



Eco Oro Minerals Corp.
(Formerly Greystar Resources Ltd.)
Annual Consolidated Financial Statements
Years Ended December 31, 2011 and 2010

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FINANCIAL STATEMENTS (Expressed in thousands of U.S. dollars, unless otherwise noted and except for share and per share amounts)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Eco Oro Minerals Corp.

We have audited the accompanying consolidated financial statements of Eco Oro Minerals Corp., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising 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 our 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, we consider 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Eco Oro Minerals Corp. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

March 22, 2012

Vancouver, Canada

ECO ORO MINERALS CORP.

Consolidated Statements of Financial Position

(Expressed in thousands of U.S. dollars, unless otherwise noted and except for share and per share amounts)

| | Notes | December 31, 2011 | December 31, 2010 | January 1, 2010 |
|--|-------|----------------------|----------------------|--------------------|
| | | | (note 17) | (note 17) |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 11 | \$ 56,343 | \$ 98,878 | \$ 77,951 |
| Guaranteed investment certificate | | 5,580 | - | - |
| Trade and other receivables | | 877 | 779 | 559 |
| | | 62,800 | 99,657 | 78,510 |
| Property, plant and equipment | 4 | 1,268 | 940 | 848 |
| Exploration and evaluation assets | 5 | 18,137 | 17,497 | 15,309 |
| | | \$ 82,205 | \$ 118,094 | \$ 94,667 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Trade and other payables | | \$ 4,511 | \$ 6,352 | \$ 2,661 |
| Amounts payable on exploration and evaluation | | | | |
| asset acquisition | 5 | 1,107 | 1,113 | 551 |
| Site restoration provision | 7 | 1,618 | 682 | 595 |
| Warrant liabilities | 8 | 1,168 | 7,026 | 30,970 |
| Current portion of equity tax liability | 10 | 1,576 | - | - |
| | | 9,980 | 15,173 | 34,777 |
| Amounts payable on exploration and evaluation | | | | |
| asset acquisition | 5 | - | - | 431 |
| Site restoration provision | 7 | 641 | 207 | 561 |
| Equity tax liability | 10 | 2,840 | - | - |
| | | 13,461 | 15,380 | 35,769 |
| Shareholders' equity: | | | | |
| Share capital | 8 | 234,975 | 234,967 | 169,880 |
| Equity reserves | 8 | 19,241 | 16,445 | 11,959 |
| Deficit | | (185,472) | (148,698) | (122,941) |
| Equity attributable to equity holders of the Company | | 68,744 | 102,714 | 58,898 |
| Nature of operations | 1 | | | |
| Commitments and contingencies | 5, 15 | | | |
| Subsequent events | 5, 8 | | | |
| | | \$ 82,205 | \$ 118,094 | \$ 94,667 |

See accompanying notes to these consolidated financial statements.

Approved by the Board and authorized for issue on March 22, 2012.

Anna Stylianides Director

Hubert R. Marleau Director

ECO ORO MINERALS CORP.

Consolidated Statements of Comprehensive Loss

(Expressed in thousands of U.S. Dollars, unless otherwise noted and except for share and per share amounts)

For the years ended December 31, 2011 and 2010

| | Notes | 2011 | 2010 |
|---|-------|------------|------------|
| | | | (note 17) |
| Exploration expenditures: | | | |
| Feasibility studies | 5 | \$ 4,600 | \$ 9,871 |
| Other exploration expenditures | 5 | 20,786 | 15,339 |
| | | 25,386 | 25,210 |
| General and administrative expenses: | | | |
| Audit, legal and other professional fees | | 653 | 529 |
| Depreciation | | 310 | 286 |
| Investor relations | | 202 | 168 |
| Management and consulting fees | 9 | 1,714 | 2,036 |
| Office facilities and administration | 9 | 640 | 448 |
| Salaries and benefits | | 3,508 | 1,961 |
| Share-based compensation | 8 | 2,793 | 5,030 |
| Transfer agent, listing and filing fees | | 169 | 175 |
| Travel | | 439 | 592 |
| | | 10,428 | 11,225 |
| Loss from operating activities | | 35,814 | 36,435 |
| Other items: | | | |
| Interest income | | (995) | (1,131) |
| Finance costs | 6 | 415 | 114 |
| Equity tax | 10 | 5,780 | - |
| Fair value change on warrant liabilities | 8 | (5,795) | (5,400) |
| Foreign exchange loss (gain) | | 1,555 | (4,261) |
| | | 960 | (10,678) |
| Loss and comprehensive loss for the year | | | |
| attributable to shareholders of the Company | | \$ 36,774 | \$ 25,757 |
| Basic and diluted loss per common share | | \$ 0.44 | \$ 0.31 |
| Weighted-average number of common shares | | | |
| outstanding | 8 | 84,226,586 | 83,784,134 |

See accompanying notes to these consolidated financial statements.

ECO ORO MINERALS CORP.

Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars, unless otherwise noted and except for share and per share amounts)

For the years ended December 31, 2011 and 2010

| | Notes | 2011 | 2010 |
|--|-------|-------------|-------------|
| | | | (note 17) |
| Operating activities: | | | |
| Loss for the year | | \$ (36,774) | \$ (25,757) |
| Adjustment for non-cash items: | | | |
| Depreciation | | 310 | 286 |
| Fair value change on warrant liabilities | 8 | (5,795) | (5,400) |
| Non-cash finance costs | 6 | 415 | 114 |
| Share-based compensation | 8 | 2,725 | 5,030 |
| Unrealized foreign exchange (loss) gain | | (74) | 609 |
| Other non-cash income and expenses | | (256) | (400) |
| Equity tax accrued | 10 | 4,048 | - |
| Change in site restoration provision | 7 | 1,584 | (21) |
| Change in non-cash working capital: | | | - |
| Trade and other receivables | | (98) | (220) |
| Trade and other payables | | (1,841) | 4,382 |
| Cash used in operating activities | | (35,756) | (21,377) |
| Investing activities: | | | |
| Exploration and evaluation asset acquisition | 5 | (566) | (1,970) |
| Purchase of property, plant and equipment | 4 | (638) | (378) |
| Purchase of guaranteed investment certificate | | (5,580) | - |
| Net cash flows used in investing activities | | (6,784) | (2,348) |
| Financing activities: | | | |
| Proceeds from exercise of stock options | 8 | 5 | 363 |
| Proceeds from exercise of warrants | 8 | - | 44,289 |
| Net cash flows generated from financing activities | | 5 | 44,652 |
| (Decrease) increase in cash and cash equivalents | | (42,535) | 20,927 |
| Cash and cash equivalents, beginning of year | | 98,878 | 77,951 |
| Cash and cash equivalents, end of year | 11 | \$ 56,343 | \$ 98,878 |

See accompanying notes to these consolidated financial statements.

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Consolidated Statements of Changes in Equity

(Expressed in thousands of U.S. dollars, unless otherwise noted and except for share and per share amounts)

For the years ended December 31, 2011 and 2010

| | Share Capital (note 8) | | Equity Reserves (note 8) | | Deficit | Total |
|-----------------------------------|------------------------|------------|--------------------------|----------|--------------|------------|
| | Number of Shares | Amount | Contributed Surplus | Warrants | | |
| Balance, January 1, 2010 | 72,360,764 | \$ 169,880 | \$ 10,031 | \$ 1,928 | \$ (122,941) | \$ 58,898 |
| Options exercised | 161,962 | 978 | (615) | - | - | 363 |
| Warrants exercised | 11,700,261 | 64,109 | - | (747) | - | 63,362 |
| Warrants expired | - | - | 31 | (31) | - | - |
| Warrants issued for land purchase | - | - | - | 818 | - | 818 |
| Share-based compensation | - | - | 5,030 | - | - | 5,030 |
| Net loss and comprehensive loss | - | - | - | - | (25,757) | (25,757) |
| Balance, December 31, 2010 | 84,222,987 | \$ 234,967 | \$ 14,477 | \$ 1,968 | \$ (148,698) | \$ 102,714 |
| Options exercised | 5,434 | 8 | (3) | - | - | 5 |
| Warrants issued | - | - | - | 74 | - | 74 |
| Share-based compensation | - | - | 2,725 | - | - | 2,725 |
| Net loss and comprehensive loss | - | - | - | - | (36,774) | (36,774) |
| Balance, December 31, 2011 | 84,228,421 | \$ 234,975 | \$ 17,199 | \$ 2,042 | \$ (185,472) | \$ 68,744 |

See accompanying notes to these consolidated financial statements.

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Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, unless otherwise noted and except for share and per share amounts)

For the years ended December 31, 2011 and 2010

1. Nature of operations

Eco Oro Minerals Corp., formerly Greystar Resources Ltd. (the “Company”) is a publicly listed company incorporated in Canada under the legislation of the Province of British Columbia. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) and trade under the symbol “EOM”. The Company’s principal business activities include the acquisition, exploration and evaluation assets in Colombia.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether they contain reserves that are economically recoverable. Management anticipates that the Company will continue to raise adequate funding through equity or debt financings, although there is no assurance that the Company will be able to obtain adequate funding on favorable terms. The recoverability of amounts shown for exploration and evaluation assets and equipment is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, confirmation of the Company’s interest in the underlying concessions and licenses, the ability of the Company to obtain the necessary mining and environmental permits, and future profitable production or proceeds from the disposition of the exploration and evaluation.

At December 31, 2011, the Company had working capital of \$52,820 but had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended December 31, 2011, the Company reported a comprehensive loss of \$36,774 and as at December 31, 2011, had an accumulated deficit of \$185,472. The ability of the Company to continue as a going concern over a longer term is dependent upon the Company’s ability to arrange additional financing to complete the development of its property, including obtaining the necessary permits and other regulatory approvals, and upon future profitable operations. The Company has sufficient cash and working capital to fund planned operations over the next operating cycle defined as the next 12 months.

In December 2009, the Company filed its Environmental Impact Assessment (“EIA”) with the Colombian Ministry of Environment and Sustainable Development (“MADS”) (formerly Ministry of Environment, Housing and Territorial Development) for the development of the Company’s open pit gold-silver mine (“Angostura Project”) in Colombia. In April 2010, MADS requested a new EIA to be filed to conform to a new regulation calling for an adjustment of the occupied area of the proposed Angostura open pit mining project outside of “Paramo,” which refers to the high altitude ecosystem above the continuous forest line. MADS subsequently agreed to move forward with the original EIA as filed which was followed by a series of information and public hearings in 2010 and 2011.

On March 23, 2011, the Company filed a request with MADS and the Servicio Geológico Colombiano (formerly Ingeominas) to desist from the administrative procedure for the environmental licensing, as well as the administrative procedure for evaluation and approval of the Work and Investment Plan, because the Colombian regional and national governments and the community of Bucaramanga, Colombia did not fully support the development of the Angostura Project as an open pit project. On May 31, 2011, MADS resolved not to accept the withdrawal from the environmental licensing procedure and denied the environmental license for the Angostura open pit mining project citing

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Notes to Consolidated Financial Statements

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substantive grounds for this decision. On June 20, 2011, the Company requested MADS to reconsider some of the grounds for this decision; however certain of the Company's arguments in the motion were rejected by MADS. The legally binding decisions expressed in the two resolutions from MADS were accompanied by certain broad comments made by the issuing authority regarding its views of the extent of the Paramo ecosystem to be protected.

As a result of the denial of the environmental license for the open pit project, the Company announced its intention to reformulate the Angostura Project as an underground only project. The Company is pursuing an infill drilling program at the Angostura Project in an attempt to improve the mineral resource classification from an inferred to measured and indicated National Instrument 43-101 compliant resource on the underground only project. The Company is also preparing a pre-feasibility study for the underground only project, which is expected to be completed in late 2012.

Any future decision on an underground only project will be the subject of a new process and decision and will require the Company to file an updated EIA and administrative procedure for environmental licensing. However, the previous MADS's resolutions and comments in respect of the extent of the Paramo ecosystem to be protected will be considered in relation to any future applications by the Company for approvals. The MADS's resolutions denying the Company's previous requests may have an adverse effect on any such future application.

2. Basis of preparation and first-time adoption of International Financial Reporting Standards ("IFRS")

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). IFRS comprises IFRS, International Accounting Standards ("IAS"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC") and the former Standing Interpretations Committee ("SIC"). The Company adopted IFRS in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards," with a transition date of January 1, 2010, and these consolidated financial statements have been prepared in accordance with IFRS standards and interpretations effective as of December 31, 2011, with significant accounting policies as described in note 3.

First-time adoption of IFRS

This is the first year in which the Company's consolidated financial statements are prepared in accordance with IFRS. Prior to the adoption of IFRS, the Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The basis of preparation of these consolidated financial statements is different to that of the Company's prior year consolidated financial statements prepared in accordance with Canadian GAAP due to the Company's transition to IFRS. The disclosures required by IFRS 1 demonstrating the impact of the transition to IFRS with a transition date of January 1, 2010, on the financial position and financial performance of the Company are provided in note 17. Note 17 includes reconciliations of the Company's

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Notes to Consolidated Financial Statements

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consolidated statements of financial position, statement of loss and comprehensive loss and statement of cash flows as at the date of transition and for the 2010 comparative periods prepared in accordance with Canadian GAAP as previously reported, to those prepared and reported in these consolidated financial statements in accordance with IFRS.

3. Significant accounting policies

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company, its Colombian branch and its subsidiaries. Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis in the statement of financial position except for certain derivative financial instruments, which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in United States ("U.S.") dollars, which is the Company's functional currency. References to "Cdn\$" are to Canadian dollars and "COP" to Colombian pesos.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates 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.

(i) Critical accounting estimates

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 are as follows:

Site restoration provision

The Company assesses its site restoration provision annually. Significant estimates and assumptions are made in determining the site restoration provision as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities,

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technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amount currently provided. The provision at the date of the statement of financial position represents management's best estimate of the present value of the future site restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the site restoration asset and liability. To the extent that the site restoration provision was created due to exploration activities, the amount capitalized is reduced immediately by a charge to exploration expenses for the same amount.

Exploration and evaluation assets

The application of the Company's accounting policy for and determination on recoverability of capitalized exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is recognized in loss in the period that the new information becomes available.

Equity tax liability

Included in the Company's balance sheet is the fair value of the equity tax liability. The fair value of the amounts payable on the equity tax liability was determined by discounting the stream of future cash payments at the estimated prevailing market rate for debt instruments of comparable maturity and credit quality. Changes in 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.

Warrants and stock options issued with Canadian dollar exercise prices

The fair value of warrants, stock options and share appreciation rights issued with Canadian dollar exercise prices are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize

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recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

(ii) Critical accounting judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Determination of functional currency

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates," management determined that the functional currencies of the Company, its Colombian branch and subsidiaries are the U.S. dollar.

(b) Foreign currency translation

Transactions in foreign currencies are initially translated to U.S. dollars, the functional currency of Company, at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 20 years

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- Field equipment 3 to 5 years
- Office equipment 3 years
- Transport 5 years

(d) Exploration and evaluation assets

All direct costs related to the acquisition of mineral property interests are capitalized into intangible assets. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The amounts shown for exploration and evaluation assets represent acquisition costs incurred to date, less recoveries and write-offs, and do not reflect fair value.

(e) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit," or "CGU"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications 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. An impairment loss is reversed only to the extent that the asset's carrying amount does not

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exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(g) Interest income and finance costs

Interest income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and changes in the fair value of financial liabilities at fair value through profit or loss. Foreign currency gains and losses are reported on a net basis.

(h) Financial assets

(i) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as FVTPL unless they are designed as effective hedges.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value, with changes recognized in profit or loss. Transaction costs are expensed as incurred.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include cash and cash equivalents, guaranteed investment certificates and trade and other receivables.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method,

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except for short-term receivables when the recognition of interest would be immaterial.

(iii) Effective interest method

The effective interest method is used to determine the amortized cost of a financial asset and to allocate interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty
- Default or delinquency in interest or principal payments
- It has become probable that the borrower will enter bankruptcy or financial reorganization

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade 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.

For financial assets measured at amortized cost, 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 losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is

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reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(v) Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

(i) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

A financial liability may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(i) Warrant liabilities:

The Company has issued share purchase warrants with Canadian dollar exercise prices (note 8) in connection with equity financing arrangements. As a result, the proceeds from the exercise of these warrants will vary. These warrants meet the

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definition of derivatives and are therefore classified as financial liabilities and measured at FVTPL prior to their exercise and expiry dates.

(ii) Other financial liabilities:

The Company has classified trade and other payables as other financial liabilities.

(iii) Derecognition of financial liabilities:

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(j) Share capital

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted market price on the date the agreement to issue the shares was reached and announced for business combinations and at the date of issuance for other non-monetary transactions. For proceeds received from the issuance of compound equity instruments such as units comprised of common shares and warrants, the Company allocates the proceeds using the residual method whereby the proceeds allocated to the warrants is based on their Black-Scholes fair value with the remaining proceeds allocated to common shares.

(k) Loss per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for 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.

In the Company's case, diluted loss per share is the same as basic loss per share, as the effect of outstanding share options and warrants (see note 8) on loss per share would be anti-dilutive.

(l) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity or liability in the case of share appreciation rights, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect

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the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

(m) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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(n) Segment reporting

IFRS 8, "Operating Segments," requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been defined as the Chief Executive Officer.

The Company operates in a single segment, being resource exploration and development. Segment and other geographic information is disclosed in the note 13.

(o) New accounting standards not yet adopted

Accounting standards effective January 1, 2012

(i) Financial instruments disclosure

In October 2010, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures," that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

(ii) Income taxes

In December 2010, the IASB issued an amendment to IAS 12, "Income Taxes," which provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Accounting standards effective January 1, 2013

(i) Consolidation

In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), which supersedes SIC 12, "Consolidation – Special Purpose Entities," and the requirements relating to consolidated financial statements in IAS 27, "Consolidated and Separate Financial Statements." IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 10 establishes control as the basis for an investor to consolidate its investees and defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee.

In addition, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), which combines and enhances the disclosure requirements for the Company's subsidiaries,

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joint arrangements, associates and unconsolidated structured entities. The requirements of IFRS 12 include enhanced reporting of the nature of risks associated with the Company's interests in other entities, and the effects of those interests on the Company's consolidated financial statements.

The Company does not anticipate the application of IFRS 10 and IFRS 12 to have a significant impact on its consolidated financial statements.

(ii) Joint arrangements

In May 2011, the IASB issued IFRS 11, "Joint Arrangements" ("IFRS 11"), which supersedes IAS 31, "Interests in Joint Ventures" and SIC 13, "Jointly Controlled Entities – Non-Monetary Contributions by Venturers." IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognizes its investment in a joint arrangement using the equity method.

The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

(iii) Fair value measurement

In May 2011, as a result of the convergence project undertaken by the IASB with the US Financial Accounting Standards Board to develop common requirements for measuring fair value and for disclosing information about fair value measurements, the IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13"). IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized.

The Company does not anticipate the application of IFRS 13 to have a significant impact on its consolidated financial statements.

(iv) Financial statement presentation

In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), that require an entity to group items presented in the statement of

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other comprehensive income on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition. For those items presented before tax, the amendments to IAS 1 also require that the tax related to the two separate groups be presented separately. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

(v) Employee benefits

In June 2011, the IASB issued amendments to IAS 19, "Employee Benefits" ("IAS 19"), that introduced significant changes to the accounting for defined benefit plans and other employee benefits. The amendments include elimination of the options to defer or recognize in full in profit or loss actuarial gains and losses and instead mandates the immediate recognition of all actuarial gains and losses in other comprehensive income. The amended IAS 19 also requires calculation of net interest on the net defined benefit liability or asset using the discount rate used to measure the defined benefit obligation.

In addition, other changes incorporated into the amended standard include changes made to the date of recognition of liabilities for termination benefits and changes to the definitions of short-term employee benefits and other long-term employee benefits which may impact on the classification of liabilities associated with those benefits.

The amendments to IAS 19 are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company does not anticipate the amendments to IAS 19 to have a significant impact on its consolidated financial statements.

(vi) Stripping costs in the production phase of a surface mine

In October 2011, the IASB issued IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine" ("IFRIC 20"). IFRIC 20 clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory; and (ii) improved access to further quantities of material that will be mined in future periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted and includes guidance on transition for pre-existing stripping assets.

The Company anticipates this amendment to have no impact on its consolidated financial statements.

Accounting standards effective January 1, 2015

(i) Financial instruments

The IASB intends to replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), in its entirety with IFRS 9, "Financial Instruments" ("IFRS 9"), in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November 2009 and

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October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. In response to delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 from January 1, 2013, to annual periods beginning on or after January 1, 2015. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9.

The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

4. Property, plant and equipment

The following is a reconciliation of the carrying amounts of property, plant and equipment.

| | Buildings | Field Equipment | Office Equipment | Transport | Total |
|---------------------------------|-----------|--------------------|---------------------|-----------|------------|
| Cost | | | | | |
| At January 1, 2010 | \$ 422 | \$ 671 | \$ 375 | \$ 235 | \$ 1,703 |
| Assets acquired | 156 | 121 | 52 | 49 | 378 |
| At December 31, 2010 | 578 | 792 | 427 | 284 | 2,081 |
| Assets acquired | - | 469 | 61 | 108 | 638 |
| At December 31, 2011 | \$ 578 | \$ 1,261 | \$ 488 | \$ 392 | \$ 2,719 |
| Accumulated depreciation | | | | | |
| At January 1, 2010 | \$ (83) | \$ (486) | \$ (184) | \$ (102) | \$ (855) |
| Depreciation for the period | (25) | (73) | (134) | (54) | (286) |
| At December 31, 2010 | (108) | (559) | (318) | (156) | (1,141) |
| Depreciation for the period | (31) | (118) | (94) | (67) | (310) |
| At December 31, 2011 | \$ (139) | \$ (677) | \$ (412) | \$ (223) | \$ (1,451) |
| Carrying amounts | | | | | |
| At January 1, 2010 | \$ 339 | \$ 185 | \$ 191 | \$ 133 | \$ 848 |
| At December 31, 2010 | \$ 470 | \$ 233 | \$ 109 | \$ 128 | \$ 940 |
| At December 31, 2011 | \$ 439 | \$ 584 | \$ 76 | \$ 169 | \$ 1,268 |

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5. Exploration and evaluation assets

The Company's exploration and evaluation assets comprise land ("Tangible Assets") and mineral property surface rights, mining titles, exploration licenses, exploitation permits, and concession contracts ("Intangible Assets") that provide for gold, silver and other precious metals exploration in an area located in the Municipality of California, Santander, Colombia, collectively known as the Angostura Project. The licenses, permits and contracts expire at various dates ranging from 2020 to 2038 and generally can be renewed for an additional 10, 20 or 30 years depending on the applicable mining code. Certain portions of the Angostura Project are subject to royalties ranging from 5% to 10% of net profits after certain additional deductions. In addition, pursuant to the laws of Colombia, the Government of Colombia currently receives royalties on gold and silver production equal to 4% of 80% of the value of the minerals extracted, which is calculated using the average gold and silver prices published by the London Metal Exchange.

In order to maintain the Company's exploration and evaluation assets in good standing, the Company is required to make certain annual fee payments based on the number of hectares and a Colombian wage factor that fluctuates on an annual basis. As at December 31, 2011, the required annual fee payments related to the Company's exploration and evaluation assets totaled approximately \$615 (2010 - \$624).

The following is a reconciliation of the carrying amounts of exploration and evaluation assets:

| | Intangible Assets | Tangible Assets | Total Costs |
|---------------------------|----------------------|--------------------|----------------|
| Cost at January 1, 2010 | \$ 5,217 | \$ 10,092 | \$ 15,309 |
| Additions | 1,144 | 1,044 | 2,188 |
| Cost at December 31, 2010 | 6,361 | 11,136 | 17,497 |
| Additions | 300 | 340 | 640 |
| Cost at December 31, 2011 | \$ 6,661 | \$ 11,476 | \$ 18,137 |

Additions to exploration and evaluation assets during the year ended December 31, 2011, relate to a combination of \$566 cash consideration and 35,000 share purchase warrants issued to acquire lands and surface rights. The warrants issued to purchase the Company's common shares have a term of 4 years with an exercise price of Cdn\$3.69 and maturity date of January 20, 2015. The value of the share purchase warrants issued was estimated to be \$74 using the Black-Scholes valuation model applying risk free rate of 2.23%, expected life based on the full term of the warrants, expected dividends of nil, and volatility rate of 84.5%.

Additions to exploration and evaluation assets during the year ended December 31, 2010, relate to a combination of \$1,970 cash consideration and 95,000 share purchase warrants issued to acquire lands and surface rights. The warrants issued to purchase the Company's common shares have a term of 4 years with exercise prices ranging from Cdn\$3.65 to Cdn\$4.17 and maturity dates ranging from July 28, 2014 through October 21, 2014. The value of the share purchase warrants issued was estimated to be \$218 using the Black-Scholes valuation model applying risk free rates ranging from

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1.79% to 2.42%, expected lives based on the full term of the warrants, expected dividends of nil, and volatility rates ranging from 74.8% to 83.7%.

In June 2009, the Company acquired the "Las Puentes" land parcel for \$2,037 (COP4,010,000). A cash payment of \$1,018 (COP1,860,000) was made on the acquisition date, and pursuant to the agreement, further payments of approximately \$596 (COP1,150,000) and \$518 (COP1,000,000) were to be made in April 2010 and April 2011, respectively. However, certain of the original Las Puentes vendors are currently in a title dispute with another unrelated group. The Company believes that its title is not at risk, and decided not to make the two remaining payments until the title dispute amongst the vendors and the unrelated group is resolved. The obligations have been recorded as amounts payable on exploration and evaluation asset acquisition on the consolidated statement of financial position and were originally discounted to reflect the non-interest bearing feature of this obligation. The discounted value of the future payments recognized on the date of acquisition was \$1,019 and was accreted to earnings at a rate of 12%. The full amount of the obligation totaling \$1,107 (COP2,150,000) is reflected on the statement of financial position as of December 31, 2011.

In November 2009, the Company entered into a binding purchase agreement with a private Colombian company for an exclusive option to acquire a 100% working interest in the 78 hectares La Plata property ("La Plata"). The terms of the purchase agreement include staged payments totaling \$1,900 and the issuance of 160,000 share purchase warrants to acquire a 100% working interest in the property. During the year ended December 31, 2010, the Company made \$1,300 (2009 - \$300) of the required staged payments and issued the share purchase warrants. During 2011, the Company made the final \$300 staged payment and acquired the 100% working interest. The Company is required to incur minimum annual exploration expenditures aggregating approximately \$750 and to drill an aggregate of 4,000 meters on the property over a four year period through to November 2013. In addition, if the Company develops an economically viable ore body at La Plata, the Company will pay a one-time payment of \$7 per ounce of gold and \$0.10 per ounce of silver for extractable reserves up to a maximum of 750,000 ounces. Included in capitalized exploration and evaluation asset costs are approximately \$2,500 associated with this property as at December 31, 2011.

Subsequent to year end, the Company received notice that the vendor was seeking to terminate the La Plata purchase agreement and has requested an arbitration hearing. The Company believes it has met all of its requirements under the agreement and believes it has full title to the La Plata property, therefore the Company did not consent to the termination sought. The Company and the vendor were unable to mutually agree on the arbitrators. It is expected that the arbitrators will be designated by a court within the next few months. The Company has yet to be informed of the vendor's basis for seeking to terminate the assignment agreement and is therefore unable to assess the outcome of the arbitration at this time. The Company will, however, exercise all means to protect its rights under the agreement. The outcome of this dispute is not determinable. Adjustments, if any, to exploration and evaluation assets will only be recorded when an outcome to this dispute is probable and a reliable estimate of the adjustment can be made.

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The details of exploration expenditures expensed during the years ended December 31, 2011 and 2010 with cumulative amounts are provided in the table below. General and administrative costs include items such as salaries and benefits, consulting fees, legal, travel, etc. in support areas for exploration activities in Colombia.

| | 2011 | 2010 |
|--|------------|------------|
| Exploration expenditures: | | |
| General and administrative costs (Angostura project in Colombia) | \$ 9,477 | \$ 5,901 |
| Drilling and field costs | 6,949 | 6,249 |
| Feasibility studies | 4,600 | 9,871 |
| Environmental | 2,285 | (113) |
| Civil works | 762 | 449 |
| Assay and metallurgy | 711 | 1,525 |
| Taxes and surface rights | 425 | 966 |
| Consulting and geology | 177 | 362 |
| | 25,386 | 25,210 |
| Cumulative exploration expenditures, beginning of year | 115,118 | 89,908 |
| Cumulative exploration expenditures, end of year | \$ 140,504 | \$ 115,118 |

6. Finance costs

The finance costs for the Company are summarized as follows:

| | Notes | 2011 | 2010 |
|---|-------|--------|--------|
| Effective interest on amounts payable on exploration and evaluation asset acquisition | 5 | \$ 10 | \$ 42 |
| Unwinding of discount on site restoration provision | 7 | 43 | 72 |
| Unwinding of discount on equity tax payable | 10 | 362 | - |
| Total finance costs | | \$ 415 | \$ 114 |

7. Site restoration provision

As at December 31, 2011, the Company had a site restoration provision of \$2,259 relating to the remediation of environmental disturbances at the Angostura Project. The provision is based on \$2,630 of undiscounted estimated cash flows required to settle the provision in the future. Assumptions used by management to determine the carrying amount of the site restoration provision were pre-tax risk-free discount rates ranging from 6.05% to 7.58%, and rates of inflation ranging from 2.7% to 3.36% over the expected years to settlement, which is estimated to be over the period from 2012 to 2031. During 2011, there were additional disturbances of surface areas as the Company continued its drilling program and requirements to treat and sample water discharge through to the year 2031. The Company also changed the Angostura Project to an underground mine plan from an open pit plan that resulted in restoration activities being performed sooner than under the previous plan.

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The following table shows the changes in the carrying amount of the Company's site restoration provision:

| | 2011 | 2010 |
|---|--------|----------|
| Beginning of year, current and long-term | \$ 889 | \$ 1,156 |
| Increase/(decrease) due to change in estimate | 240 | (58) |
| Liabilities incurred during the year | 1,344 | 38 |
| Remediation expenditures | (257) | (319) |
| Accretion during the year | 43 | 72 |
| End of year, current and long-term | 2,259 | 889 |
| Less: current portion | 1,618 | 682 |
| | \$ 641 | \$ 207 |

8. Share capital

(a) Authorized:

Unlimited common shares without par value.

(b) Issued and outstanding:

The Company had 84,228,421 (2010 – 84,222,987) common shares issued and outstanding as of December 31, 2011.

During the year ended December 31, 2011, a total of 5,434 shares of the Company were issued upon the exercise of options at a price of Cdn\$0.85 per share for total proceeds of \$5. As a result of this exercise, \$3 was transferred from contributed surplus to share capital.

During the year ended December 31, 2010, a total of 11,700,261 shares of the Company were issued upon the exercise of warrants at prices between Cdn\$2.47 and Cdn\$4.30 per share for total proceeds of \$44,289 of which \$79 relates to the exercise of agents' warrants. As a result of these exercises, \$747 previously recorded as warrants in shareholders' equity and a total of \$19,073 previously recorded as warrant liabilities was transferred to share capital. For the year ended December 31, 2010, a total of 161,962 shares of the Company were issued upon the exercise of options at prices between Cdn\$0.85 and Cdn\$4.71 per share for total proceeds of \$363. As a result of these exercises, \$615 was transferred from contributed surplus to share capital.

(c) Stock options:

The Company has an incentive share option plan ("the Plan") that allows it to grant options to its employees, officers, directors and consultants to acquire common shares. The number of shares issuable pursuant to the Plan is a fixed maximum percentage of 10% of the common shares issuable. Under the terms of the Plan, the exercise price of each option shall not be less than the closing market price for the common shares on the TSX on the trading day prior to the date of the grant. Options have a maximum term of ten years and terminate sixty days following the termination of the optionee's employment or term of engagement, except in the case of retirement, or death, termination

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for cause, resignation at the request of the Board, removal or disqualification. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted.

The Plan also provides for a cashless exercise option provision which is in substance a stock appreciation right and for which the stock options can only be equity-settled. When share capital recognized as equity is repurchased as a result of the cashless option, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

During the year ended December 31, 2011, the Company granted to directors, officers, employees and consultants a total of 2,080,000 options with vesting periods ranging from immediate vesting to vesting one third on each one year anniversary from the date of grant. The options are exercisable for up to five years from date of grant. The estimated fair value of the 2011 stock options granted at the date of option grant is \$3,290.

During the year ended December 31, 2010, the Company granted to directors, officers, employees and consultants a total of 3,095,750 options with vesting periods ranging from immediate vesting to vesting one third on each one year anniversary from the date of grant. The options are exercisable for up to five years from date of grant. The estimated fair value of the 2010 stock options granted at the date of option grant is \$8,248.

The fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model with weighted average assumptions used to estimate the fair value as follows:

| | December 31, 2011 | December 31, 2010 |
|---------------------------------|-------------------|-------------------|
| Risk-free interest rate | 1.68% | 2.11% |
| Expected life | 5 years | 5 years |
| Annualized volatility | 82.6% | 90.2% |
| Expected dividends | Nil | Nil |
| Share price | Cdn\$2.75 | Cdn\$4.42 |
| Grant date fair value per share | Cdn\$1.56 | Cdn\$2.76 |

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The changes in stock options during the years ended December 31, 2011 and 2010 were as follows:

| | 2011 | | 2010 | |
|--|-------------------|---|-------------------|---|
| | Number of options | Per share weighted average exercise price | Number of options | Per share weighted average exercise price |
| | | Cdn \$ | | Cdn \$ |
| Balance outstanding, beginning of year | 6,023,555 | \$5.12 | 4,499,285 | \$5.83 |
| Options granted | 2,080,000 | 3.25 | 3,095,750 | 4.41 |
| Options exercised | (5,434) | 0.85 | (323,636) | 3.94 |
| Options forfeited | (3,679,730) | 4.60 | (167,500) | 3.74 |
| Options expired | (720,150) | 9.21 | (1,080,344) | 7.07 |
| Balance outstanding, end of year | 3,698,241 | \$3.77 | 6,023,555 | \$5.12 |

The following table summarizes information concerning outstanding and exercisable options at December 31, 2011:

| Per share exercise price | Options Outstanding | | | Options Exercisable | | |
|--------------------------|---------------------|---|---|-------------------------------------|--|---|
| | Options outstanding | Weighted average remaining contractual life | Per share weighted average exercise price | Options outstanding and exercisable | Weighted average remaining vested contractual life | Per share weighted average exercise price |
| | | Years | Cdn\$ | | Years | Cdn\$ |
| \$3.01 - \$5.00 | 3,372,991 | 3.92 | 3.53 | 2,068,470 | 3.54 | 3.63 |
| \$5.01 - \$7.00 | 325,250 | 1.38 | 6.32 | 313,583 | 1.32 | 6.32 |
| | 3,698,241 | 3.69 | \$3.77 | 2,382,053 | 3.25 | \$3.99 |

The following table summarizes information concerning outstanding and exercisable options at December 31, 2010:

| Per share exercise price | Options Outstanding | | | Options Exercisable | | |
|--------------------------|---------------------|---|---|-------------------------------------|--|---|
| | Options outstanding | Weighted average remaining contractual life | Per share weighted average exercise price | Options outstanding and exercisable | Weighted average remaining vested contractual life | Per share weighted average exercise price |
| | | Years | Cdn\$ | | Years | Cdn\$ |
| \$0.85 - \$3.00 | 12,100 | 2.93 | \$0.85 | 5,433 | 2.93 | \$0.85 |
| \$3.01 - \$5.00 | 3,702,305 | 3.83 | 3.95 | 1,549,113 | 3.40 | 4.02 |
| \$5.01 - \$7.00 | 1,568,250 | 3.20 | 5.98 | 794,916 | 2.22 | 6.45 |
| \$7.01 - \$9.00 | 346,000 | 0.05 | 8.01 | 346,000 | 0.05 | 8.01 |
| \$9.01 - \$11.00 | 394,900 | 0.73 | 10.31 | 394,900 | 0.73 | 10.31 |
| | 6,023,555 | 3.24 | \$5.12 | 3,090,362 | 2.38 | \$5.89 |

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(d) Share appreciation rights

The Company granted 600,000 share appreciation rights ("SAR") to consultants for which the consultants are entitled to receive a cash payment equal to the excess, if any, of the Company's share price and the SAR exercise price of Cdn\$3.27 per share at any time after the Company receives the environmental license from the Colombian governmental authorities for its Angostura underground project and before June 1, 2014. If the environmental license is received less than 90 days before June 1, 2014, then the exercise period is extended by 90 days from the date the environmental license is received.

A liability of \$68 for the SARs is included in trade and other payables as at December 31, 2011, with a corresponding expense in share-based compensation for the year. The fair value of the SAR liability as at December 31, 2011, is measured using the Black-Scholes option pricing model with the following weighted average assumptions:

| | 2011 |
|---------------------------------|-----------|
| Risk-free interest rate | 1.01% |
| Expected life | 3 years |
| Annualized volatility | 79.4% |
| Expected dividends | Nil |
| Share price | Cdn\$1.49 |
| Grant date fair value per share | Cdn\$0.84 |

(e) Share purchase warrants:

The following is a summary of number of warrants outstanding for the years ended December 31, 2011 and 2010:

| | 2011 | 2010 |
|--|-----------|--------------|
| Balance outstanding, beginning of year | 3,330,686 | 14,729,173 |
| Warrants issued | 35,000 | 323,303 |
| Warrants exercised | - | (11,700,261) |
| Warrants expired | - | (21,529) |
| Balance outstanding, end of year | 3,365,686 | 3,330,686 |

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The following is a summary of warrant amounts outstanding for years ended December 31, 2011 and 2010:

| | 2011 | 2010 |
|--|----------|-----------|
| Warrant liabilities: | | |
| Balance outstanding, beginning of year | \$ 7,026 | \$ 30,970 |
| Warrants exercised | - | (19,073) |
| Fair value change on warrant liabilities | (5,795) | (5,400) |
| Foreign exchange on warrant liabilities | (63) | 529 |
| Balance outstanding, end of year | \$ 1,168 | \$ 7,026 |

| | 2011 | 2010 |
|--|----------|----------|
| Equity reserve: | | |
| Balance outstanding, beginning of year | \$ 1,968 | \$ 1,928 |
| Warrants issued | 74 | 818 |
| Warrants exercised | - | (747) |
| Warrants expired | - | (31) |
| Balance outstanding, end of year | \$ 2,042 | \$ 1,968 |

The fair value of warrants outstanding was determined using the Black-Scholes option pricing model, with the following weighted average assumptions at the end of each reporting period:

| | 2011 | 2010 |
|--|---------------|---------------|
| Risk-free interest rate | 1.01% - 2.23% | 1.79% - 2.42% |
| Expected life | 3 - 4 years | 4 years |
| Annualized volatility | 80.7% - 84.5% | 74.8% - 83.7% |
| Expected dividends | Nil | Nil |
| Share price | Cdn\$2.75 | Cdn\$4.42 |
| Grant date fair value per share ⁽¹⁾ | Cdn\$2.45 | Cdn\$2.47 |

⁽¹⁾ Excludes 2,467,186 warrants that are reported at their fair value as warrant liabilities and as at December 31, 2011, had a fair value of Cdn\$0.48 per warrant (2010 - Cdn\$2.83).

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

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The following table summarizes information about warrants outstanding at December 31, 2011:

| Expiry date | Number of warrants | Per warrant exercise price |
|----------------------------------|--------------------|----------------------------|
| | | Cdn\$ |
| January 11, 2012 ⁽¹⁾ | 40,000 | \$7.10 |
| January 14, 2012 ⁽¹⁾ | 3,700 | \$6.75 |
| February 18, 2012 ⁽¹⁾ | 19,800 | \$5.65 |
| January 10, 2013 | 100,000 | \$6.30 |
| June 29, 2013 | 300,000 | \$2.30 |
| June 29, 2013 | 100,000 | \$4.89 |
| June 29, 2013 | 30,000 | \$2.05 |
| November 13, 2013 | 160,000 | \$6.22 |
| November 27, 2013 | 15,000 | \$6.10 |
| March 20, 2014 | 2,467,186 | \$2.47 |
| July 28, 2014 | 15,000 | \$4.16 |
| July 29, 2014 | 35,000 | \$3.65 |
| October 21, 2014 | 10,000 | \$4.14 |
| October 21, 2014 | 35,000 | \$4.17 |
| January 20, 2015 | 35,000 | \$3.69 |
| | 3,365,686 | |

⁽¹⁾ In January 2012, the company extended the terms of these common share purchase warrants by four years from their original expiry dates indicated above. All other provisions of the warrants remain unchanged. These warrants were originally issued to acquire surface rights in the area of the Company's Angostura project.

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For the years ended December 31, 2011 and 2010

The following table summarizes information about warrants outstanding at December 31, 2010:

| Expiry date | Number of warrants | Per warrant exercise price |
|-------------------|--------------------|----------------------------|
| | | Cdn\$ |
| January 11, 2012 | 40,000 | \$7.10 |
| January 14, 2012 | 3,700 | \$6.75 |
| February 18, 2012 | 19,800 | \$5.65 |
| January 10, 2013 | 100,000 | \$6.30 |
| June 29, 2013 | 300,000 | \$2.30 |
| June 29, 2013 | 100,000 | \$4.89 |
| June 29, 2013 | 30,000 | \$2.05 |
| March 20, 2014 | 2,467,186 | \$2.47 |
| November 13, 2013 | 160,000 | \$6.22 |
| November 27, 2013 | 15,000 | \$6.10 |
| July 28, 2014 | 15,000 | \$4.16 |
| July 29, 2014 | 35,000 | \$3.65 |
| October 21, 2014 | 10,000 | \$4.14 |
| October 21, 2014 | 35,000 | \$4.17 |
| | 3,330,686 | |

(f) Loss per share

The loss per share is based on the weighted-average number of common shares outstanding as calculated in the table below.

| | 2011 | 2010 |
|---|------------|------------|
| Issued common shares at January 1 | 84,222,987 | 72,360,764 |
| Effect of share options exercised | 3,599 | 103,257 |
| Effect of warrants exercised | - | 11,320,113 |
| Weighted-average number of common shares, end of year | 84,226,586 | 83,784,134 |

At December 31, 2011, 3,698,241 stock options (2010 – 6,023,555) and 3,365,686 share purchase warrants (2010 – 3,330,686) were excluded from the weighted-average number of common shares outstanding calculation as their effect would have been anti-dilutive.

(g) Shareholder rights plan

During 2003, the Company received regulatory and shareholder approval for a shareholder rights plan (the "Rights Plan"). Under the terms of the Rights Plan, one right was issued and attached to each outstanding common share of the Company at the close of the business on November 19, 2003, and one right will attach automatically to each common share issued thereafter.

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The rights will trigger and become exercisable ten trading days after the occurrence of certain events including the acquisition or announcement of an intention to acquire by a person, including any persons related to or acting jointly or in concert with such person, of 20% or more of the Company's outstanding common shares, other than by an acquisition that complies with the permitted bid provisions of the Rights Plan or by an acquisition in respect of which the board of directors has waived the application of the Rights Plan. The initial exercise price of the rights is Cdn\$25.00, subject to adjustments set forth in the Rights Plan. The expiry date for the rights plan has been extended from December 20, 2007 to December 20, 2013.

9. Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below.

(a) Trading transactions

The Company's related parties consist of companies owned by executive officers and directors as follows:

| Name | Nature of transactions |
|-------------------------------|-------------------------------|
| Fintec Holdings Corp. | Salaries and directors' fees |
| Quantum Advisory Partners LLP | Salaries |
| Ionic Management Corp. | Consulting and administrative |
| Rovig Minerals, Inc. | Consulting and management |
| Steve Kesler | Consulting and management |

The Company incurred the following fees, salaries and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

| | 2011 | 2010 |
|-------------------------------------|--------|--------|
| Consulting fees | \$ - | \$ 105 |
| General and administrative expenses | 58 | 115 |
| Management fees | 87 | 348 |
| Salaries and directors' fees | 192 | - |
| | \$ 337 | \$ 568 |

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(b) Compensation of key management personnel

The remuneration of directors and officers of the Company during years ended December 31, 2011 and 2010 were as follows:

| | Notes | 2011 | 2010 |
|------------------------------|-------|----------|----------|
| Salaries and directors' fees | (i) | \$ 3,751 | \$ 1,631 |
| Share-based payments | (ii) | 2,377 | 6,792 |
| | | \$ 6,128 | \$ 8,423 |

(i) Salaries and directors' fees include consulting and management fees disclosed in note 9(a). This amount is included in salaries and benefits and other exploration expenditures in the consolidated statements of comprehensive loss.

(ii) Share-based payments are based on the fair value of options granted to directors and key management personnel.

10. Equity tax liability

In December 2010, the Colombian government passed a law that imposes an equity tax levied on the January 1, 2011 net equity of the Company's Colombian operations. The rate applicable to the Company's Colombian operations is 6% resulting in total equity tax of \$6,648. The equity tax is to be paid over a four-year period starting in 2011 through to 2014 in eight semi-annual installments in May and September each year.

Under the Colombian tax legislation, the full amount of the equity tax is required to be accrued as of January 1, 2011. Therefore, the net present value of the liability totaling \$5,780 has been recognized in the consolidated statement of comprehensive loss effective January 1, 2011. The amount recognized was determined by discounting the eight future equity tax payments at a rate of 7%. Accretion on the liability for the year ended December 31, 2011 of \$362 is recorded in finance costs. In addition, the Company recognized a foreign exchange loss on the liability of \$18 for the year ended December 31, 2011.

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The summary of the equity tax changes during the year ended December 31, 2011, is as follows:

| | | |
|---|----|---------|
| As at December 31, 2010 | \$ | - |
| Amount expensed during the year | | 5,780 |
| Accretion of discount | | 362 |
| Exchange difference | | 18 |
| Amount paid during the year | | (1,744) |
| As at December 31, 2011 | \$ | 4,416 |
| Current portion of equity tax liability | | 1,576 |
| Long-term portion of equity tax liability | | 2,840 |
| | \$ | 4,416 |

11. Supplementary cash flow information

| | 2011 | 2010 |
|--|------|--------|
| Non-cash investing and financing activities: | | |
| Fair value of additional warrants granted upon exercise of agents' warrants | \$ - | \$ 79 |
| Fair value of stock options transferred to share capital from contributed surplus on exercise of options | 3 | 615 |
| Fair value of warrants transferred to share capital on exercise of warrants | - | 19,820 |
| Fair value of share purchase warrants issued on additions to exploration and evaluation assets | 74 | 818 |

Cash and cash equivalents are comprised of:

| | 2011 | 2010 | January 1, 2010 |
|--------------------------|-----------|-----------|-----------------|
| Cash | \$ 51,380 | \$ 1,469 | \$ 11,824 |
| Bank short-term deposits | 4,963 | 97,409 | 66,127 |
| | \$ 56,343 | \$ 98,878 | \$ 77,951 |

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12. Income taxes

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.5% (2010 – 28.5%) to pre-tax income (loss) as follows:

| | 2011 | 2010 |
|--|-------------|-------------|
| Loss before income taxes | \$ (36,773) | \$ (25,757) |
| Income tax recovery at statutory rates | \$ (9,745) | \$ (7,341) |
| Fair value change on warrant liabilities not subject to tax | (1,536) | (1,539) |
| Share-based compensation and other permanent differences | 798 | 1,690 |
| Impact of foreign exchange on deferred income tax assets and liabilities | 1,337 | (3,621) |
| Future tax rate differences | 518 | 1,328 |
| | (8,628) | (9,483) |
| Deferred tax assets not recognized | 8,628 | 9,483 |
| Income tax recovery | \$ - | \$ - |

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized at December 31, 2011 and 2010 are attributable to the following:

| | 2011 | 2010 |
|--|------------|------------|
| Capital assets and exploration and evaluation assets | \$ 163,000 | \$ 143,331 |
| Losses carried forward | 29,089 | 18,423 |
| Equity tax liability | 4,416 | - |
| Site restoration provision | 2,259 | 889 |
| Share issuance costs | 2,105 | 3,737 |
| | 200,869 | 166,380 |

At December 31, 2011, the Company has capital losses of approximately \$2,098 (2010 - \$2,144) that are without expiry and Canadian operating losses with expiry dates as follows:

| Operating loss for years ending | Amount | Expiry Dates |
|---------------------------------|-----------|--------------|
| December 31, 2004 | \$ 1,972 | 2014 |
| December 31, 2005 | 600 | 2015 |
| December 31, 2006 | 436 | 2026 |
| December 31, 2007 | 443 | 2027 |
| December 31, 2008 | 1,787 | 2028 |
| December 31, 2009 | 4,308 | 2029 |
| December 31, 2010 | 6,363 | 2030 |
| December 31, 2011 | 11,082 | 2031 |
| | \$ 26,991 | |

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13. Segment disclosures

The Company operates in a single segment, being resource exploration and development. Other geographic information is as follows:

| | Canada | Colombia | Total |
|---------------------|-----------|-----------|-----------|
| December 31, 2011 | | | |
| Loss for the period | \$ 5,780 | \$ 30,995 | \$ 36,774 |
| Interest Income | 903 | 92 | 995 |
| Total assets | 68,162 | 14,043 | 82,205 |
| Total liabilities | 1,736 | 11,725 | 13,461 |
| December 31, 2010 | | | |
| Loss for the period | \$ 8,529 | \$ 17,228 | \$ 25,757 |
| Interest Income | 1,093 | 38 | 1,131 |
| Total assets | 105,453 | 12,641 | 118,094 |
| Total liabilities | 10,838 | 4,542 | 15,380 |
| January 1, 2010 | | | |
| Total assets | \$ 84,330 | \$ 10,337 | \$ 94,667 |
| Total liabilities | 32,657 | 3,112 | 35,769 |

14. Financial instruments and financial risk management

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations.

(a) Currency risk:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Colombia and a portion of its expenses are incurred in Canadian dollars and Colombian pesos. A significant change in the currency exchange rates between the U.S. dollar relative to foreign currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. However, the Company holds the majority of its cash balances in U.S. dollars.

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The Company's exposure to the Colombian peso, expressed in U.S. dollars and denominated in Colombian pesos, on financial instruments is as follows:

| | 2011 | | 2010 | | January 1, 2010 | |
|---|-----------|----------------|----------|----------------|-----------------|----------------|
| | US\$ | Colombian Peso | US\$ | Colombian Peso | US\$ | Colombian Peso |
| Cash and cash equivalents | \$ 425 | \$ 824,915 | \$ 94 | \$ 179,976 | \$ 572 | \$ 1,170,819 |
| Trade and receivables | 710 | 1,379,678 | 529 | 1,013,285 | 323 | 661,023 |
| Trade and other payables | 3,944 | 7,661,896 | 2,422 | 4,635,613 | 1,140 | 2,334,568 |
| Equity tax liability | 4,416 | 8,578,079 | - | - | - | - |
| Amounts payable on exploration and evaluation asset acquisition | 1,107 | 2,150,002 | 1,113 | 2,130,244 | 982 | 2,150,000 |
| | \$ 10,602 | \$ 20,594,570 | \$ 4,158 | \$ 7,959,118 | \$ 3,017 | \$ 6,316,410 |

As at December 31, 2011, with other variables unchanged, a 10% depreciation or appreciation of the U.S. dollar against the Colombian peso would change the values of the Colombian peso denominated financial instruments and would affect the consolidated statement of operations and comprehensive loss by approximately \$1,060.

The Company's exposure to the Colombia peso on annual exploration expenditures throughout the year ended December 31, 2011 was COP46,075,365 having the U.S. dollar equivalent of \$25,966. A 10% depreciation or appreciation of the U.S. dollar against the Colombian peso would affect the consolidated statement of operations and comprehensive loss by approximately \$2,597.

The Company's exposure to the Canadian dollar, expressed in U.S. dollars and denominated in Canadian dollars, on financial instruments is as follows:

| | 2011 | | 2010 | | January 1, 2010 | |
|-----------------------------------|-----------|-----------|------------|------------|-----------------|-----------|
| | US\$ | CDN\$ | US\$ | CDN\$ | US\$ | CDN\$ |
| Cash and cash equivalents | \$ 17,546 | \$ 17,844 | \$ 97,023 | \$ 96,499 | \$ 77,337 | \$ 80,941 |
| Guaranteed investment certificate | 5,580 | 5,675 | - | - | - | - |
| Trade and receivables | 161 | 163 | 250 | 248 | 107 | 111 |
| Trade and other payables | 544 | 553 | 3,930 | 3,791 | 1,477 | 1,545 |
| | \$ 23,831 | \$ 24,235 | \$ 101,203 | \$ 100,538 | \$ 78,921 | \$ 82,597 |

As at December 31, 2011, with other variables unchanged, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would change the values of the Canadian dollar denominated financial instruments and would affect the consolidated statement of operations and comprehensive loss by approximately \$2,383.

The Company's exposure to the Canadian dollar on annual exploration expenditures throughout the year ended December 31, 2011 was Cdn\$746 having the U.S. dollar equivalent of \$744. A 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would affect the consolidated statement of operations and comprehensive loss by approximately \$74.

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(b) Credit risk:

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company manages its credit risk through its counterparty ratings and credit limits.

The Company's cash and cash equivalents, guaranteed investment certificates and short-term investments are held through large Canadian financial institutions. Guaranteed investment certificates and short-term investments are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These instruments mature at various dates over the current operating period and are cashable on the maturity date. Amounts receivable primarily consists of HST receivable with expected payment from the Canadian Government.

The total cash and cash equivalents, guaranteed investment certificates, short-term investments and amounts receivable represent the maximum credit exposure. The Company limits its credit risk exposure by holding bank accounts, guaranteed investment certificates and any short-term investments with reputable financial institutions with high credit ratings.

(c) Liquidity risk:

The Company manages liquidity risk by maintaining adequate cash balances in order to meet short and long term business requirements. The Company believes that these sources will be sufficient to cover its cash requirements for the upcoming year. The Company's cash is invested in liquid investments with quality financial institutions and is available on demand for the Company's programs and is not invested in any asset backed commercial paper.

As at December 31, 2011, the Company's liabilities have contractual maturities as summarized below:

| | Total | Less than 1 year | 1 - 3 years |
|--|-----------|---------------------|----------------|
| Accounts payable and accrued liabilities | \$ 4,511 | \$ 4,511 | \$ - |
| Accounts payable on exploration and evaluation asset acquisition | 1,107 | 1,107 | - |
| Equity tax liability | 4,416 | 1,576 | 2,840 |
| | \$ 10,034 | \$ 7,194 | \$ 2,840 |

(d) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's bank accounts, guaranteed investment certificates and short-term investments earn interest income at variable rates. The Company's future interest income is exposed to changes in short-term rates. Based on the Company's cash balance and guaranteed investment certificates of \$61,923, an increase or

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decrease in the annual interest rate of 1% would result in a corresponding increase or decrease of annual interest income by \$619.

(e) Fair value of financial instruments:

The fair values of amounts receivable, accounts payable and accrued liabilities and amounts payable on exploration and evaluation asset acquisition, approximate their carrying values due to the short-term nature of these instruments.

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value financial assets and liabilities are described below:

(i) Level 1 – Quoted Prices in Active Markets for Identical Assets

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

(ii) Level 2 – Significant Other Observable Inputs

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

(iii) Level 3 – Significant Unobservable Inputs

Unobservable (supported by little or no market activity) prices.

The Company does not have any financial instruments recorded at fair value as at December 31, 2011 and 2010.

15. Commitments and contingencies

The following is a schedule of the Company's commitments as at December 31, 2011:

| | | As of December 31, | | | | | |
|--------------------------------|--------|--------------------|--------|--------|-------|------|------------------------|
| | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 and Thereafter |
| Consulting & contract services | (a) \$ | 1,281 \$ | 330 \$ | 187 \$ | 13 \$ | - \$ | - |
| Office operating leases | (b) | 225 | 58 | - | - | - | - |
| | \$ | 1,506 \$ | 388 \$ | 187 \$ | 13 \$ | - \$ | - |

(a) Relates to various outsourced professional services

(b) Primarily relates to operating leases for office premises

During the year ended December 31, 2011, the Company entered into various consulting engineering agreements for the feasibility studies of the underground project as well as renewal of the agreements for drilling services. The terms of these agreements are one year or less and payments are calculated based on the hours worked and invoiced on a monthly basis.

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The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have material effect on the financial condition or future results of operations of the Company.

16. Capital management

The Company's objective when managing capital is to maintain adequate levels of funding in order to support exploration and development of its projects in Colombia and to maintain corporate and administrative functions. The Company considers shareholders' equity and warrant liabilities as capital.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the prior year (see note 1 for additional information).

17. First time adoption of IFRS

The Company adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. IFRS 1 provides guidance for the initial adoption of IFRS. IFRS 1 requires retrospective application of the standards in the transition statement of financial position, with all adjustments to assets and liabilities taken to deficit unless certain mandatory and optional exemptions are applied.

The Company has applied the following exemptions to its opening statement of financial position:

(a) Business combinations

The Company has elected to not apply IFRS 3 to business combinations that occurred before the date of transition to IFRS, which is an election permitted on first-time adoption of IFRS. IFRS 3 is applicable for business combinations occurring on or after January 1, 2010.

(b) Cumulative foreign currency translation differences

As permitted by the IFRS 1 election for cumulative foreign currency translation differences, the Company has deemed cumulative foreign currency translation differences for foreign operations to be zero at the date of transition. Any gains and losses on subsequent disposal of foreign operations will not be impacted by translation differences that arose prior to the date of transition.

(c) Share-based payments

Under IFRS 1, a first time adopter can elect not to apply IFRS 2, "Share-based Payment," to share-based payments granted after November 7, 2001, that vested the later of (a) the date of the transition and (b) January 1, 2005. The Company has elected to apply this exemption and to apply IFRS 2 only to awards unvested at the January 1, 2010, date of transition. IFRS has not been applied to awards that vested prior to January 1, 2010.

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(d) Compound financial instruments

The Company has elected to apply the exemption related to compound financial instruments where the liability component is no longer outstanding at the date of transition to IFRS. IAS 32, "Financial Instruments: Presentation," requires an entity to split a compound financial instrument at inception into its separate liability and equity components. If the liability component is no longer outstanding at the IFRS transition date, a first-time adopter need not separate the impact of compound financial instruments between the respective components of equity.

(e) Site restoration provision

IFRS 1 allows first time adopters to not fully comply with the requirements of IFRIC 1, "Changes in Existing Decommission, Restoration and Similar Liabilities," for such liabilities outstanding at the IFRS transition date and instead apply a simplified method as set out in IFRS 1. The Company has elected to apply this exemption related to site restoration provisions. IFRIC 1 dealing with changes in site restoration provisions will be applied on a prospective basis from the date of transition.

(f) Leases

The Company has elected to apply the IFRS exemption with respect to leases. This election allows the Company to apply the transitional provisions of IFRIC Interpretation 4, "Determining Whether an Arrangement Contains a Lease," to determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date.

(g) Borrowing costs

Borrowing costs related to the acquisition, construction or production of qualifying assets must be capitalized under IAS 23, "Borrowing Costs." In accordance with IFRS 1, the Company has elected to prospectively apply IAS 23 effective January 1, 2010.

(h) Estimates

IFRS 1 requires that an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the entity's previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

IFRS employs a conceptual framework that is similar to Canadian GAAP; however, significant differences exist in certain areas of recognition, measurement and disclosure. While the adoption of IFRS has not changed the actual cash flows of the Company, the adoption has resulted in changes to the Company's reported financial position and results of operations. In order to allow financial statement users to better understand these changes, the Company's Canadian GAAP opening statements of financial position at January 1, 2010 and December 31, 2010, statements of comprehensive loss, and cash flows for the year ended December 31, 2010, have been reconciled to IFRS and presented below, along with explanations of the resulting differences.

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(Expressed in thousands of U.S. dollars, unless otherwise noted and except for share and per share amounts)

For the years ended December 31, 2011 and 2010

The Company's Canadian GAAP statement of financial position as at January 1, 2010, has been reconciled to IFRS as follows:

| January 1, 2010 | | | | | | |
|--|----------------|---------------------------|--|--|---|--------------|
| | Note | Canadian GAAP CDN\$ | Effect of IFRS adjustment CDN\$ | Change in presentation currency (ii) US\$ | Effect of functional currency adjustment (i) US\$ | IFRS US\$ |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | | \$ 81,583 | \$ - | \$ (3,633) | \$ - | \$ 77,951 |
| Trade and other receivables | | 585 | - | (26) | - | 559 |
| | | 82,169 | - | (3,659) | - | 78,510 |
| Property, plant and equipment | | 1,034 | - | (46) | (140) | 848 |
| Exploration and evaluation assets | | 18,591 | - | (828) | (2,454) | 15,309 |
| | | \$ 101,793 | \$ - | \$ (4,532) | \$ (2,594) | \$ 94,667 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| Current liabilities: | | | | | | |
| Trade and other payables | | \$ 2,765 | \$ - | \$ (103) | \$ - | \$ 2,661 |
| Amounts payable on exploration and evaluation asset acquisition | | 568 | - | (17) | - | 551 |
| Site restoration provision | (vi) | 714 | (91) | (28) | - | 595 |
| Warrant liabilities | (iv) (v) | - | 32,382 | (1,412) | - | 30,970 |
| | | 4,047 | 32,291 | (1,561) | - | 34,777 |
| Amounts payable on exploration and evaluation asset acquisition | | 446 | - | (15) | - | 431 |
| Site restoration provision | (vi) | 629 | (42) | (26) | - | 561 |
| | | 5,121 | 32,249 | (1,602) | - | 35,769 |
| Shareholders' equity: | | | | | | |
| Share capital | (v) | 207,736 | (9,160) | (28,695) | - | 169,880 |
| Equity reserves | (iii) (iv) (v) | 26,159 | (11,965) | (2,234) | - | 11,959 |
| Deficit | | (137,222) | (11,124) | 27,496 | (2,091) | (122,941) |
| Cumulative translation adjustment | (ii) | - | - | 503 | (503) | - |
| Equity attributable to equity holders of the Company | | 96,672 | (32,249) | (2,931) | (2,594) | 58,898 |
| | | \$ 101,793 | \$ - | \$ (4,532) | \$ (2,594) | \$ 94,667 |

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For the years ended December 31, 2011 and 2010

The Company's Canadian GAAP consolidated statement of financial position as at December 31, 2010 has been reconciled to IFRS as follows:

| December 31, 2010 | | | | | | |
|--|----------------|---------------------------|--|--|---|--------------|
| | Note | Canadian GAAP CDN\$ | Effect of IFRS adjustment CDN\$ | Change in presentation currency (ii) US\$ | Effect of functional currency adjustment (i) US\$ | IFRS US\$ |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | | \$ 98,343 | \$ - | \$ 535 | \$ - | \$ 98,878 |
| Trade and other receivables | | 773 | - | 6 | - | 779 |
| | | 99,116 | - | 541 | - | 99,657 |
| Property, plant and equipment | | 1,119 | - | 6 | (185) | 940 |
| Exploration and evaluation assets | | 20,904 | - | 113 | (3,520) | 17,497 |
| | | | | | - | |
| | | \$ 121,139 | \$ - | \$ 660 | \$ (3,705) | \$ 118,094 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| Current liabilities: | | | | | | |
| Trade and other payables | | \$ 6,309 | \$ - | \$ 43 | \$ - | \$ 6,352 |
| Amounts payable on exploration and evaluation asset acquisition | | 1,099 | - | 14 | - | 1,113 |
| Site restoration provision | (vi) | 934 | (258) | 4 | 2 | 682 |
| Warrant liabilities | (iv) (v) | - | 6,991 | 35 | - | 7,026 |
| | | 8,342 | 6,733 | 96 | 2 | 15,173 |
| Site restoration provision | (vi) | 229 | (93) | 1 | 70 | 207 |
| | | 8,571 | 6,640 | 97 | 72 | 15,380 |
| Shareholders' equity: | | | | | | |
| Share capital | (v) | 266,687 | (375) | (31,345) | - | 234,967 |
| Equity reserves | (iii) (iv) (v) | 19,045 | (226) | (2,374) | - | 16,445 |
| Deficit | | (173,164) | (6,039) | 28,376 | 2,129 | (148,698) |
| Cumulative translation adjustment | (ii) | - | - | 5,906 | (5,906) | - |
| Equity attributable to equity holders of the Company | | 112,568 | (6,640) | 563 | (3,777) | 102,714 |
| | | \$ 121,139 | \$ - | \$ 660 | \$ (3,705) | \$ 118,094 |

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(Expressed in thousands of U.S. dollars, unless otherwise noted and except for share and per share amounts)

For the years ended December 31, 2011 and 2010

The Company's Canadian GAAP statement of comprehensive loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

| Year Ended December 31, 2010 | | | | | | |
|---|----------|---------------------------|--|--|---|--------------|
| | Note | Canadian GAAP CDN\$ | Effect of IFRS adjustment CDN\$ | Change in presentation currency (ii) US\$ | Effect of functional currency adjustment (i) US\$ | IFRS US\$ |
| Exploration expenditures: | | | | | | |
| Feasibility studies | | \$ 10,138 | \$ - | \$ (267) | \$ - | \$ 9,871 |
| Other exploration expenditures | (vi) | 16,125 | (301) | (485) | - | 15,339 |
| | | 26,263 | (301) | (752) | - | 25,210 |
| General and administrative expenses: | | | | | | |
| Audit, legal and other professional fees | | 542 | - | (13) | - | 529 |
| Depreciation | | 338 | - | (10) | (42) | 286 |
| Investor relations | | 173 | - | (5) | - | 168 |
| Management and consulting fees | | 2,092 | - | (56) | - | 2,036 |
| Office facilities and administration | | 460 | - | (12) | - | 448 |
| Salaries and benefits | | 2,014 | - | (53) | - | 1,961 |
| Share-based compensation | (iii) | 4,515 | 662 | (147) | - | 5,030 |
| Transfer agent, listing and filing fees | | 182 | - | (7) | - | 175 |
| Travel | | 608 | - | (16) | - | 592 |
| | | 10,924 | 662 | (319) | (42) | 11,225 |
| Loss from operating activities | | 37,187 | 361 | (1,071) | (42) | 36,435 |
| Other items: | | | | | | |
| Interest income | | (1,164) | - | 33 | - | (1,131) |
| Finance costs | (vi) | - | 116 | (2) | - | 114 |
| Fair value change on warrant liabilities | (iv) (v) | - | (5,562) | 162 | - | (5,400) |
| Foreign exchange loss (gain) | | (83) | - | 2 | (4,180) | (4,261) |
| | | (1,247) | (5,446) | 195 | (4,180) | (10,678) |
| Loss and comprehensive loss for the period | | | | | | |
| attributable to shareholders of the Company | | \$ 35,940 | \$ (5,085) | \$ (876) | \$ (4,222) | \$ 25,757 |
| Basic and diluted loss per common share | | \$ 0.43 | | | | \$ 0.31 |
| Weighted-average number of common shares | | | | | | |
| outstanding | | 83,784,134 | | | | 83,784,134 |

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For the years ended December 31, 2011 and 2010

The Company's Canadian GAAP consolidated statement of cash flows for the year ended December 31, 2010 has been reconciled to IFRS as follows:

| Year Ended December 31, 2010 | | | | | | |
|--|----------|---------------------------|--|--|---|--------------|
| | Note | Canadian GAAP CDN\$ | Effect of IFRS adjustment CDN\$ | Change in presentation currency (ii) US\$ | Effect of functional currency adjustment (i) US\$ | IFRS US\$ |
| Operating activities: | | | | | | |
| Loss for the period | | \$ (35,942) | \$ 5,085 | \$ 5,100 | \$ - | \$ (25,757) |
| Adjustment for non-cash items: | | | | | | |
| Depreciation | | 338 | - | (10) | (42) | 286 |
| Fair value change on warrant liabilities | (iv) (v) | - | (5,562) | 162 | - | (5,400) |
| Finance costs | (vi) | 234 | (116) | (4) | - | 114 |
| Share-based compensation | (iii) | 4,515 | 662 | (147) | - | 5,030 |
| Unrealized foreign exchange (loss) gain | | (169) | - | 778 | - | 609 |
| Other non-cash income and expenses | (vi) | (325) | (69) | (6) | - | (400) |
| Change in site restoration provision | | (39) | - | 18 | - | (21) |
| Change in non-cash working capital: | | - | - | - | - | - |
| Trade and other receivables | | (188) | - | (32) | - | (220) |
| Prepaid expenses | | - | - | - | - | - |
| Trade and other payables | | 4,355 | - | (751) | 778 | 4,382 |
| Cash (used in) generated from operating activities | | (27,221) | - | 5,108 | 736 | (21,377) |
| Investing activities: | | | | | | |
| Exploration and evaluation asset acquisition costs | | (2,040) | - | (11) | 81 | (1,970) |
| Purchase of property, plant and equipment | | (415) | - | (2) | 39 | (378) |
| Net cash flows used in investing activities | | (2,455) | - | (13) | 120 | (2,348) |
| Financing activities: | | | | | | |
| Proceeds from exercise of stock options | | 372 | - | 2 | (11) | 363 |
| Proceeds from exercise of warrants | | 46,063 | - | 250 | (2,024) | 44,289 |
| Net cash flow generated for financing activities | | 46,435 | - | 252 | (2,035) | 44,652 |
| Increase (decrease) in cash and cash equivalents | | 16,759 | - | 5,347 | (1,179) | 20,927 |
| Effect of exchange rate fluctuations on cash | | - | - | - | - | - |
| Cash and cash equivalents, beginning of period | | 81,583 | - | (6,125) | 1,715 | 77,951 |
| Cash and cash equivalents, end of period | | \$ 98,342 | \$ - | \$ (778) | \$ 536 | \$ 98,878 |

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For the years ended December 31, 2011 and 2010

Explanatory notes to the IFRS reconciliations above

(i) Functional currency

Under Canadian GAAP – An entity is not explicitly required to assess the unit of measure (functional currency) in which it measures its own assets, liabilities, revenues and expenses. Under Canadian GAAP, an entity applies criteria to determine only whether a foreign subsidiary's operation is integrated or self-sustaining, in which case the temporal or current methods of translation respectively, are then applied to the subsidiary's financial statement balances and results of operations. Under Canadian GAAP, the Company prepared its financial statements in Canadian dollars and its Colombian branch and subsidiaries were determined to be integrated foreign operations.

Under IFRS - The functional currency of the reporting entity and each of its foreign operations must be assessed independently giving consideration to the primary economic environment in which each operates. IFRS provides guidance in respect of factors to be considered in determining an entity's functional currency that are similar to those noted in Canadian GAAP, however unlike Canadian GAAP, IFRS distinguishes between primary and secondary factors in making such an assessment. Based on the assessment under IFRS, management has determined that the functional currencies of Eco Oro Minerals Corp., its Colombian branch and subsidiaries are the U.S. dollar as this is the currency of the primary economic environment in which the Company operates. Accordingly, the change in functional currency has been reflected in reporting the Company's financial position and results of operations under IFRS.

(ii) Change in presentation currency

The Company previously presented its financial statements in Canadian dollars. Under IFRS, the Company's financial statements are presented in U.S. dollars, the same as its functional currency. The change in presentation currency results in a cumulative translation adjustment and under IFRS 1, the Company has elected to eliminate the cumulative translation adjustment on the IFRS transition date.

(iii) Share-based payments

Under Canadian GAAP - The fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur.

Under IFRS - Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the estimated lives of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

(iv) Share purchase warrants

Under Canadian GAAP – The Company's share purchase warrants are measured at fair value at initial recognition using the Black-Scholes option pricing model, and recorded in equity reserve with no subsequent re-measurement.

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Under IFRS – The exercise prices of the Company's share purchase warrants that are issued in connection with the issuance of equity are denominated in Canadian dollars, which is not the Company's functional currency. As a result, the proceeds from the exercise of these warrants will vary. These warrants meet the definition of derivatives under IAS 32 and are therefore, classified as liabilities and measured at FVTPL at grant date and the end of each reporting period. The Company's share purchase warrants issued as compensation for mineral property acquisitions and agents' commissions for share issuances are accounted for under IFRS 2 and are classified as equity. The adoption of IFRS had no impact on these warrants.

(v) Compound financial instruments

Under Canadian GAAP – The Company raised equity by issuing units that consisted of common shares and share purchase warrants. The gross proceeds were allocated to common shares and warrants using the relative fair value method.

Under IFRS – IAS 32 requires an entity to split a compound financial instrument at inception into separate liability and equity components. For proceeds received from the issuance of compound equity instruments such as units comprised of common shares and warrants, the Company allocated the proceeds using the residual method whereby the proceeds allocated to the warrants is based on their Black-Scholes fair value with the remaining proceeds allocated to common shares.

(vi) Site restoration provision

Under Canadian GAAP – The Company uses the best estimate that a third party would charge for the remediation work to measure the reclamation and closure cost obligations. The Company uses the credit-adjusted pre-tax risk-free interest rate as a discount rate to measure the net present value of undiscounted estimated future cash flows.

Under IFRS – Under IAS 37, reclamation and closure cost obligations are measured based on management's best estimate of the expenditures required to settle the obligations as at the balance sheet date. In the case that management intends to perform the reclamation and closure activities internally at a lower cost than if they were performed externally, the lower costs are used to represent management's best estimate. In addition, the discount rate used to determine the present value of reclamation and closure cost obligations is the pre-tax rate that does not reflect risks for which future cash flow estimates have been adjusted.