



**ATICO MINING CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**DECEMBER 31, 2012**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Atico Mining Corporation

We have audited the accompanying consolidated financial statements of Atico Mining Corporation, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' 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 auditors' 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.

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Atico Mining Corporation as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

April 10, 2013



**ATICO MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	December 31, 2012	December 31, 2011
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 3)	\$ 2,798,413	\$ 127,141
Receivables (Note 4)	26,654	31,079
Prepays and deposits	196,731	11,092
<b>Total current assets</b>	<b>3,021,798</b>	<b>169,312</b>
<b>Non-current assets</b>		
Equipment (Note 5)	149,773	23,298
Exploration and evaluation assets (Note 6)	7,449,644	1,500,359
Deferred share issuance costs	-	83,455
<b>Total non-current assets</b>	<b>7,599,417</b>	<b>1,607,112</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,621,215</b>	<b>\$ 1,776,424</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 186,283	\$ 509,943
Loans payable (Note 8)	-	708,250
<b>Total liabilities</b>	<b>186,283</b>	<b>1,218,193</b>
<b>EQUITY</b>		
Share capital (Note 9)	11,689,461	1,256,367
Share-based payments reserve (Note 9)	859,770	230,199
Deficit	(2,114,299)	(928,335)
<b>Total equity</b>	<b>10,434,932</b>	<b>558,231</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 10,621,215</b>	<b>\$ 1,776,424</b>

**Nature of operations and going concern** (Note 1)  
**Events after reporting date** (Note 15)

These consolidated financial statements are authorized for issuance by the Board of Directors on April 10, 2013.

**Approved by the Board of Directors**

\_\_\_\_\_ "Jorge R. Ganoza" \_\_\_\_\_ Director      \_\_\_\_\_ "David Miles" \_\_\_\_\_ Director

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

**ATICO MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Year ended December 31, 2012	Year ended December 31, 2011
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Amortization (Note 5)	\$ 265	\$ 5,549
Interest expense	49,623	8,250
Investor relations	51,625	-
Management fees	310,380	109,164
Office and administrative costs	292,012	137,047
Professional fees	114,194	114,550
Property investigation costs	48,245	1,947
Share-based payments (Note 9)	152,216	230,199
Transfer agent and filing fees	64,353	13,039
Travel and related costs	84,882	-
	<u>1,167,795</u>	<u>619,745</u>
<b>Loss from operations</b>	<u>(1,167,795)</u>	<u>(619,745)</u>
Foreign exchange loss	(14,449)	(1,120)
Interest income	51,836	-
Loss on conversion of debentures (Note 8)	(55,556)	-
	<u>(18,169)</u>	<u>(1,120)</u>
<b>Loss and comprehensive loss for the year</b>	<u>\$ (1,185,964)</u>	<u>\$ (620,865)</u>
Basic and diluted loss per share	\$ (0.03)	\$ (0.05)
Weighted average number of common shares outstanding	<u>34,895,688</u>	<u>13,651,233</u>

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

**ATICO MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Year ended December 31, 2012	Year ended December 31, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (1,185,964)	\$ (620,865)
Items not affecting cash:		
Amortization	35,739	5,549
Interest accrued	-	8,250
Share-based payments	152,216	230,199
Loss on conversion of debentures	55,556	-
Interest income	(51,836)	-
Unrealized foreign exchange effect on cash and cash equivalents	(1,748)	-
<b>Changes in non-cash working capital items:</b>		
Receivables	4,425	(31,079)
Prepays and deposits	(185,639)	(11,092)
Accounts payable and accrued liabilities	(402,742)	324,016
<b>Net cash used in operating activities</b>	<b>(1,579,993)</b>	<b>(95,022)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	51,836	-
Purchase of equipment	(162,214)	(28,847)
Exploration and evaluation expenditures	(5,870,203)	(1,450,809)
<b>Net cash used in investing activities</b>	<b>(5,980,581)</b>	<b>(1,479,656)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for cash	11,500,000	1,145,000
Share issue costs	(1,074,402)	(98,633)
Deferred financing costs	-	(70,948)
Exercise of warrants	12,750	-
Proceeds from loans payable	180,000	700,000
Loan repayment - principal portion	(380,000)	-
Loan repayment - interest portion	(8,250)	-
<b>Net cash provided by financing activities</b>	<b>10,230,098</b>	<b>1,675,419</b>
Effect on exchange rate changes on cash and cash equivalents	1,748	-
<b>Change in cash during the year</b>	<b>2,669,524</b>	<b>100,741</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>127,141</b>	<b>26,400</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,798,413</b>	<b>\$ 127,141</b>

**Supplemental disclosure with respect to cash flows** (Note 12)

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

**ATICO MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share-based Payments Reserve	Deficit	Total Equity (Deficiency)
Issued and outstanding shares					
<b>Balance as at December 31, 2010</b>	1,200,000	\$ 60,000	\$ -	\$ (307,470)	\$ (247,470)
Common shares for cash, at \$0.20 per share	3,000,000	600,000	-	-	600,000
Common shares for cash, at \$0.05 per share	10,900,000	545,000	-	-	545,000
Common shares to settle accounts payable	300,000	150,000	-	-	150,000
Share issue costs	-	(98,633)	-	-	(98,633)
Share-based payments	-	-	230,199	-	230,199
Loss for the year	-	-	-	(620,865)	(620,865)
<b>Balance as at December 31, 2011</b>	15,400,000	1,256,367	230,199	(928,335)	558,231
Common shares for cash, at \$0.50 per share	23,000,000	11,500,000	-	-	11,500,000
Shares issued on conversion of debentures	1,111,111	555,556	-	-	555,556
Share issue costs	-	(1,282,857)	-	-	(1,282,857)
Share issue costs - Finder's shares	250,000	125,000	-	-	125,000
Share issue costs - Finder's warrants	-	(484,063)	484,063	-	-
Exercise of warrants	25,500	12,750	-	-	12,750
Reclassify fair value of warrants exercised from reserve	-	6,708	(6,708)	-	-
Share-based payments	-	-	152,216	-	152,216
Loss for the year	-	-	-	(1,185,964)	(1,185,964)
<b>Balance as at December 31, 2012</b>	39,786,611	\$ 11,689,461	\$ 859,770	\$ (2,114,299)	\$ 10,434,932

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

**ATICO MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
FOR THE YEAR ENDED DECEMBER 31, 2012

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**1. NATURE OF OPERATIONS**

Atico Mining Corporation (the "Company") was incorporated in the Yukon Territories on April 15, 2010 and continued to British Columbia on October 4, 2011. The Company is engaged in the acquisition, exploration and development of mineral projects in Colombia and evaluating additional opportunities in Latin America. The address of its head office is Suite 501 - 543 Granville Street, Vancouver, British Columbia, Canada.

On March 13, 2012, the Company completed its initial public offering ("IPO"), where it issued 23,000,000 common shares at \$0.50 per common share for gross proceeds of \$11,500,000 (Note 9) and the common shares of the Company began trading on the TSX Venture Exchange ("TSX-V") under the symbol "ATY".

The Company has an option to acquire 90% of the issued and outstanding shares of Minera El Roble S.A. ("MINER"), the owner of the El Roble Mine, an operating copper-gold mine in Colombia.

These consolidated financial statements of the Company are presented in Canadian dollars unless otherwise indicated. The ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. Management expects that the Company has sufficient resources and will be able to secure the necessary financing to meet the Company's requirements on an ongoing basis. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of measurement**

The consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**ATICO MINING CORPORATION**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
FOR THE YEAR ENDED DECEMBER 31, 2012

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Principles of consolidation**

These consolidated financial statements include the accounts of the parent company and its wholly-owned subsidiaries after eliminating intercompany balances and transactions.

*Subsidiaries*

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. The Company's principal operating subsidiaries are as follows:

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Name	Place of incorporation	Ownership %
Atico Mining Corporation Colombia SAS	Republic of Colombia	100%
Atico Mining Corporation Peru SAC	Republic of Peru	100%

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**Foreign currency translation**

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

**Cash and cash equivalents**

Cash includes cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and/or with original maturities of three months or less.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments**

*Financial assets*

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

Available-for-sale ("AFS") - Non-derivative financial assets not included in the above categories are classified as AFS. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an AFS financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of loss and comprehensive loss.

*Impairment of financial assets*

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in comprehensive income or loss are reclassified to profit or loss in the period. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or,
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

*Impairment of financial assets (cont'd...)*

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

*Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liabilities were acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities - This category comprises non-derivative liabilities, which are recognized at amortized cost.

The Company has classified its cash and cash equivalents and receivables as loans and receivables. The Company's accounts payable and accrued liabilities and loans payable are classified as other financial liabilities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Equipment**

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Amortization is provided at rates calculated to write off the cost of equipment, using the declining-balance method at a rate of 30% per annum. Amortization of equipment used for exploration and evaluation activities are capitalized to exploration and evaluation assets.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of loss and comprehensive loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item are accounted for separately, including major inspection and overhaul expenditures which are capitalized.

**Exploration and evaluation**

Exploration and evaluation expenditures incurred for regional reconnaissance or property investigations prior to the acquisition of a property expensed in the period in which they are incurred.

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation assets.

Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Management reviews the carrying value of capitalized exploration costs quarterly. In the case of undeveloped projects, there may be only limited data to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for exploration and development of the undeveloped property. In some cases, the undeveloped properties are regarded as successors to ore bodies currently in production. Where this is the case, it is intended that these will be developed and put into production when the current source of ore is exhausted or to replace the reduced output.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If the property is put into production, the costs of acquisition and exploration will be amortized over the life of the property, based on estimated economic reserves. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Impairment of long-lived assets**

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset, or a cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

**Decommissioning and restoration provision**

Restoration, rehabilitation and environmental obligations are recognized for the expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A restoration, rehabilitation or environmental obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding cost recognized by increasing the carrying amount of the related long-lived asset. The restoration, rehabilitation or environmental cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. As at December 31, 2012 and 2011, the Company has no known restoration, rehabilitation or environmental obligations.

**Share capital**

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Loss per share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

**Share-based payments**

The Company grants stock options to directors, officers, employees and consultants to acquire common shares of the Company. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

**Income taxes**

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred 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 the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Critical accounting estimates and judgments**

The preparation of consolidated financial statements in conformance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

*a) Estimated amortization rate of equipment*

The estimated amortization rate of equipment which is included in the consolidated statements of financial position will impact the amount and timing of the related amortization included in profit or loss.

*b) Valuation of share-based payments*

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

*c) Deferred taxes*

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Critical accounting estimates and judgments (cont'd...)**

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

*a) Recoverability of exploration and evaluation assets*

Proven and probable mineral reserves are the economically mineable parts of the Company's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Company estimates any of its proven and probable reserves and measured, indicated, and inferred mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the proven and probable reserves or measured, indicated, and inferred mineral resources estimates may impact the carrying value of exploration and evaluation assets, equipment, decommissioning and restoration provision, recognition of deferred tax amounts and amortization.

*b) Functional currency*

The Company applied judgment in determining its functional currency and the functional currency of its subsidiaries. Functional currency was determined based on the currency in which funds are sourced and the degree of dependence on the parent company for financial support.

**Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the CEO.

**Accounting Pronouncements Not Yet Effective**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Accounting Pronouncements Not Yet Effective (cont'd...)**

*Accounting Standards Issued and Effective January 1, 2013*

IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements and:

- a) defines the principle of control, and establishes control as the basis for consolidation.
- b) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.
- c) sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation Special Purpose Entities.

IFRS 11 Joint Arrangements establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 Disclosure of Involvement with Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

IAS 27 Separate Financial Statements has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 Investments in Associates and Joint Ventures prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

*Accounting Standards Issued and Effective January 1, 2015*

IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.



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**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand and deposits at banks earning interest at floating rates based on daily bank deposit rates:

	December 31, 2012	December 31, 2011
Cash	\$ 2,740,913	\$ 126,384
Short-term deposits	57,500	-
Held in trust	-	757
	<b>\$ 2,798,413</b>	<b>\$ 127,141</b>

The short-term deposits are used as collateral for the Company's credit cards.

**4. RECEIVABLES**

The Company's receivables arise from HST/VAT and other receivables due from government taxation authorities and other receivables:

	December 31, 2012	December 31, 2011
HST/VAT receivables	\$ 14,774	\$ 30,066
Other receivables	11,880	1,013
	<b>\$ 26,654</b>	<b>\$ 31,079</b>

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**5. EQUIPMENT**

	Office Equipment	Field Equipment	Total
<b>Cost</b>			
As at December 31, 2010	\$ -	\$ -	\$ -
Additions	21,060	7,787	28,847
Disposals	-	-	-
As at December 31, 2011	21,060	7,787	28,847
Additions	23,443	138,771	162,214
Disposals	-	-	-
As at December 31, 2012	\$ 44,503	\$ 146,558	\$ 191,061
<b>Accumulated amortization</b>			
As at December 31, 2010	\$ -	\$ -	\$ -
Amortization	4,064	1,485	5,549
Disposals	-	-	-
As at December 31, 2011	4,064	1,485	5,549
Amortization	8,387	27,352	35,739
Disposals	-	-	-
As at December 31, 2012	\$ 12,451	\$ 28,837	\$ 41,288
<b>Net book value</b>			
As at December 31, 2011	\$ 16,996	\$ 6,302	\$ 23,298
As at December 31, 2012	\$ 32,052	\$ 117,721	\$ 149,773

For the year ended December 31, 2012, amortization of \$35,474 (2011 - \$Nil) has been capitalized to exploration and evaluation assets and amortization of \$265 (2011 - \$5,549) has been included in general and administrative expenses.

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**6. EXPLORATION AND EVALUATION ASSETS**

On January 28, 2011, the Company entered into an option agreement to acquire 90% of the shares of MINER, whose main asset is the El Roble Mine located in Colombia. To exercise the option, the Company must make staged payments of US\$2,250,000 over two years and a lump-sum payment of US\$14,000,000 at the end of the two year option period as follows:

- a) US\$200,000 on January 28, 2011 (paid);
- b) US\$350,000 on July 28, 2011 (paid);
- c) US\$650,000 on January 28, 2012 (paid);
- d) US\$1,050,000 on July 28, 2012 (paid); and
- e) US\$14,000,000 on or before January 28, 2013.

The option period can be extended for one year to January 28, 2014 for an additional US\$1,200,000 (paid subsequently, Note 15).

During the years ended December 31, 2012 and 2011, the Company incurred the following exploration expenditures on its mineral properties:

<b>El Roble, Colombia</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
<b>Opening balance</b>		
Acquisition Costs	\$ 535,248	\$ -
Exploration Expenditures	965,111	-
	<b>1,500,359</b>	<b>-</b>
<b>Additions during the period:</b>		
<u>Acquisition Costs</u>		
Property acquisition costs	1,811,537	535,248
	<b>1,811,537</b>	<b>535,248</b>
<u>Exploration Expenditures</u>		
Assays	688,346	178,312
Drilling	1,318,669	-
Field costs/logistical support	344,625	105,229
General and administrative	599,986	240,825
Geophysics	703,788	103,380
Salaries and benefits	482,334	337,365
	<b>4,137,748</b>	<b>965,111</b>
<b>Ending balance</b>	<b>\$ 7,449,644</b>	<b>\$ 1,500,359</b>

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**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist of the following:

	December 31, 2012	December 31, 2011
Trade accounts payable	\$ 147,349	\$ 462,436
Accrued liabilities	38,934	47,507
	<u>\$ 186,283</u>	<u>\$ 509,943</u>

**8. LOANS PAYABLE**

In September 2011, the Company entered into debenture agreements for an aggregate principal amount of \$500,000 with an interest rate of 6% per annum calculated and compounded annually. On completion of the Company's initial public offering (Note 9), the aggregate principal amount was converted into 1,111,111 common shares of Company, valued at \$555,556, resulting in a loss on conversion of debentures of \$55,556 (2011 - \$Nil).

In November 2011, the Company entered into promissory note agreements for an aggregate principal amount of \$200,000 with an interest rate of 6% per annum calculated and compounded annually. The promissory note is repayable at any time up to May 31, 2013.

In January 2012, the Company entered into promissory note agreements for an aggregate principal amount of \$180,000 with an interest rate of 6% per annum calculated and compounded annually. The promissory note is repayable at any time up to July 19, 2013.

As at December 31, 2012, the aggregate outstanding loan payable balance was \$Nil (2011 - \$708,250).

**9. SHARE CAPITAL**

**Authorized Share Capital**

Authorized share capital consists of an unlimited number of common shares without par value.

**Issued Share Capital**

In March 2012, the Company completed its initial public offering ("IPO") for gross proceeds of \$11,500,000 by issuing 23,000,000 common shares at \$0.50 per share. In connection with the IPO, the Company paid its agent a cash commission of 7% of the gross proceeds. It also issued 250,000 common shares to its agent, valued at \$125,000 and 1,840,000 finder's warrants, valued at \$484,063 using the Black-Scholes option pricing model, where each warrant is exercisable at \$0.50 per share for 2 years from the closing date.

In March 2012, the Company issued 1,111,111 common shares, valued at \$555,556, for the aggregate principal amount of debentures issued in September 2011 (Note 8).

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**9. SHARE CAPITAL (cont'd...)**

**Issued Share Capital (cont'd...)**

In June 2011, the Company issued 300,000 common shares at a price of \$0.50 per share to settle an outstanding accounts payable balance.

In April 2011, the Company completed a financing comprised of 3,000,000 common shares issued at a price of \$0.20 per common share.

In February 2011, the Company completed a financing comprised of 10,900,000 common shares issued at a price of \$0.05 per common share.

**Stock Options**

The continuity of stock options for the years ended December 31, 2012 and 2011 are as follows:

Expiry Date	Exercise Price	Balance, December 31, 2011	Granted	Exercised	Expired/ Cancelled	Balance, December 31, 2012
June 30, 2016	\$ 0.50	1,710,000	-	-	-	1,710,000
July 11, 2016	0.50	145,000	-	-	-	145,000
April 24, 2017	0.55	-	250,000	-	-	250,000
May 16, 2017	0.51	-	130,000	-	-	130,000
<b>Outstanding and exercisable</b>		1,855,000	380,000	-	-	2,235,000

Weighted average exercise price	\$	0.50	\$	0.54	\$	-	\$	-	\$	0.51
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Expiry Date	Exercise Price	Balance, December 31, 2010	Granted	Exercised	Expired/ Cancelled	Balance, December 31, 2011
June 30, 2016	\$ 0.50	-	1,710,000	-	-	1,710,000
July 11, 2016	0.50	-	145,000	-	-	145,000
<b>Outstanding and exercisable</b>		-	1,855,000	-	-	1,855,000

Weighted average exercise price	\$	-	\$	0.50	\$	-	\$	-	\$	0.50
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The weighted average remaining life of the stock options outstanding is 3.64 years (2011 - 4.50).

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**9. SHARE CAPITAL (cont'd...)**

**Warrants**

The continuity of share purchase warrants for the years ended December 31, 2012 and 2011 are as follows:

Expiry Date	Exercise Price	Balance, December 31, 2011 and 2010	Granted	Exercised	Expired/Cancelled	Balance, December 31, 2012	
March 12, 2014	\$ 0.50	-	1,600,000	(25,500)	-	1,574,500	
March 21, 2014	0.50	-	240,000	-	-	240,000	
<b>Total</b>		-	1,840,000	(25,500)	-	1,814,500	
Weighted average exercise price	\$	-	\$ 0.50	\$ 0.50	\$	-	\$ 0.50

The weighted average remaining life of the share purchase warrants outstanding is 1.20 years (2011 - Nil).

**Share-based Payments and Share-based Payment Reserve**

During the year ended December 31, 2012, the Company granted 380,000 (2011 - 1,855,000) stock options to employees and an officer of the Company, all of which vested immediately. Using the fair value method for share-based payments, the Company recorded a charge to share-based payments with the offsetting credit to share-based payments reserve of \$152,216 (2011 - \$230,199) or \$0.40 (2011 - \$0.12) per option.

During the year ended December 31, 2012, the Company issued 1,840,000 (2011 - Nil) share purchase warrants as share issue costs. Using the fair value method for share-based payments, the Company recorded a charge to share capital of \$484,063 (2011 - \$Nil) or \$0.26 (2011 - \$Nil) per warrant, for finder's warrants issued.

The fair value of stock options and finder's warrants issued was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

	December 31, 2012	December 31, 2011
Weighted average:		
Risk free interest rate	1.26%	2.32%
Expected dividend yield	0%	0%
Expected stock price volatility	100%	100%
Expected life in years	3	5
Forfeiture rate	0%	0%

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**10. RELATED PARTY TRANSACTIONS**

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

<b>Year ended December 31, 2012</b>	<b>Salary or Fees</b>	<b>Share-based Payments</b>	<b>Total</b>
Management	\$ 310,380	\$ 102,760	\$ 413,140

  

<b>Year ended December 31, 2011</b>	<b>Salary or Fees</b>	<b>Share-based Payments</b>	<b>Total</b>
Management	\$ 90,428	\$ 99,296	\$ 189,724
Outside directors	-	93,090	93,090
	\$ 90,428	\$ 192,386	\$ 282,814

During the year ended December 31, 2011, certain directors of the Company subscribed to 11,175,000 common shares of the Company for aggregate proceeds of \$720,000 during the Company's financings, and the Company issued 300,000 common shares, valued at \$150,000, to directors of the Company to settle \$150,000 of accounts payable outstanding (Note 9).

<b>Related party liabilities</b>	<b>Items or Services</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
<b>Accounts payable and accrued liabilities:</b>			
Jorge R. Ganoza Aicardi	Management fees	\$ -	\$ 91,428
Seabord Services Corp.	Admin services/expense recovery	199	101,740
<b>Loans payable:</b>			
Jorge R. Ganoza Aicardi		\$ -	\$ 101,000
Jorge A. Ganoza Durant		-	100,750
Luis D. Ganoza Durant		-	101,000
Mario Szotlender		-	101,000

Seabord Services Corp., ("Seabord") is a management services company controlled by a director. Seabord provides a chief financial officer, a corporate secretary, accounting staff, administration staff and office space to the Company. The Chief Financial Officer is an employee of Seabord and is not paid directly by the Company. During the year ended December 31, 2012, Seabord charged \$176,400 (2011 - \$83,400) for administrative services.

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**11. SEGMENTED INFORMATION**

As at December 31, 2012 and 2011, the Company operated in one reportable operating segment, being the exploration and development of mineral properties. Summarized financial information for the geographic segments the Company operates in are as follows:

<b>As at December 31, 2012</b>	Canada	Colombia	Other	<b>Total</b>
Cash and other assets	\$ 2,693,980	\$ 231,345	\$ 96,473	\$ 3,021,798
Equipment	-	146,937	2,836	149,773
Exploration and evaluation assets	-	7,449,644	-	7,449,644
<b>Total assets</b>	<b>\$ 2,693,980</b>	<b>\$ 7,827,926</b>	<b>\$ 99,309</b>	<b>\$ 10,621,215</b>

  

<b>As at December 31, 2011</b>	Canada	Colombia		<b>Total</b>
Cash and other assets	\$ 142,534	\$ 26,778	\$	169,312
Equipment	-	23,298		23,298
Exploration and evaluation assets	-	1,500,359		1,500,359
Deferred share issuance costs	83,455	-		83,455
<b>Total assets</b>	<b>\$ 225,989</b>	<b>\$ 1,550,435</b>	<b>\$</b>	<b>1,776,424</b>

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the year ended December 31, 2012, the Company:

- a) issued 250,000 common shares, valued at \$125,000, as share issue costs (Note 9);
- b) issued 1,840,000 finder's warrants, valued at \$484,063, as share issue costs (Note 9);
- c) reallocated deferred share issuance costs of \$83,455 to share capital;
- d) reallocated share-based payment reserve of \$6,708 to share capital for warrants exercised;
- e) issued 1,111,111 common shares, valued at \$555,556, for the aggregate principal amount of debentures (Note 8); and
- f) incurred exploration and evaluation expenditures of \$128,632 included in accounts payable and accrued liabilities.

During the year ended December 31, 2011, the Company:

- a) issued 300,000 common shares, valued at \$150,000, to settle outstanding accounts payable balances of \$150,000;
- b) incurred deferred share issuance costs of \$12,507 included in accounts payable and accrued liabilities; and
- c) incurred exploration and evaluation expenditures of \$49,550 included in accounts payable and accrued liabilities.



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**13. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT**

**Financial Instruments**

The Company classified its financial instruments as follows:

	Loans and Receivables	Other Financial Liabilities
<b>As at December 31, 2012</b>		
Cash and cash equivalents	\$ 2,798,413	\$ -
Receivables	26,654	-
Accounts payable and accrued liabilities	-	(186,283)
	<b>\$ 2,825,067</b>	<b>\$ (186,283)</b>

	Loans and Receivables	Other Financial Liabilities
<b>As at December 31, 2011</b>		
Cash and cash equivalents	\$ 127,141	\$ -
Receivables	31,079	-
Accounts payable and accrued liabilities	-	(509,943)
Loans payable	-	(708,250)
	<b>\$ 158,220</b>	<b>\$ (1,218,193)</b>

**Fair Value**

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

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**13. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd...)**

**Fair value (cont'd...)**

As at December 31, 2012, the Company's financial instruments measured at fair value are as follows:

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<b>Financial Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 2,798,413	\$ -	\$ -	\$ 2,798,413

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**Risk and Capital Management**

The Company's capital includes share capital and the cumulative deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations.

The Company's activities expose it to a variety of financial risks; market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

This note presents information about the Company's exposure to each of these risks, the Company's objectives and processes for measuring and managing risk, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

**Credit Risk**

Credit risk arises from cash and deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions.

There is no significant concentration of credit risk other than cash deposits. The Company's cash deposits are primarily held with a Canadian chartered bank. The Company has minimal accounts receivable exposure.

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**13. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd...)**

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities and the ability to pay obligations as they fall due. Financial liabilities, as at December 31, 2012, included \$186,283 of accounts payable and accrued liabilities that have expected maturity dates of less than one year from December 31, 2012. Balances due within 12 months equal their carrying balance as the impact of discounting is not significant.

The Company is currently considering funding options that are available including raising additional funds from institutional investors and/or current shareholders and is confident that funding will be available to meet the final work program.

**Interest rate risk**

As the Company does not have significant interest-bearing assets, the Company's income and operating cash flows are not significantly affected by changes in market interest rates. As at December 31, 2012, the Company did not have any interest-bearing loans.

**Currency Risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company primarily operates in Canada and Colombia and incurs expenditures in currencies other than Canadian dollars. Thereby, the Company is exposed to foreign exchange risk arising from currency exposure. The Company has not hedged its exposure to currency fluctuations.

As at December 31, 2012, the Company is exposed to currency risk through the following assets and liabilities:

		US dollars	Colombian pesos	<b>Total</b>
Cash and cash equivalents	\$	98,273	\$ 109,425,722	
Accounts payable and accrued liabilities		(51,699)	(136,907,866)	
<b>Net exposure</b>		<b>46,574</b>	<b>(27,482,144)</b>	
Canadian dollar equivalent	\$	46,430	\$ (15,522)	\$ 30,908

Based on the above net exposure as at December 31, 2012, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and Colombian peso would result in an increase/decrease of approximately \$3,091 in the Company's pre-tax profit or loss.

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**14. INCOME TAXES**

A reconciliation of the income tax benefit determined by applying the Canadian income tax rates to the loss for the years ended December 31, 2012 and 2011 has been prepared as follows:

	December 31, 2012	December 31, 2011
Loss before income taxes	\$ (1,185,964)	\$ (620,865)
Expected income tax recovery	(296,000)	(164,000)
Change in statutory, foreign tax, foreign exchange rates and other	(6,000)	4,000
Permanent difference	43,000	61,000
Share issue costs	(303,000)	(25,000)
Change in unrecognized deductible temporary differences	562,000	124,000
<b>Total income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

Significant components of unrecognized temporary differences, unused tax losses and unused tax credits that have not been included in the consolidated statements of financial position are as follows:

	2012	Expiry Date Range	2011	Expiry Date Range
Share issue costs	\$ 1,029,000	2033 to 2036	\$ 79,000	2032 to 2035
Non-capital loss carry forwards	1,989,000	2030 onward	713,000	2030 onward
Capital assets	41,000	N/A	6,000	N/A
<b>Unrecognized deferred tax assets</b>	<b>\$ 3,059,000</b>		<b>\$ 798,000</b>	

Deferred tax benefits which may arise as a result of these non-capital losses and other deductions have not been recognized in these consolidated financial statements.

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**15. EVENTS AFTER REPORTING DATE**

Subsequent to December 31, 2012, the Company:

- a) paid US\$1,200,000 to extend the option period for the El Roble Mine for up to one year to January 28, 2014;
- b) completed a non-brokered private placement for gross proceeds of \$8,000,000 by the issuance of 12,307,694 units at \$0.65. Each unit was comprised of one common share and one-half of one non-transferable common share purchase warrant, where each warrant entitles the holder to purchase an additional common share at \$0.90 until July 16, 2014. The common shares, and any common shares issued on the exercise of the warrants, are subject to a restricted resale period under Canadian securities law and TSX-V policy until May 17, 2013. The Company paid cash finders' fees of \$213,900;
- c) issued 13,000 common shares upon exercise of share purchase warrants at \$0.50 per share; and
- d) granted 2,160,000 stock options, exercisable at \$0.98 per option up to March 1, 2018, to directors and employees of the Company.