,074 | |
| Multiplied by the exchange ratio of 0.241 common shares of OceanaGold for each share of Romarco outstanding | 299,477,222 OceanaGold shares to be issued | |
| Multiplied by OceanaGold share price as at August 18, 2015 – converted at Spot USD $1.84 (CAD$2.41 x 0.77) | CAD$2.41 | $552,169(3) |
| Number and estimated fair value of 40,239,252 Romarco Employee Stock options outstanding (July 30, 2015), exchanged at the exchange ratio of 0.241 | 9,697,660 | $5,317(2) |

for options in the combined company.

| Estimate of consideration to be transferred USD [1] | $557,486[2] |
|---|---|

[1] The estimated consideration expected to be transferred reflected in these pro forma consolidated financial statements does not purport to represent what the actual consideration transferred will be when the Arrangement is consummated. In accordance with the acquisition method of accounting, the fair value of equity securities issued as part of the consideration transferred will be measured on the closing date of the Arrangement at the then-current market price. This requirement will likely result in a per share amount different from the USD$1.84 assumed in the unaudited pro forma consolidated financial statements and that difference may be material. For purposes of determining the consideration transferred within the unaudited pro forma consolidated financial statements, the closing OceanaGold common share price of USD$1.84 (CAD$2.41) on August 18, 2015 was used in the calculation.
[2] To record the issuance of 9,697,660 OceanaGold employee share options recorded at various strike prices for a total share option consideration of $5.3 million determined using the Black-Sholes valuation method.
[3] Totals may not sum due to rounding.

## Pro Forma Consolidated Capitalization

The following table sets forth the consolidated capitalization of OceanaGold as at June 30, 2015 after giving effect to the Arrangement. For detailed information on the capitalization of Romarco as at June 30, 2015 and OceanaGold as at June 30, 2015, see the unaudited consolidated interim financial statements for the six months ended June 30, 2015 for Romarco and OceanaGold, respectively. See also the unaudited pro forma consolidated financial statements of OceanaGold following completion of the Arrangement set forth in Appendix C to this Circular.

| **Description** | **OceanaGold as at June 30, 2015 (US$'000s)** [1][3] | **Combined Company as at June 30, 2015 (after giving effect to the Arrangement (US$'000s)** [1][2][3] |
|---|---|---|
| **Cash and cash equivalents** | **$48,707** | **$178,708** |
| Arrangement Transaction Costs | - | **($15,100)** |
| **Debt** | | |
| Interest bearing loans and borrowings | **$100,970** | **$110,567** |
| **Share Capital (common shares)** | **$652,954**<br>(303,594,668 Common shares) | **$1,190,023**<br>(603,071,890 Common shares) |

[1] Totals may not sum due to rounding.
[2] Totals disclosed under this column may not reflect the corresponding line items in the Unaudited Pro Forma Consolidated Financial Statements of OceanaGold, as disclosed in Appendix C to this Circular, and as summarized in the table titled "Statement of Financial Position" under the headings "Summary – Summary Unaudited Pro Forma Consolidated Financial Information" and "Information Relating to the Combined Company – Selected Unaudited Pro Forma Consolidated Financial Information" above. There have been no significant changes in the capitalisation of OceanaGold or Romarco subsequent to June 30, 2015.
[3] Excludes Waihi related balances. The acquisition of Waihi by OceanaGold has not legally completed at the date of the Information Circular and no pro forma balances related to Cash and Cash equivalents ($1.3 million) and the anticipated debt funding ($97.3 million) for Waihi have been included in the above capitalization table.