ECO ORO MINERALS CORP.

(Formerly Greystar Resources Ltd.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

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1. INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Eco Oro Minerals Corp. (the "Company" or "Eco Oro") is dated March 22, 2012 and provides an analysis of Eco Oro's results of operations and financial condition for the year ended December 31, 2011. This MD&A should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the years ended December 31, 2011 and 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") with an effective transition date of January 1, 2010. Except for per share and per ounce amounts and unless otherwise noted, all amounts in this MD&A are expressed in thousands of United States dollars ("US") and certain amounts have been rounded to the nearest millionth. Canadian dollars and Colombian pesos are expressed in thousands and are referred to as "Cdn$" and "COP," respectively.

2. DESCRIPTION OF BUSINESS

The Company is a precious metals exploration and development company currently working on developing its wholly-owned, multi-million ounce Angostura gold-silver deposit (the "Angostura Project") in north-eastern Colombia. On August 16, 2011, the Company changed its name from Greystar Resources Ltd. to Eco Oro Minerals Corp. The Company's head office is located in Vancouver, British Columbia, Canada and its exploration and administrative offices in Colombia are located in the cities of Bucaramanga and Bogota. The Company is a reporting issuer in British Columbia, Alberta, Ontario and Nova Scotia and trades on the Toronto Stock Exchange ("TSX") under the symbol EOM. On May 3, 2011, the Company announced its decision to cancel the admission of its shares to trading on the AIM Market of the London Stock Exchange, which cancellation was effective on June 3, 2011.

3. BUSINESS STRATEGY

The Company's core objective is to maximize long-term value for its shareholders by advancing its core project, the Angostura Project, to a feasibility level. To deliver on this objective, the Company focuses on the following strategic priorities for the Angostura Project:

- Effectively pursue infill drilling program to increase underground resources and improve mineral resource classification.
- Complete feasibility studies for the underground project.
- Engage government and local authorities on project configuration to assure development occurs in a unified manner that is socially and environmentally classified as industry best practices.
- Provide flexibility in project configuration for consolidation of mineral resource assets including the satellite deposits of Armenia, La Plata, Violetal and Móngora.

- Provide flexibility in project configuration for potential regional consolidation of mining in area of operations.
- Develop human and capital capacity in the area of operations for construction and operating phases of the project.

The Company is committed to developing the Angostura Project in a socially and environmentally responsible manner that will be beneficial for the local and regional stakeholders, as well as Colombians as a whole.

The Company's business practices are based upon the following three pillars: core business, support business and social investment initiatives. All provide employment opportunities and freedom of movement between them.

The Company follows a sustainable social responsibility ("SSR") model that seeks to provide human and capital capacity within the Company's area of operations. The Company is providing institutional capacity building with a program co-financed with the International Finance Corporation – a member of the World Bank Group. The SSR model includes:

- support activities that are often outsourced to small business concerns in the area of operations.
- small business initiatives established to build human and capital capacity for support business in the area of operations.
- social investment initiatives managed through a foundation, which provides support to local and regional communities in area of operations.

4. CORPORATE DEVELOPMENTS

Eco Oro announced several changes to its board of directors and senior management team during 2011.

In March, 2011, David Heugh was appointed to the position of Chief Operating Officer and Frederick Felder retired from his position as Executive Vice President.

In April 2011, the Company announced it had agreed with Amber Capital LP, a New York-based investment firm, which controls approximately 18% of the Company's outstanding shares, to change the members of its board of directors and the members of its executive management team. Other shareholders, holding approximately 20% of the Company's outstanding shares, advised the Company that they supported Amber Capital LP's position. The Company appointed Mr. Juan Esteban Orduz and Mr. Rafael Nieto Loaiza to the Company's board of directors. The Company also appointed Mr. Rafael Nieto Loaiza as President of the Company and Mr. David Rovig as interim Chief Executive Officer to succeed Mr. Steve Kesler in those roles.

At the Company's annual general meeting June 3, 2011, the incumbent directors, other than Messrs. Nieto Loaiza and Orduz, did not stand for re-election and the shareholders elected Ms. Anna Stylianides and Messrs. Rafael Nieto, Juan Esteban Orduz, Eduardo Jaramillo, Hubert R. Marleau, Jean-Sebastien Blanchette, and Samuel Jed Rubin to the Company's board of directors.

After the June 2011 annual general meeting, Mr. Rafael Nieto Loaiza was appointed to the position of President and Chief Executive Officer replacing Mr. David Rovig who was acting as interim Chief Executive Officer. In September 2011, Paul Robertson was appointed as Chief Financial Officer replacing Mr. David Newbold. In September 2011, Anna Stylianides was appointed as the Company's Interim President & CEO replacing Rafael Nieto Loaiza who also resigned as a director. In September 2011, James Atherton was appointed to the position of Corporate Secretary and Corporate Counsel. In November 2011, David Heugh tendered his resignation as the Company's Chief Operating Officer, but remains as a consultant of the Company.

On February 9, 2012, the Company appointed Joao Carrelo to the Company's board of directors.

5. PROJECT REVIEW

Angostura Project, Colombia

The Angostura Project is located in the mountains of the eastern Cordillera of Colombia, approximately 400 kilometres ("km") North-Northeast of the Colombian capital city Santa Fé de Bogotá. The Angostura Project consists of the main Angostura deposit, as described below, and four key satellite prospects: Armenia, La Plata, Violetal and Móngora. The Company directly holds interests in several mining title, exploration license, exploitation permit and concession contract areas covering approximately 30,000 hectares.

Angostura Deposit

The Company acquired the original Angostura License 3452 covering an area of 250 hectares in the Municipality of California, Santander, Colombia by a purchase agreement dated September 8, 1994. License 3452 was converted to an Integration Mining Concession No. 3452 contract ("Permit 3452") with the Colombian Government on February 14, 2007 and registered in the National Mining Register on August 9, 2007. The new Permit 3452 incorporates other titles previously held by the Company: 110-68, 102-68, 140-68, 302-68, 3452, 13929, 45-68, 47-68, 13356, 300-68, HDB-082, GB3-091 and 370-68. The total Permit 3452 area is 5,244.86 hectares and provides for gold, silver and other precious metals exploitation. Currently, Permit 3452 is undergoing its second exploration phase extension, and it is still eligible for 3 additional extensions of 2 years each, to finish exploration, and start construction before going into production. Permit 3452 expires in 2027 and can be renewed for an additional 30 years. To the extent of the Company's knowledge, material obligations and exploration conditions under the licenses incorporated into the new Permit 3452 have been successfully fulfilled. The underlying vendors of original License 3452 retained a 10% net profits royalty. The underlying vendors of License 47-68 covering an area of approximately 54 hectares hold a 10% net profits royalty. With respect to License 110-68, the original agreement provides for the acquisition by the Company of a two-thirds interest in the license area.

During 2008, the Company purchased one-half of the 10% net profit royalty in the original License 3452 from one of the underlying vendors. Therefore one underlying vendor of the original License 3452 covering an area of approximately 150 hectares holds a 5% net profits royalty while the second underlying vendor covering an area of approximately 100 hectares retains a 10% net profits royalty.

In March 2011, the Company announced its intention to reformulate the Angostura Project as an underground only project. The underground project has many advantages over the previously contemplated open pit mine including:

- Protection of the Paramo ecosystem.
- Greatly reduced impact on the environment compared to an open pit project with a smaller project footprint, minimal and controllable impact on the sub-surface aquifer and minimal water consumption.
- No requirement for a large open pit.
- No requirement for leach pads.
- Dramatically reduces the amount of earth moving and mine waste material (less than 3% of open pit project earth moving requirements).

- Reduces plant and infrastructure requirements and hence capital investment as well as lowering reagent and chemical consumption.

Underground Study

On April 29, 2011, the Company announced the receipt of a scoping study for an underground only operation at the Angostura Project. The Technical Report entitled "Mineral Resource Estimate and Preliminary Economic Assessment for Underground Mining, Angostura Gold-Silver Project, Santander, Colombia" ("Scoping Study") prepared by Rodrigo Mello, MAusIMM, Carlos Guzman, MAusIMM (NCL Ingeniería y Construcción Ltda), John Wells, FSAIMM, Giovanny Ortiz, MAusIMM (formerly with Eco Oro) and dated April 25, 2011 is available on SEDAR at www.sedar.com.

The Scoping Study, which evaluated roasting, BIOX and POX processing treatments for the production from Angostura underground resources, estimated that 1.9 million ounces of gold, 7.7 million ounces of silver and 228,316 pounds of copper could be produced over a 14-year mine life.

During the year, the Company initiated the preparation of an updated preliminary economic assessment ("PEA") for the Angostura Project. On February 23, 2012, the Company announced the results of the PEA and the Company expects to file a National Instrument ("NI") 43-101 compliant technical report within 45 days of February 23, 2012, that will support the results of the PEA.

The PEA was prepared by Golder Associates Inc. ("Golder"), TWP Sudamérica S.A. ("TWP"), Shlumberger Water Services ("Shlumberger") and Knight Piésold Consulting Ltd. ("Knight") and represents a technically feasible design that includes development of the higher grade mineral resources and a production plan with preliminary engineering design for process plant options to extract gold and silver. Golder completed the mining studies and TWP completed the process and infrastructure components of the PEA. Golder also developed a preliminary economic evaluation of the project with pre and post-tax cash flow analysis. Schlumberger developed the hydrology and hydrogeological components for the study and Knight was responsible for the tailings dam design.

The PEA incorporates the evaluation of four alternatives for processing including sale of concentrate, roasting, bio-oxidation ("BIOX") and pressure oxidation ("POX") as well as an agitated tank leach for oxides and transitional resources. The PEA also addresses variation in the ability to mine selectively by evaluating both higher grade (3.0 g/t gold equivalent ("AuEq") cut-off) and lower grade scenarios (2.0 g/t AuEq cut off) for the Angostura deposit. The Company believes that the most cost effective and efficient scenario is the base case that utilizes a cut-off grade of 2.5 g/t AuEq. Each scenario is based on NI 43-101 mineral resource estimates that include assay data up to May 2011 and includes a contingency of between 20 – 25%.

It should be noted that the Scoping Study and PEA are preliminary in nature, that they include inferred mineral resources that are too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the Scoping Study, PEA or project economics will be realized.

Permitting

In December 2009, the Company filed its EIA with the Ministry of Environment and Sustainable Development ("MADS") (formerly Ministry of Environment, Housing and Territorial Development) for the development of an open pit gold-silver mine at the Company's Angostura Project in Colombia following which, there were a series of information and public hearings in 2010 and 2011. On March 18, 2011, the Company made an announcement clarifying certain comments made by the Ministry of Mines and Energy of Colombia, which could be incorrectly interpreted to mean that the Company is fully withdrawing from the Angostura Project. The Company confirmed that it did not intend to withdraw from the Angostura Project and it intended simply to desist from ongoing environmental licensing to allow for future re-filing on terms that addresses concerns.

On March 23, 2011, the Company filed a request with MADS and the Servicio Geológico Colombiano (formerly Ingeomias) 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 ("PTO") before Ingeominas.

On May 26, 2011, Ingeominas notified the Company of writ No. 27, 2011, by means of which the administrative authority determined that a request to approve a PTO may not be withdrawn. Ingeominas therefore completed their evaluation of the PTO and issued a report citing technical reasons for rejection of the PTO.

On May 31, 2011, MADS approved Resolution 1015, 2011 by means of which the administrative authority decided not to accept the withdrawal from the environmental licensing procedure and denied the environmental license for the Angostura open pit mining project citing substantive grounds for this decision. On June 20, 2011, the Company filed before MADS a motion to reconsider some of the grounds for this decision. This motion to reconsider was only partially accepted by means of Resolution 035, 2011.

In June 2011, the Company's management and new board of directors decided not to proceed with an open pit project, and agreed that any future decision on an underground project will be the subject of a new, entirely separate process and application. Resolution 1015 and 035, however, could be considered by MADS in connection with any future decisions. The legally binding decision expressed in Resolution 1015 and 035 were accompanied by certain broad comments made by the issuing authority regarding its views of the extent of the ecosystem to be protected. MADS's comments in this respect will have to be considered in relation to any future applications by the Company for approvals. Resolutions 1015 and 035 may have an adverse effect on any such application.

The Company requested the National Authority for Environmental Licensing ("ANLA") to provide the specific terms of reference for the Study of Environmental and Social Impact for an underground operation, which could require the Company to prepare an Environmental Alternatives Diagnostics ("DAA"). The Company has received a request from ANLA for additional information on the terms of reference in which ANLA has indicated that the Company is not required to prepare a DAA. The Company is awaiting notice from ANLA providing definitive terms of reference for an environmental impact assessment for the Angostura underground project.

Exploration

Angostura

The Company's 2012 exploration plans for the Angostura deposit are as follows:

1. Explore and quantify extensions to the Angostura mineral deposit, both in lateral extent and in depth.

2. Infill drilling program to improve mineral resource categorization for the underground project.

    i. The Company started an infill drilling program in 2011 with the objective of improving the category of the resources inside the veins and to define the continuity of the veins in the core area of the Angostura ore body. A total of 63 additional drill holes were completed through to December 2011.

    ii. The drilling program is designed to evaluate the potential of high grade structures that are targets for underground extraction. Drilling commenced in June 2011, and will continue into 2012. The new drilling program is designed in stages that reflect priorities in mining sequence as it is now known, with the current focus on the central core of the deposit. As the mining sequence becomes better known, there will be further adjustments to the drilling program. The higher-grade Los Laches and Veta de Barro areas require additional drilling and will be addressed in the future program. Currently five drill machines are focusing on the main core areas and an additional three drill machines are focusing on the underground program.

La Plata

La Plata is within the Angostura Project area and comprises 78 hectares of mineral rights contiguous on the majority of its borders with existing properties of the Company.

The La Plata property lies within a mineralized belt related to the northeast-southwest trending La Baja Fault, which has given rise to a number of mineralized occurrences where gold and silver mineralization is associated with flexures along the main fault. This mineralization, which has traditionally been mined by local artisanal miners, is now the focus of more modern exploration methods.

Exploration carried out by the Company since 2010 identified vein and stock work mineralization associated with strong alteration hosted in a dacite-porphyry system. Drilling, comprising 18 drill holes and 7,162 meters as of March 2011, has intersected anomalous gold and silver grades, and additional work is in process to define the geometry of the mineralization. Rock samples from mine tunnels on site returned gold assays ranging from no significant gold up to 9.66 grams per ton gold and silver assays ranging from no significant silver up to 94.3 grams per tonne silver. On surface, the mineralized structures have returned grab sample values as high as 9.3 g/t gold, 2,030 g/t silver, 2% copper, 736 parts per million ("ppm") molybdenum, 0.4% lead and 1% zinc.

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 at this time. 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.

Móngora

Móngora has near surface oxide gold mineralization and deeper sulphide gold mineralization and was discovered in 2008. It is located within the Angostura Project area 3km south of the Angostura mineral deposit. The Móngora prospect is defined by a large, 500 meter by 300 meter gold-in-soil anomaly.

In March 2012, the Company announced the completion of its initial mineral resource estimate for the Móngora deposit.

The Móngora deposit has the potential to enhance the value of the envisioned Angostura underground mine project. The occurrence of the Móngora deposit on the trajectory of a possible access tunnel to the Angostura deposit makes the deposit attractive as an early source of mineralized feed in the development of the Angostura Project.

The mineralization at Móngora is similar to the Angostura deposit as it hosts higher-grade gold mineralization including intercepts of 116 g/t gold over 2.0 meters, 22.2 g/t gold over 2.0 meters and 12.35 g/t gold over 1.6 meters within broader zones of lower-grade gold mineralization. The gold mineralization is hosted in narrow quartz veinlets with associated pyrite in structures within three intrusives; an amphibole rich diorite, a medium grained tonalite and a quartz feldspar porphyry. Alteration assemblages include dickite and illite. At least three different structural directions hosting these veinlets are apparent, representing at least two different events. One set of the veinlets is sometimes sub-parallel to the drill core, while the other two are generally cross cut by the intercepts.

<u>Regional Exploration, Colombia</u>

The Company has applied for mineral property rights over 20,000 hectares in other jurisdictions around Colombia, in the departments of Nariño, Cauca, Tolima, Caldas, Santander, Norte de Santander and Cesar with only one having been granted by Ingeominas to date. Ingeominas is evaluating the other applications to define the free areas to be granted. A 10-day campaign was carried out in Caldas where 99 samples of rock and sediments were taken. Prospecting activities are being carried out to identify other mineral potential in Colombia.

Labour Issues

In March 2012, a national labour union has provided notice that a group of employees at the Company's operations in Colombia have unionized. To date, the Company's workforce has not been unionized. The Company is considering its options with respect to the union's activities. Although the Company will seek to execute favourable agreement with its unionized employees, future development costs at the Company's operations in Colombia could increase.

Qualified Person

David Heugh, FAusIMM & FSAIMM, a consultant to the Company and former Chief Operating Officer of the Company, who is a "qualified person" as that term is defined in National Instrument 43-101, has reviewed and compiled the technical information relating to mineral projects disclosed in this MD&A.

Exploration Expenditures

The table below provides information, expressed in thousands of U.S. Dollars, on the Company's exploration expenditures for the years ended December 31, 2011 and 2010 and on a cumulative basis. General and administrative costs include items such as salaries and benefits, consulting fees, legal, travel, etc. in support areas for exploration activities.

		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. OUTLOOK

Based upon the results of the PEA, the Company plans to proceed with follow-up diamond drilling, engineering, metallurgy, geotechnical and other work in order to develop preliminary and final feasibility studies for an underground only operation, including the completion of:

- The ongoing 45,000 metre diamond drilling program designed to enhance the confidence level of some of the inferred resources and expand the current underground resource.
- An updated mineral resource estimate (expected during the second quarter of 2012).
- Trade-off studies that will include different processing options and mining schedules.
- Further metallurgical testing to optimize process parameters and project economics.

The Company also expects to continue exploration on its mineral properties. Over the next year, exploration efforts are expected to focus on extending the mineralization at Angostura to depth and outlining the extent of mineralization on its La Plata and Mongora prospects, 4 km and 3 km to the southwest of Angostura respectively.

(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

7. RESULTS OF OPERATIONS

The following table sets forth selected financial data for the periods indicated:

	Three Months Ended December 31,		Years Ended December 31,	
	2011	2010	2011	2010
Exploration expenditures:				
Feasibility studies	$ 1,933	$ 3,903	$ 4,600	$ 9,871
Other exploration expenditures	6,993	5,455	20,786	15,339
	8,926	9,358	25,386	25,210
General and administrative expenses:				
Depreciation	91	79	310	286
Administrative expenditures	979	1,478	7,325	5,909
Share-based compensation	509	1,140	2,793	5,030
	1,579	2,697	10,428	11,225
Loss from operating activities	10,505	12,055	35,814	36,435
Other items:				
Interest income	(107)	(328)	(995)	(1,131)
Finance costs	84	26	415	114
Equity tax	-	-	5,780	-
Fair value change on warrant liabilities	(578)	(221)	(5,795)	(5,400)
Foreign exchange loss (gain)	(840)	(3,184)	1,555	(4,261)
	(1,441)	(3,707)	960	(10,678)
Loss and comprehensive loss for the year attributable to shareholders of the company	$ 9,064	$ 8,348	$ 36,774	$ 25,757
Basic and diluted loss per common share	$ 0.12	$ 0.10	$ 0.44	$ 0.31

Fourth Quarter

For the three months ended December 31, 2011, the Company recorded a loss and comprehensive loss of $9,064 ($0.12 per share) compared to a loss of $8,348 ($0.10 per share) for the comparative period last year. The increase in loss was due decreases in other income of $2,266, exploration expenditures of $432, and general and administrative expenses of $1,118.

Total exploration expenditures were $8,926 for the three months ended December 31, 2011, compared to $9,358 for the three months ended December 31, 2010. The change was the result of the following:

- Costs related to feasibility studies were $1,933 for the three months ended December 31, 2011, compared to $3,903 for the comparative period in 2010. This $1,970 reduction in cost in 2011 was due to the cessation of activities related to the feasibility study for the previous open pit plan, partially offset by the new costs for the studies for the underground only mine operation.

- Environmental expense increased by $1,948 mainly due to the increase in site restoration provision at the Angostura Project and clean-up provision at La Plata.

- General and administrative expense for the Angostura Project increased by $356 due to increased spending on consultants for the permitting process, new Bogota office and changes in personnel. Increases and changes in personnel and senior management resulted in increases in related costs such as health and safety, legal, recruitment and moving costs. The increase was partially offset by lower public hearing costs.

- Civil works increased by $199 due to additional repairs and maintenance to roads that were damaged by rainy conditions.

- Assay and metallurgy expenses decreased by $431 due to decreased spending on sample testing as a result the lower drilling activity and the cessation of activities related to the open pit feasibility study.

- Drilling and field costs decreased by $582 due to lower drilling activity at the Angostura Project with no drilling at Mongora and La Plata. Rainy conditions delayed transportation of drilling equipment and drilling activity in the fourth quarter of 2011 compared to 2010.

General and administrative expenses for the corporate office were $1,579 for the three months ended December 31, 2011, compared to $2,697 for the comparative period in 2010. The decrease of $1,121 was the result of the following:

- Share-based compensation expenses decreased by $631 for the three months ended December 31, 2011, compared to 2010 due to the forfeiture of stock options when employees left the Company during 2011.

- Management and consulting fees were down $270 in 2011 compared to 2010, due primarily to the decrease in the use of consultants for finance advisory services, and corporate reorganization consulting services.

- Travel and investor relations costs were down by $145 in 2011 compared to 2010, due primarily to the decrease in travel by corporate staff resulting from decreased activities in the public hearing process, financing, recruitment and project site visits.

Other income was $1,441 for the three months ended December 31, 2011, compared to $3,707 for the comparative period in 2010. The decrease of $2,266 was the net result of the following:

- Interest income was $107 compared to $328 in 2010 primarily because the majority of the Company's cash was held in U.S. dollar deposits which had lower interest rates than Canadian dollar deposits.

- Recognition of a $578 gain on the change in the fair value of warrant liabilities compared to a $221 gain for the comparative period in 2010, primarily because the market value of the Company's common shares on which the fair value of the warrants are based, had a larger decline in 2011 compared to 2010.

- Foreign exchange gain of $840 in 2011 compared to a $3,184 gain for the comparative period in 2010, primarily on cash held in Canadian funds. The lower foreign exchange gain in 2011 was primarily due to a combination of lower cash held in Canadian dollars and lower rate of appreciation of the Canadian dollar against the U.S dollar (2.15% in 2011 versus 3.53% in 2010).

Fiscal 2011

For the year months ended December 31, 2011, the Company recorded a loss and comprehensive loss of $36,774 ($0.44 per share) compared to a loss of $25,757 ($0.31 per share) for the comparative period last year. The increase in loss was due decreases in other income of $11,638 and general and administrative expenses of $797 and, offset by an increase in exploration expenditures of $176.

Total exploration expenditures were $25,386 for the year ended December 31, 2011, compared to $25,210 for the year ended December 31, 2010. The change was the result of the following:

- Costs related to feasibility studies were $4,600 for the year ended December 31, 2011, compared to $9,871 for the comparative period in 2010. This $5,271 reduction in cost in 2011 was due to the cessation of activities related to the feasibility study of the previous open pit plan, partially offset by the new costs for the studies for the underground mine operation.

- Environmental expense increased by $2,398 mainly due to the increase in site restoration provision at the Angostura Project and clean-up provision at La Plata.

- General and administrative expense for the Angostura Project increased by $3,576 due to increased spending on personnel, consultants for permitting and communications, security, and activities related to permitting. The Company also paid severance to senior Colombian management whose employment was terminated by the Company. Increases and changes in personnel and senior management resulted in increases in related costs such as health and safety, legal, recruitment and moving costs. The Company also opened a new office in Bogota in 2011.

- Drilling and field costs increased by $700 due to the infill drilling program throughout 2011 for the Angostura underground project and increased spending on regional exploration activities.

- Civil works increased by $313 due to additional repairs and maintenance to roads that were damaged by rainy conditions and costs for geotechnical studies.

- Assay and metallurgy expenses decreased by $814 due to decreased spending on sample testing as a result of the cessation of activities related to the open pit feasibility study.

- Taxes and surface rights decreased by $541 due to lower annual fees for surface rights, fees for payment transactions and other legal and notary costs.

- Assay and metallurgy expenses decreased by $814 due to the lower drilling activity and the cessation of activities related to the open pit feasibility study.

General and administrative expenses for the corporate office were $10,428 for the year ended December 31, 2011, compared to $11,225 for the comparative period in 2010. The decrease of $797 was the result of the following:

- Share-based compensation expenses decreased by $2,237 for the year ended December 31, 2011, compared to 2010 due to the lower number of stock options granted and the forfeiture of stock options when employees left the Company. In addition, the market value of the Company's shares was lower in 2011 compared to 2010.

- Management and consulting fees were down $322 in 2011 compared to 2010, due primarily to the decrease in the use of consultants for finance advisory services, and corporate reorganization consulting services.

- Travel costs were down by $153 in 2011 compared to 2010, due primarily to the decrease in travel by corporate staff resulting from decreased activities in the public hearing process, financing, recruitment and project site visits.

- Salaries increased by $1,547 in 2011 compared to 2010, due mainly to severance payments made to employees terminated in 2011.

- Office costs increased by $192 in 2011 compared to 2010, due mainly to increased costs for software licenses and insurance.

- Audit legal and professional fees increased by $124 in 2011 compared to 2010, due mainly to increases in audit fees for the IFRS conversion and legal services for management changes.

Other expenses were $960 for the year ended December 31, 2011, compared to other income of $10,678 for the year ended December 31, 2010. The decrease of $11,638 was the net result of the following:

- Interest income was $995 compared to $1,131 in 2010 primarily because the majority of the Company's cash was held in U.S. dollar deposits which had lower interest rates than Canadian dollar deposits.

- Foreign exchange loss of $1,555 in 2011 compared to a $4,261 gain for the comparative period in 2010, primarily on cash held in Canadian funds. The foreign exchange loss in 2011 was primarily due to exchange loss realized when Canadian dollars were converted into U.S. dollars and a 2.2% depreciation of the Canadian dollar against U.S. dollar during the year ended December 31, 2011. The Canadian dollar appreciated by approximately 5.2% during 2010.

- 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 the four-year period 2011 through 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 for the year ended December 31, 2011 (2010: nil). The amount recognized was determined by discounting the eight future equity tax payments at a rate of 7%. Accretion on the equity liability for the year ended December 31, 2011, of $362 is recorded in finance costs.

(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

8. SELECTED ANNUAL FINANCIAL INFORMATION

		Fiscal Years Ended December 31	
	2011	**2010**	**2009 (1)**
	$	**$**	**Cdn$**
Balance Sheet:			
Total assets	82,205	118,094	101,793
Total long-term liabilities	3,481	207	1,075
Operations:			
Exploration expenditures	25,386	25,210	19,190
Administrative costs		-	-
General	7,635	6,195	2,641
Share-based compensation	2,793	5,030	2,306
Interest income	(995)	(1,131)	(338)
Other items	1,955	(9,547)	227
Net loss for the year	36,774	25,757	24,026
Basic and diluted loss per common share	$ 0.44	$ 0.31	$ 0.43
Dividends per share	-	-	-

(1) The 2009 financial statements were expressed in Canadian dollars and were prepared in accordance with Canadian generally accepted accounting principles.

The Company adopted IFRS with a transition date of January 1, 2010, and the financial information presented for 2011 and 2010 are in accordance with IFRS and presented in U.S. dollars, which is the Company's functional and presentation currency. The 2009 financial information was presented in accordance with Canadian generally accepted accounting principles and was presented in Canadian dollars. Therefore, the financial information presented for 2011 and 2010 are not comparable to those for 2009.

The variation in total assets over the three year term is mainly due to fluctuations in levels of cash. As the Company has no operating revenue, it relies primarily on equity financing to fund its activities. Proceeds from equity financing, including exercise of stock options and warrants, were $5 and $44,652 in 2011 and 2010, respectively and Cdn$76,023 in 2009. The changes in long-term liabilities from 2009 to 2011 was mainly due to reclassifications of amounts from long-term liabilities to current liabilities as they became currently due as well as the new equity tax liability incurred in 2011. Interest income increased in 2011 and 2010 due to the higher level of cash balance throughout 2011 and 2010 compared to 2009 where the higher cash balance was only available in the fourth quarter. Funds raised have been used primarily for exploration activities and mineral property acquisitions at the Angostura Project. Over the three year period, exploration costs have trended up due to costs incurred for the preparation of the prefeasibility and feasibility studies. Administrative costs have increased in step with the level of exploration activity, additional administrative personnel and professional fees as the Company transitions from exploration to development. At December 31, 2011, cash and cash equivalents and guaranteed investment certificate represented approximately $61,923 out of the $82,205 of total assets.

(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

The fluctuation in share-based compensation costs over the three year period is largely due to the number of stock options issued as well as the fluctuation in the underlying value of the Company's common shares. Share-based compensation costs are a non-cash expense and represent an estimate of the fair value of stock options granted to directors, employees and consultants of the Company.

The fluctuation in other items is mainly due to the fluctuation in the fair market value of warrants issued in connection of equity financings. These warrants are recorded at their fair values at each reporting date and changes to the fair values are charged to the statement of operations.

9. QUARTERLY INFORMATION

	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Exploration Expenditures	$ 8,925	$ 6,344	$ 4,893	$ 5,224	$ 9,358	$ 7,179	$ 5,630	$ 3,043
Administrative Expenses:								
General and Amortization	1,068	1,238	2,754	2,575	1,557	1,574	1,484	1,580
Share-based Compensation	508	150	1,126	1,009	1,140	1,028	1,790	1,072
Interest Income	(106)	(284)	(316)	(289)	(329)	(268)	(277)	(257)
Other Items	(1,331)	2,545	(344)	1,085	(3,380)	(4,279)	777	(2,665)
Net Loss	$ 9,064	$ 9,993	$ 8,113	$ 9,604	$ 8,346	$ 5,234	$ 9,404	$ 2,773
Basic and Diluted Loss per Share	$0.12	$0.12	$0.10	$0.11	$0.11	$0.06	$0.11	$0.03

Notes and Factors Affecting Comparability of Quarters:

1. The general quarterly increase in exploration expenditures during 2010 was primarily due to efforts being placed to prepare the feasibility study for the open pit project. Engineering costs for the feasibility study decreased during the first half of 2011 when a decision was made not to proceed with its finalization. Engineering costs increased in the third and fourth quarters of 2011 when consultants were engaged to prepare studies for the underground project. In addition, site restoration provision increased in the fourth quarter of 2011.

2. There has been a general trend for increased general and administrative costs in the first half of 2011 as a result of increased activities and staffing when the Company had previously anticipated moving into development. Also, the costs for this period include severance payments to employees who were terminated.

3. Share-based compensation costs are a non-cash expense and represent the amortization of the estimated fair value of stock options granted determined using the Black-Scholes option pricing model. Share-based compensation varies depending on the number and fair value of the stock options granted. The decline in the last half of 2011 was primarily due to forfeitures when and number of employees left the Company.

4. The Company is a precious metals exploration and development company and has no operating revenue. Interest is from funds invested. The amount of interest earned is a function of the amount of funds invested and interest rates. Interest rates on term deposits remained low during 2010 and 2011. However, the cash available for deposit steadily declined during this period resulting in the general decline in interest income each quarter.

5. The quarterly fluctuation in other items is primarily due to the fluctuation in the fair market value of warrants issued in connection of equity financings. These warrants are recorded at their fair values at each reporting date and changes to the fair values are charged to the statement of operations. In addition, there was a one-time equity tax expense in the first quarter of 2011.

10. LIQUIDITY AND CAPITAL RESOURCES

Statement of Cash Flow Information

At December 31, 2011, cash and cash equivalents were $56,343, down from $98,878 at December 31, 2010. The decrease in cash and cash equivalents is primarily attributed to the use of cash in operations with no significant cash inflow compared to the receipt of gross proceeds of $44,652 from the exercise of warrants and stock options in 2010.

The Company's cash resources are invested in short-term financial instruments issued by major Canadian chartered banks. These instruments mature at various dates over the current operating period. The Company does not invest in asset-backed commercial paper.

Cash used in operations including changes in non-cash working capital was $6,673 for the three months ended December 31, 2011, compared to $4,899 for the comparative period in 2010. For the three months ended December 31, 2011, exploration-related expenditures, including feasibility study costs, were $8,926 and represent the major use of funds for the period.

Cash used in operations including changes in non-cash working capital was $35,756 for the year ended December 31, 2011, compared to $21,377 in 2010. For the year ended December 31, 2011, exploration-related expenditures, including feasibility study costs, were $25,386 and represent the major use of funds for the year.

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 net 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 funds to complete the development of its property and upon future profitable operations.

The remaining proceeds raised from the Company's public offering on September 22, 2009, will be used for continued exploration of the underground Angostura Project, exploration on satellite properties within the Angostura Project area and regional exploration outside of the Angostura Project area.

Management of the Company believes that the current level of funds is expected to be sufficient to pay for committed costs over the next 12 months. Management continues to explore alternative financing sources in the form of equity, debt or a combination thereof; however, the current economic uncertainty and financial market volatility make it difficult to predict success. Risk factors potentially influencing the Company's ability to raise equity or debt financing include: the outcome of the feasibility studies for an underground mine at the Angostura Project, mineral prices, the political risk of operating in a foreign country including, without limitation, risks relating to permitting, and the buoyancy of the credit and equity markets. For a more detailed list of risk factors, see the section entitled "Risks and Uncertainties" in this MD&A.

Due to the current low interest rate environment, interest income is not expected to be a significant source of income or cash flow. Management intends to monitor spending and assess results on an ongoing basis and will make appropriate changes as required.

Commitments

The Company's commitments related to its mineral property acquisitions are discussed below.

(a) Exploration and Evaluation Asset Commitments

The Company's exploration and evaluation assets comprise surface rights, mining titles, exploration licenses, exploitation permits and concession contracts 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 production value, which is calculated using the average gold and silver prices published by the London Metal Exchange.

Pursuant to the mining title assignment agreement dated November, 21 2009, pursuant to which the Company acquired its La Plata property, the Company is required to incur minimum annual exploration expenditures aggregating approximately $750 and to drill an aggregate of 4,000 meters on its La Plata 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.

In order to maintain the Company's mineral properties 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 mineral properties totaled approximately $615.

(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

(b) Other Commitments

The following is a schedule of the Company's other 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.

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 a material effect on the financial condition or future results of operations of the Company.

11. FINANCIAL INSTRUMENTS

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.

(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

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 $24,812. 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 $2,481.

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.

(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

(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 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, guaranteed investment certificates of $61,923, an increase or 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.

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.

(ii) 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.

12. TRANSACTIONS WITH RELATED PARTIES

Pursuant to a service agreement, the Company paid Rovig Minerals, Inc., a company owned by the Company's former Chairman for services provided in relation to this role. Amounts paid include reimbursement for certain personal insurance expenses and costs for office facilities in Billings, Montana. The service agreement expired on September 30, 2011.

The Company paid Ionic Management Corp. ("Ionic"), a company related by virtue of a former director and one officer in common, for corporate and administrative services in Vancouver, BC. These services were cancelled on August 31, 2011.

Pursuant to a service agreement, the Company paid Mr. Steve Kesler, a former director of the Company, for consulting services. The service agreement terminated on May 16, 2010, after which Mr. Steve Kesler assumed the role of President and CEO of the Company (a role he no longer holds).

(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

Pursuant to a service agreement, the Company paid Quantum Advisory Partners LLP, a partnership in which the Company's Chief Financial Officer is an incorporated partner, for services provided in relation to this role.

The Company paid Fintec Holdings Corp., a company owned by the Company's Interim President & Chief Executive Officer and Director, for services provided in relation to those roles.

Transactions with related parties were in the normal course of operations and are measured at an exchange amount established and agreed to by the related parties.

In addition to the above, the Company reimbursed all these related parties for out-of-pocket direct costs incurred on behalf of the Company. Such costs include travel, postage, courier charges, printing and telephone charges.

Related party expenditures recorded for the following periods were:

	Three Months Ended December 31,		Years Ended December 31,	
	2011	**2010**	**2011**	**2010**
Rovig Minerals Inc.	$ 15	$ -	$ 127	$ 351
Ionic Management Corp.	-	-	34	50
Steve Kesler	-	-	-	106
Quantum Advisory Partners LLP	52	-	67	-
Fintec Holdings Corp.	59	-	125	-

13. 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 at each reporting period. 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, 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. As at December 31, 2011, amounts capitalized to exploration and evaluation assets total $18,137.

Equity tax liability

Included in the Company's balance sheet is the fair value of equity tax liability. The fair value of 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, stock options and share appreciation rights 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

Judgment 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 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.

Determination of functional currency

In accordance with International Accounting Standards ("IAS") 21, "The Effects of Changes in Foreign Exchange Rates," management determined that the functional currencies of Eco Oro Minerals Inc., its Colombian branch and subsidiaries are the U.S. dollar.

14. FIRST TIME ADOPTION OF IFRS

The Company adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. IFRS 1, "First-time adoption of International Financial Reporting Standards," 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.

(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 IFRS Interpretations Committee ("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 generally accepted accounting principles ("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, and statement 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.

(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

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

	Note	Canadian GAAP	Effect of IFRS adjustment	Change in presentation currency (ii)	Effect of functional currency adjustment (i)	IFRS
		January 1, 2010				
		CDN$	CDN$	US$	US$	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 adjustme	(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

(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

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	Effect of IFRS adjustment	Change in presentation currency (ii)	Effect of functional currency adjustment (i)	IFRS
		CDN$	CDN$	US$	US$	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

(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

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	Effect of IFRS adjustment	Change in presentation currency (ii)	Effect of functional currency adjustment (i)	IFRS
		CDN$	CDN$	US$	US$	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

(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

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	Effect of IFRS adjustment	Change in presentation currency (ii)	Effect of functional currency adjustment (i)	IFRS
		CDN$	CDN$	US$	US$	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

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.

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.

15. NEW ACCOUNTING STANDARDS NOT YET ADOPTED

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or IFRIC that are mandatory for accounting periods after December 31, 2011 or later periods. The following have not yet been 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.

<u>Accounting standards effective January 1, 2013</u>

(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, 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 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 fully recognize 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.

<u>Accounting standards effective January 1, 2015</u>

(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 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.

16. OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

17. OUTSTANDING SHARE DATA

The Company has only one class of share capital, common shares without par value. The number of shares authorized is unlimited. The Company has issued warrants for the purchase of common shares and also has a stock option plan.

The following are outstanding at March 22, 2012:

Common shares	**84,228,421**
Shares issuable on the exercise of warrants	**3,365,686**
Shares issuable on the exercise of outstanding stock options	**3,798,241**

18. RISKS AND UNCERTAINTIES

In addition to the usual risks associated with an investment in a mineral exploration and development company, the Company believes that, in particular, the risk factors set out below should be considered. It should be noted that this list is not exhaustive and that other risk factors may apply. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which it considers not to be material in relation to the Company's business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment. An investment in the Company may not be suitable for all investors.

Dependence on One Principal Exploration Stage Property

The Company's current efforts are focused primarily on the Angostura Project, which is in the exploration stage. The Angostura Project may not develop into a commercially viable ore body, which would have a materially adverse effect on the Company's potential mineral resource production, profitability, financial performance and results of operations.

Environmental and Other Regulatory Requirements

The activities of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The exploration and development activities of the Company require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety, mine permitting and other matters. Companies engaged in exploration and development activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for exploration and development will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities and that it does not currently have any material environmental obligations. However, there may be unforeseen environmental liabilities resulting from exploration, development and/or mining activities and these may be costly to remedy.

Other than the environmental mining insurance policies required by law for mining title, the Company does not maintain insurance against environmental risks. As a result, any claims against the Company may result in liabilities which could have a significant adverse effect on the operations and financial condition of the Company.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs or require abandonment or delays in developing new mining properties.

Foreign Country and Political Risk

The Company's only mineral project is located in Colombia. The Company is subject to certain risks, including currency fluctuations, possible political or economic instability which may result in the impairment or loss of mineral concessions or other mineral rights, opposition from environmental or other non-governmental organizations and mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. Exploration and development may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, royalties on production, expropriation of property, environmental legislation and mine and/or site safety.

Colombia remains a developing country. Notwithstanding the progress achieved in restructuring Colombian political institutions and revitalizing its economy, the present administration, or any successor government, may not be able to sustain progress achieved. While the Colombian economy has experienced growth in recent years, if the economy of Colombia fails to continue growth or suffer recession, it may have an adverse effect on the Company's operations in that country. The Company does not carry political risk insurance.

Colombia has in the past experienced a difficult security environment. In particular, various illegal groups involved in terrorism, extortion and kidnapping have been active in the regions in which the Company's mineral properties are located. There have been significant improvements in the security since 2002 and in the area where Eco Oro is active, the situation has been stable. If the security improvements are not maintained, it could have an adverse effect on the Company's continued operations in the area.

Exploration and Mining Risks

The business of exploring for minerals and mining involves a high degree of risk. Only a small proportion of the properties that are explored may ultimately develop into producing mines. The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour and other risks involved in the operation of mines and the conduct of exploration programs. As Colombia is a developing country, which lacks the necessary local expertise, the Company has relied, and may continue to rely, upon consultants and others for operating expertise. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations or funds required for development can be obtained on a timely basis. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Short term factors, such as the need for orderly development of ore bodies or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in reserves or resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. Depending on the price of gold or other minerals produced, which have fluctuated widely in the past, the Company may determine that it is impractical to commence or continue commercial production.

Financing Risks

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration or for further development of the Angostura Project. Further exploration and development will be dependent upon the Company's ability to obtain financing through joint venturing, equity or debt financing or other means. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

Limited Experience with Development-Stage Mining Operations

The Company has limited previous experience in placing mineral properties into production and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if it places any of its mineral properties into production.

Areas Excluded from Mining Activities

The current Colombian mining regime, including the National Development Plan, provide for areas to be excluded from mining activities. This could materially affect development of the infrastructure for the Angostura Project as envisioned by the Updated Preliminary Economic Assessment. The Company believes that it should not be subject to these provisions relating to excluded areas. However, currently both regional and national governments are working on defining the boundaries of a regional park and páramo ecosystem in the areas where the Angostura Project is located, which park and ecosystem would be areas excluded from mining. For this reason, there is no assurance that development of the Angostura Project as currently envisioned by the PEA will be permitted. The final determination on the boundaries of the regional park and páramo ecosystem will be made by the Ministry of Environment and Sustainable Development and the the Regional Autonomous Corporation for the Defense of the Bucaramanga Plateau (Corporación Autónoma Regional para la Defensa de la Meseta de Bucaramanga or "CDMB"). Should modifications to the Angostura Project be required as a result of the exclusion of the area from mining activities, it may result in additional costs and/or delays which could materially affect the commercial viability and profitability of future operations.

Estimates of Mineral Resources and Reserves and Production Risks

The mineral resource and reserve estimates included in this MD&A are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization which may ultimately be mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. The estimated resources and reserves described in this MD&A should not be interpreted as assurances of commercial viability or potential or of the profitability of any future operations.

Labour Issues

A national labour union has provided notice that a group of employees at the Company's operations in Colombia have unionized. Previously, the Company's workforce has not been unionized. The Company is considering its options with respect to the union's activities. Although the Company will seek to execute a favourable agreement with its unionized employees, development costs at the Company's operations in Colombia could increase. In addition, if collective bargaining were to prove unsuccessful, a work stoppage could result, which could have a material adverse effect on the Company's business, financial condition or results of operations.

Mineral Prices

The mineral exploration and development industry in general is intensely competitive and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist for the sale of the same. Factors beyond the control of the Company may affect the marketability of any substances discovered. Mineral prices have fluctuated widely, particularly in recent years. The marketability of minerals is also affected by numerous other factors beyond the control of the Company, including government regulations relating to price, royalties, allowable production and importing and exporting of minerals, the effect of which cannot accurately be predicted.

Uninsured Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fire, flooding and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Competition

The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and acquisition of exploration and development rights on desirable mineral properties as well as for the recruitment and retention of qualified employees. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring exploration and development rights on such properties or to recruit and retain such employees.

Title Matters

The acquisition of title to mineral concessions in Colombia is a detailed and time consuming process. While the Company has diligently investigated title to all mineral concessions and, to the best of its knowledge, title to all of its properties is in good standing, this should not be construed as a guarantee of title. Other parties may dispute title to any of the Company's mineral properties and any of the Company's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected encumbrances or defects or governmental actions. Title to the Company's properties may also be affected by undisclosed and undetected defects. In every case in which the Company has detected a defect, a risk assessment has been performed, and none of them have been classified as high risk. In addition all corrective measures are being implemented on detected defects.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Dependence on Key Personnel

The Company is dependent on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company does not have key person insurance on these individuals.

Share Price Fluctuations

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies such as the Company, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

Currency Fluctuations

The Company's operations in Colombia make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company reports its financial results in U.S. dollars with the majority of transactions denominated in U.S. dollars, Canadian dollars and Colombian pesos. As the exchange rates between the Colombian peso and the Canadian dollar fluctuate against U.S. dollar, the Company will experience foreign exchange gains or losses. The Company does not use an active hedging strategy to reduce the risk associated with currency fluctuations.

No Dividends

Any payments of dividends will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Company's board of directors may consider appropriate in the circumstances. It is unlikely that the Company will pay dividends in the immediate or foreseeable future.

Enforcement of Civil Liabilities

Substantially all of the assets of the Company are located outside of Canada, and certain of the directors and officers of the Company are resident outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or the directors and officers of the Company residing outside of Canada.

19. INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company under Canadian Securities laws is recorded, processed, summarized and reported within the time periods specified under those laws and include controls and procedures designed to ensure such information is accumulated and communicated to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), to allow timely decisions regarding required disclosure.

Management, with the participation of the Chief Executive Officer and the Chief Financial Officer has evaluated the design and effectiveness of the Company's disclosure controls and procedures as of December 31, 2011, and based upon this evaluation, the CEO and the CFO have concluded that these disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, are effective for the purposes set out above.

Internal Controls over Financial Reporting

Management is responsible for the establishment, maintenance and testing of adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's management and the board of directors do not expect that its disclosure controls and procedures or internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable (not absolute) assurance that the control system's objectives will be met.

Further, the design, maintenance and testing of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control gaps and instances of fraud have been detected. These inherent limitations include the reality that judgment in decision-making can be faulty, and that simple errors or mistakes can occur. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design, maintenance and testing of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any control system may not succeed in achieving its stated goals under all potential future conditions.

Subsequent to March 31, 2011, the Company determined that its internal control over the evaluation of complex financial transactions was not operating effectively at March 31, 2011, which led to its amendment and restatement of the Company's condensed consolidated interim financial statements and MD&A for the three months ended March 31, 2011. The Company's management, in exercising judgement, did not correctly assess the accounting treatment for equity tax expense related to its Colombian operations. The Company has procedures in place to identify and assess complex financial transactions using control checklists to identify such transactions and to prepare accounting memos to determine appropriate accounting treatments. In addition, the Company has a process to seek external advice from external experts on complex accounting matters when necessary. Although the Company's management identified and was aware of the Colombian equity tax, it relied on its own judgement and assessment of the accounting treatment and advice from external experts was not sought.

The Company's management has remediated this internal control weakness by providing further training to its accounting staff on accounting matters to ensure that all complex and unusual transactions are discussed with the Company's external accounting advisors on an ongoing basis.

Management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the design and the effectiveness of the Company's internal control over financial reporting as of December 31, 2011 based on Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that the Company's internal control over financial reporting, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

There has been no change in the Company's internal control over financial reporting during the year ended December 31, 2011, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

20. FORWARD LOOKING STATEMENTS

Certain statements included or incorporated by reference in this MD&A, including information as to the future financial or operating performance of the Company, and its projects, constitute forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements. Forward-looking statements include, among other things, statements regarding the estimation of mineral resources, estimated timelines for completion of a prefeasibility and feasibility study for the underground option at Angostura, estimated annual production, estimated internal rate of return, estimated capital cost, estimated pre-tax net present value and estimated mine life relating to an underground option at the Company's Angostura Project and the future price of gold and silver. Forward-looking statements are based upon a number of estimates and assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that Eco Oro believes are appropriate in the circumstances. While these estimates and assumptions are considered reasonable by the Company, they are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Such factors include, among other things, risks relating to permitting, unexpected delays in the work required for completion of the above noted feasibility study and preliminary resource estimate, risks relating to the Company's ability to obtain adequate financing for the development of the Angostura Project, conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and silver, possible variations in ore reserves, grade or recovery rates; risks related to fluctuations in the currency market, risks related to the business being subject to environmental laws and regulations which may increase costs of doing business and restrict the Company's operations; risks relating to title disputes; risks relating to all the Company's properties being located in Colombia, including political, economic and regulatory instability, accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. These factors and others that could affect Eco Oro's forward-looking statements are discussed in greater detail in the section headed "Risk and Uncertainties" in this MD&A Investors are cautioned that forward-looking statements are not guarantees of future performance and, accordingly, investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Forward-looking statements are made as of the date of this MD&A, or in the case of documents incorporated by reference herein, as of the date of such document, and the Company disclaims any intent or obligation to update publicly such forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

21. QUALIFIED PERSONS

All technical information about the Company's mineral properties contained in this MD&A has been prepared under the supervision of David Heugh, FAusIMM & FSAIMM, a consultant of the Company and former Chief Operating Officer of the Company, who is a "qualified person" within the meaning of National Instrument 43-101.

March 22, 2012.