Eco Oro Minerals Corp.
Consolidated Financial Statements
Year Ended December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Eco Oro Minerals Corp.

We have audited the accompanying consolidated financial statements of Eco Oro Minerals Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2012 and 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes that the Company has incurred cumulative losses of $220.6 million as at December 31, 2012, has reported a net loss of $35.2 million during the year ended December 31, 2012 and is subject to certain legal, regulatory and environmental challenges relating to its principal mineral property in Colombia. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 26, 2013

ECO ORO MINERALS CORP.

Consolidated Statements of Financial Position

(Expressed in thousands of US dollars)

	Notes		December 31, 2012		December 31, 2011
ASSETS					
Current assets:					
Cash and cash equivalents	14	$	26,741	$	56,309
Guaranteed investment certificate			46		5,614
Other assets			882		877
			27,669		62,800
Property, plant and equipment	4		1,533		1,268
Exploration and evaluation assets	5		18,389		18,137
		$	47,591	$	82,205
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Trade and other payables		$	4,025	$	4,511
Amounts payable on exploration and evaluation asset acquisition			1,216		1,107
Site restoration provision	7		112		1,618
Warrant liabilities	10		301		1,168
Current portion of equity tax liability	8		1,732		1,576
			7,386		9,980
Site restoration provision	7		3,006		641
Equity tax liability	8		1,615		2,840
			12,007		13,461
Shareholders' equity:					
Share capital	9		234,975		234,975
Equity reserves	9		21,252		19,241
Deficit			(220,643)		(185,472)
			35,584		68,744
		$	47,591	$	82,205

Commitments and contingencies	12
Subsequent event	17

See accompanying notes to these consolidated financial statements.

ECO ORO MINERALS CORP.
Consolidated Statements of Comprehensive Loss
(Expressed in thousands of US dollars, except per share amounts)

		For the years ended December 31,	
	Notes	2012	2011
Exploration expenditures:			
Feasibility studies	5	$ 8,658	$ 4,600
Other exploration expenditures	5	20,207	20,786
		28,865	25,386
General and administrative expenses:			
Audit, legal and other professional fees		366	653
Depreciation	4	415	310
Investor relations		179	202
Management and consulting fees		409	1,714
Office facilities and administration		412	640
Salaries and benefits		1,913	3,508
Share-based compensation	10	1,988	2,793
Transfer agent, listing and filing fees		67	169
Travel		340	439
		6,089	10,428
Total expenses before other items		34,954	35,814
Other items:			
Interest income		(264)	(995)
Finance costs	6	427	415
Equity tax	8	-	5,780
Fair value gain on warrant liabilities	10	(861)	(5,795)
Foreign exchange loss		915	1,555
		217	960
Loss and comprehensive loss for the year		$ 35,171	$ 36,774
Basic and diluted loss per common share	9	$ 0.42	$ 0.44
Weighted-average number of common shares outstanding (in thousands)		84,228	84,227

See accompanying notes to these consolidated financial statements.

ECO ORO MINERALS CORP.

Consolidated Statements of Cash Flows

(Expressed in thousands of US dollars)

	Notes	For the years ended December 31, 2012	2011
Operating activities:			
Loss for the year		$ (35,171)	$ (36,774)
Adjustments for:			
Remediation expenditures	7	(298)	(257)
Depreciation	4	415	310
Fair value gain on warrant liabilities	10	(861)	(5,795)
Non-cash finance costs	6	427	415
Share-based compensation	10	1,975	2,725
Unrealized foreign exchange		334	194
Other non-cash income and expenses		(183)	(795)
Equity tax accrued (paid)	8	(1,785)	4,048
Change in site restoration provision	7	998	1,584
Net change in non-cash working capital	14	(490)	(1,939)
Cash used in operating activities		(34,639)	(36,284)
Investing activities:			
Exploration and evaluation asset acquisition	5	(216)	(566)
Purchase of property, plant and equipment	4	(680)	(638)
Redemption (purchase) of guaranteed investment certificate,net		5,641	(5,579)
Interest received		202	795
Net cash flows from (used in) investing activities		4,947	(5,988)
Financing activities:			
Proceeds from exercise of stock options		-	5
Net cash flows generated from financing activities		-	5
Effect of exchange rate fluctuations on cash held		124	(268)
Decrease in cash and cash equivalents		(29,568)	(42,535)
Cash and cash equivalents, beginning of year		56,309	98,844
Cash and cash equivalents, end of year	14	$ 26,741	$ 56,309

See accompanying notes to these consolidated financial statements.

ECO ORO MINERALS CORP.

Consolidated Statements of Changes in Equity

(Expressed in thousands of US dollars)

	Share Capital (note 9,10)		Equity Reserves (note 9,10)			
	Number of Shares (in thousands)	Amount	Contributed Surplus	Warrants	Deficit	Total
Balance, January 1, 2011	84,223	$ 234,967	$ 14,477	$ 1,968	$ (148,698)	$ 102,714
Options exercised	5	8	(3)	-	-	5
Warrants issued	-	-	-	74	-	74
Share-based compensation	-	-	2,725	-	-	2,725
Loss and comprehensive loss	-	-	-	-	(36,774)	(36,774)
Balance, December 31, 2011	84,228	$ 234,975	$ 17,199	$ 2,042	$ (185,472)	$ 68,744
Change in warrants' value due to extension of expiry date	-	-	-	36	-	36
Share-based compensation	-	-	1,975	-	-	1,975
Loss and comprehensive loss	-	-	-	-	(35,171)	(35,171)
Balance, December 31, 2012	84,228	$ 234,975	$ 19,174	$ 2,078	$ (220,643)	$ 35,584

See accompanying notes to these consolidated financial statements.

1. Nature of operations, uncertainties and going concern

Nature of operations

Eco Oro Minerals Corp. (the “Company”) is a publicly-listed company incorporated in Canada under the legislation of the Province of British Columbia. The Company’s head office is located at Suite 1430, 333 Seymour Street, Vancouver, British Columbia, V6B 5A6. The consolidated financial statements of the Company as at and for the year ended December 31, 2012 comprise the Company, its Colombian branch and its subsidiaries. The Company’s principal business activities include the acquisition, exploration and development of assets in Colombia.

Uncertainties

In September 2012, as a result of prejudice relating to the Company’s principal mining title and the ongoing delay in defining the boundaries of the proposed regional park and Santurbán páramo boundaries, the Company commenced implementing certain cost reduction initiatives. Despite these initiatives, the Company continues to allocate the resources necessary to work with the Colombian authorities to favorably resolve these issues.

In January 2013, the coordinates of the Regional Park of Santurbán were approved. The Company's assessment indicates that the officially declared boundaries do not impede development of the Angostura Project.

In June 2011, the Colombian Congress enacted the National Development Plan which, among other things, forbids mining activities in páramo ecosystems and requires the Colombian Government to determine the boundaries of the páramo ecosystems based on a 1:25,000 scale and technical, social, environmental and economic criteria. The minimum reference for the páramo ecosystem is the Atlas of Páramos prepared by the Alexander von Humboldt Institute. During 2012, in conjunction with granting an extension to the exploration phase of Concession 3452, Colombia’s national mining agency noted that the Company must not conduct any exploration activities in the areas constituting páramo according to the Atlas of Páramos until the ultimate boundaries of the páramo ecosystem have been determined. In the Company’s view, the Angostura Project does not lie within the páramo according to the Atlas of Páramos. However, the Colombian Government determines the ultimate boundaries. The relevant authorities have been visiting and performing technical assessments in Santurbán, where the Angostura Project is located, to determine the boundaries of the páramo ecosystem in that area. That process, however, has encountered ongoing delays and no decision has yet been made.

On July 20, 2012, the Company announced that it received a ruling (the "Ruling") from the Ninth Circuit Administrative Court of the City of Bucaramanga wherein the Ministry of Mines and Energy was ordered to initiate administrative and/or judicial actions to "leave without effect resolution 3452" (the "Order"), which the Court characterized as a permit to develop mining exploration activities in an open pit in the Páramo of Santurbán. The Ruling relates to an action filed by an individual in June 2010, which sought to "leave without effect" the Company’s environmental license to proceed with developing the Angostura Project as an open pit mine. In fact, no such license existed. The Court was aware of these facts and the Company expected that the Court would dismiss all demands and the action would be concluded without consequence. Although the Court dismissed all demands, its Ruling contains the Order which goes beyond the requests and purports to affect the Company's rights under concession contract 3452. The Company believes the Order exceeds the Court's authority and has appealed the Ruling before the Administrative Tribunal of the Department of Santander. The Order is suspended until the Administrative Tribunal of the Department of Santander renders a decision in the appeal. Concession contract 3452 is currently in good standing and remains in force and the Order has no effect on the Company's current activities. While the Company believes the probability of a favorable decision is more likely than not, the Company has determined that it is too early to predict the outcome of the appeal or the ultimate impact to the Company's rights under its concession contract 3452. An adverse decision resulting from the appeal process would have a material adverse effect on the ability of the Company to carry out its planned business operations with respect to the Angostura Project.

The Company has been served notice of legal proceedings with respect to the La Plata Mining Concession (note 12b) and the main concession contract number 3452 for the Angostura Project (note 17) challenging the original sales agreements entered into by the Company and the vendors. Any adverse decision by such legal challenges would have a material adverse effect on the ability of the Company to carry out its planned business operations.

In 2011, the Ministry of Environment and Sustainable Development ("MADS") denied the Company's 2009 request for an environmental license for the development of an open pit mine at the Angostura Project. The previous MADS's resolutions and comments in respect of the extent of the páramo ecosystem to be protected may be considered in relation to any future applications by the Company for approvals. The MADS's resolutions denying the Company's previous requests may have an adverse effect on any such future application.

Going concern

At December 31, 2012, the Company had working capital of $20,283 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, 2012, the Company reported a comprehensive loss of $35,171 and as at December 31, 2012, had an accumulated deficit of $220,643. Cash used in operating activities for the years ended December 31, 2012 and 2011 was $34,639 and $36,284 respectively. The ability of the Company to continue as a going concern over a longer term is dependent upon the Company's ability to: arrange additional financing; favorably resolve the uncertainties surrounding the Angostura Project; complete the development of its property, including obtaining the necessary permits and other regulatory approvals; and achieve future profitable operations. Although the Company has sufficient cash and working capital to fund planned operations over the next operating cycle, defined as the next twelve months, based on current budgets, the Company is subject to various legal, regulatory and environmental challenges and uncertainties as discussed above that could negatively affect budgeted cash flows. These uncertainties and their effect on cash flows result in material uncertainties that may cast significant doubt on whether the Company will continue on as a going concern in the foreseeable future. The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared in accordance with IFRS standards and interpretations effective as of December 31, 2012, with significant accounting policies as described in note 3.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on March 26, 2013.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and liabilities for cash-settled share-based payment arrangements, which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in United States ("US") dollars which is the functional currency of the Company, its Colombian branch and its subsidiaries. References to "Cdn$" and "COP" are Canadian dollars and Colombian pesos, respectively.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

- Site restoration provision (note 7)
- Recoverability of exploration and evaluation assets (note 1)
- Measurement of liabilities for share-based payment arrangements (note 10)
- Recovery of deferred tax assets (note 3m and 11)

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

- Determination of functional currency (note 2c)
- Decision to proceed with development (note 3f)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

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

(b) Foreign currency transactions

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

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

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

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

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

(d) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial instrument when the contractual obligations or rights are discharged, cancelled, transferred or expire.

The Company classifies its financial instruments into the following categories:

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

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as FVTPL unless they are designed as effective hedges. The Company has issued share purchase warrants in connection with the issuance of equity as well as share appreciation rights which meet the definition of derivatives liabilities and are, therefore, classified as FVTPL prior to their exercise and expiry dates.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include cash and cash equivalents, guaranteed investment certificates and accounts receivable.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Liabilities in this category include trade and other payables, amounts payable on exploration and evaluation asset acquisition, and equity tax liability.

(e) Property, plant and equipment

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

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

- Buildings 20 years
- Field equipment 3 - 5 years
- Office equipment 3 years
- Transport 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Exploration and evaluation

The Company's exploration and evaluation assets are classified as either tangible or intangible. Tangible assets comprise land and intangible assets comprise mineral property surface rights, mining titles, exploration licenses, exploitation permits, and concession contracts.

All direct costs related to the acquisition of mineral property interests are capitalized. Exploration and evaluation expenditures incurred prior to the determination of feasibility and a decision to proceed with development are charged to profit and loss as incurred. Subsequent to a positive development decision, development expenditures are capitalized as tangible assets and depreciated when such assets are put in use.

(g) Impairment

Financial assets

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

Objective evidence of impairment could include the following:

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

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

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of accounts receivable is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Non-financial assets

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

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit," or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Provisions

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

Site restoration

The site restoration 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 provision and associated asset. To the extent that the site restoration provision was created due to exploration activities which do not yet qualify for capitalization, the amount of the associated asset is reduced immediately by a charge to exploration expenses for the same amount.

(i) Interest income and finance costs

Interest income is recognized as it accrues in profit or loss using the effective interest method.

Finance costs comprise unwinding of the discount on provisions and changes in the fair value of financial liabilities at fair value through profit or loss.

Foreign currency gains and losses are reported on a net basis.

(j) Share capital

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

(k) Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted-average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted-average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

(l) Share-based payment arrangements

The grant-date fair value of options awarded is recognized as expense over the vesting period, with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

The fair value of the amount payable in respect of share appreciation rights, which are settled in cash, is recognized as an expense over the period the award holders become entitled to payment based on the most likely outcome, with a corresponding increase in liabilities. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights, with any changes in the liability recognized as expense in the period.

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, and therefore meet the definition of derivatives liabilities and measured at FVTPL.

The Company's share purchase warrants issued as compensation for mineral property acquisitions or services are classified as equity and measured at the fair value at grant date with no subsequent remeasurement.

(m) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except for items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The amount of deferred tax reflects the expected manner of realization or settlement of the carrying amount of assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

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

(n) Segment reporting

The Company reports to the Chief Executive Officer the results of a single operating segment, being resource exploration and development. The Company reports segment results based on geographical location of its assets.

(o) New accounting standards not yet adopted

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.

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.

Fair value measurement

In May 2011, 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.

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.

Employee benefits

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

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

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

Financial instruments

IFRS 9, "Financial Instruments" ("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. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. The Company is currently assessing the impact of IFRS 9 on its consolidated financial statements.

For the year ended December 31, 2012 (Expressed in thousands of US dollars)

4. Property, plant and equipment

	Buildings	Field Equipment	Office Equipment	Transport	Total
Cost					
At December 31, 2010	$ 578	$ 792	$ 427	$ 284	$ 2,081
Assets acquired	-	469	61	108	638
At December 31, 2011	578	1,261	488	392	2,719
Assets acquired	-	628	52	-	680
At December 31, 2012	$ 578	$ 1,889	$ 540	$ 392	$ 3,399
Accumulated depreciation					
At December 31, 2010	$ (108)	$ (559)	$ (318)	$ (156)	$ (1,141)
Depreciation for the year	(31)	(118)	(94)	(67)	(310)
At December 31, 2011	(139)	(677)	(412)	(223)	(1,451)
Depreciation for the year	(31)	(263)	(49)	(73)	(415)
At December 31, 2012	$ (170)	$ (940)	$ (461)	$ (296)	$ (1,866)
Carrying amounts					
At December 31, 2011	$ 439	$ 584	$ 76	$ 169	$ 1,268
At December 31, 2012	$ 408	$ 949	$ 79	$ 96	$ 1,533

5. Exploration and evaluation

The Company's exploration and evaluation assets include the Angostura Project located in the department of Santander, Colombia. The Angostura project consists of the main Angostura deposit and four key satellite prospects: Armenia, La Plata, Violetal and Mongora. The Company's 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 mining titles are subject to royalties ranging from 5% to 10% of net profits after certain additional deductions. In addition, royalties are payable to the Government of Colombia on gold and silver production equal to 4% of 80% of the value of the minerals extracted. The following are recorded as exploration and evaluation assets:

	Intangible Assets	Tangible Assets	Total Costs
Cost at December 31, 2010	$ 6,362	$ 11,136	$ 17,498
Additions	300	339	639
Cost at December 31, 2011	$ 6,662	$ 11,475	$ 18,137
Additions	-	252	252
Cost at December 31, 2012	$ 6,662	$ 11,727	$ 18,389

For the year ended December 31, 2012 (Expressed in thousands of US dollars)

The following are a breakdown of exploration expenditures for the years ended December 31, 2012 and 2011:

	2012	2011
Exploration expenditures:		
General and administrative costs (Angostura project in Colombia)	$ 9,346	$ 9,477
Assay and metallurgy	1,454	711
Consulting and geology	401	177
Drilling and field costs	6,280	6,948
Environmental	1,269	2,285
Civil works	1,228	763
Feasibility studies	8,658	4,600
Taxes and surface rights	229	425
	28,865	25,386
Cumulative exploration expenditures, beginning of year	140,504	115,118
Cumulative exploration expenditures, end of year	$ 169,369	$ 140,504

6. Finance costs

	Notes	2012	2011
Unwinding of discount on site restoration provision	7	$ 159	$ 43
Unwinding of discount on equity tax payable	8	268	362
Effective interest on amounts payable on exploration and evaluation asset acquisition		-	10
Total finance costs		$ 427	$ 415

7. Site restoration provision

	2012	2011
Beginning of year, current and long-term	$ 2,259	$ 889
Increase/decrease in liability due to change in estimate	926	240
Liabilities incurred during the year	72	1,344
Remediation work performed	(298)	(257)
Accretion during the year	159	43
End of year, current and long-term	3,118	2,259
Less current portion	112	1,618
	$ 3,006	$ 641

The following table shows the assumptions used in the calculation of the Company's site restoration provision:

For the year ended December 31, 2012 (Expressed in thousands of US dollars)

	2012	2011
Pre-tax risk-free discount rate	4.50 – 5.84%	6.05 – 7.58%
Inflation rate	3.06 – 3.73%	2.7 – 3.36%
Years of settlement	2013 – 2033	2012 – 2031
Anticipated closure date	January 1, 2014	January 1, 2013

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, timing of rehabilitation activities, technological changes, regulatory changes, changes in inflation rates and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amount currently provided.

During the course of 2012, the Company had various communications with the Colombian environmental authority regarding the need for additional work on previously rehabilitated drilling platforms. Discussions are ongoing in this matter and, as such, the actual cost associated with further environmental requirements has not been finalized until the environmental authority and the Company ultimately clarify the scope of activities required. The Company has estimated these costs, on a discounted basis, could be in the range of nil to $1,678; recorded in the site restoration provision is an estimate of $839 for such costs.

8. Equity tax liability

In December 2010, the Colombian government passed a law that imposes an equity tax levied on the January 1, 2011 net equity of the Company's Colombian operations at a rate of 6%. The equity tax is to be paid in eight semi-annual installments in May and September ending in 2014.

Under the Colombian tax legislation, the full amount of the equity tax is required to be accrued as of January 1, 2011 at its fair value. At each subsequent period end, the liability is measured at amortized cost using the effective interest method. Accretion is recorded as a finance cost.

	2012	2011
Beginning of year, current and long-term	$ 4,416	$ -
Amount expensed during the year	-	5,780
Accretion of discount	268	362
Exchange difference	448	18
Amount paid during the year	(1,785)	(1,744)
End of year, current and long-term	3,347	4,416
Current portion of equity tax liability	1,732	1,576
Long-term portion of equity tax liability	1,615	2,840
	3,347	4,416

9. Equity

(a) Share capital

The Company's authorized share capital consists of an unlimited number of common shares issued without par value.

(b) Contributed surplus

Contributed surplus represents entitlements to share-based awards that have been charged to profit and loss in the periods during which the entitlements were accrued and have not yet been exercised. In addition, upon expiry of warrants, the amount originally recorded in equity is transferred to contributed surplus.

(c) Loss per share

	Year ended December 31, 2012	2011
Net loss	$ 35,171	$ 36,774
Net loss – diluted	$ 35,171	$ 36,774
(in thousands of common shares)		
Weighted-average number of common shares	84,228	84,227
Effect of dilutive securities:		
Share options	-	-
Warrants	-	-
Weighted-average number of diluted common shares	84,228	84,227
($ per common share)		
Loss per share – basic	**0.42**	**0.44**
Loss per share – diluted	**0.42**	**0.44**

10. Share-based payment arrangements

(a) Stock option plan

The Company has a share option plan that allows it to grant options to its employees, officers, directors and consultants. A fixed maximum of 10% of the common shares issued may be granted. The exercise price of each option shall not be less than the closing market price for the common shares on the trading day prior to the date of the grant. Options may have a maximum term of ten years. Vesting conditions of options is at the discretion of the Board of Directors at the time the options are granted.

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

The fair value at the time of grant was measured using the Black-Scholes model. Expected volatility is estimated by considering historic share price volatility. The following table shows the weighted-average assumptions used in the measurement of fair value at grant date:

	December 31, 2012	December 31, 2011
Risk-free interest rate	1.43%	1.68%
Expected life	5 years	5 years
Annualized volatility	88.6%	82.6%
Expected dividends	Nil	Nil
Share price	Cdn$1.86	Cdn$2.75
Grant date fair value	Cdn$1.24	Cdn$1.56

	December 31, 2012		December 31, 2011	
	Number of options (in thousands)	Weighted-average exercise price	Number of options (in thousands)	Weighted-average exercise price
		Cdn $		Cdn $
Balance outstanding, beginning of year	3,699	$3.77	6,024	$5.12
Options granted	2,353	2.09	2,080	3.25
Options exercised	-	-	(5)	0.85
Options forfeited	(886)	3.46	(3,680)	4.60
Options expired	(239)	6.60	(720)	9.21
Balance outstanding, end of year	4,927	$2.89	3,699	$3.77

	Options Outstanding			Options Exercisable		
Exercise price	Options outstanding (in thousands)	Weighted-average remaining contractual life	Weighted-average exercise price	Options outstanding and exercisable (in thousands)	Weighted-average remaining vested contractual life	Weighted-average exercise price
Cdn$		Years	Cdn$		Years	Cdn$
$0.85 - $3.00	2,123	4.49	$2.06	930	4.44	$2.08
$3.01 - $5.00	2,804	2.80	3.51	2,398	2.71	3.55
	4,927	3.53	$2.89	3,328	3.19	$3.14

(b) Share appreciation rights

During 2012, the Company granted 1,000,000 share appreciation rights ("SARs") with an exercise price of Cdn$1.74 per share to an officer of the Company entitling the officer to a cash payment equal to the excess, if any, of the Company's share price and the SAR exercise price. A total of 700,000 SARs are exercisable at any time after the Company receives the environmental license for its Angostura underground project from the Colombian governmental authorities and before July 1, 2015. A total of 300,000 SARs are exercisable at any time after the completion of a board-approved feasibility study for the Angostura underground project and before July 1, 2015. If these milestones are achieved less than 90 days before July 1, 2015, then the exercise period is extended by 90 days from the date the milestones are achieved.

During 2011, the Company granted 600,000 SARs with an exercise price of Cdn$3.27 to consultants entitling them to a cash payment. These SARs are exercisable any time after the Company receives the environmental license for its Angostura underground project and before June 1, 2014. If the environmental license is received less than 90 days before June 1, 2014, then the exercise period is extended by 90 days from the date the environmental license is received.

The fair value of the SARs is measured using the Black-Scholes model. Expected volatility is estimated by considering historic share price volatility. The following table shows the weighted-average assumptions used in the measurement of fair value:

	2012	2011
Risk-free interest rate	1.10%	1.01%
Expected life	3 years	3 years
Annualized volatility	97.33%	79.42%
Expected dividends	Nil	Nil
Share price	Cdn$0.72	Cdn$1.49

As at December 31, 2012, a liability of $79 (2011 - $66) for the SARs is included in trade and other payables.

(c) Share purchase warrants

Number of warrants (in thousands)	2012	2011
Balance outstanding, beginning of year	3,366	3,331
Warrants issued	-	35
Balance outstanding, end of year	3,366	3,366
Warrant liabilities	2,467	2,467
Equity reserves	899	899
	3,366	3,366

The following table summarizes information about warrants outstanding at December 31, 2012:

Expiry date	Number of warrants (in thousands)	Per warrant exercise price
		Cdn$
2013	705	$2.3 - 6.30
2014	2,562	$2.47 - 4.17
2015	35	$3.69
2016	64	$5.65 - 7.10
	3,366	

		2012		2011
Warrant liabilities:				
Balance outstanding, beginning of year	$	1,168	$	7,026
Warrants issued		-		-
Warrants exercised		-		-
Warrants expired		-		-
Fair value change on warrant liabilities		(861)		(5,795)
Foreign exchange on warrant liabilities		(6)		(63)
Balance outstanding, end of year	$	301	$	1,168

11. Income taxes

(a) Effective tax rate reconciliation

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 25.0% (2011 – 26.5%) to pre-tax loss as follows:

		2012		**2011**
Loss before income taxes	$	(35,171)	$	(36,773)
Income tax recovery at statutory rates	$	(8,793)	$	(9,745)
Fair value change on warrant liabilities not subject to tax		(215)		(1,536)
Share-based compensation and other permanent differences		662		798
Impact of foreign exchange on deferred income tax assets and liabilities		-		1,337
Future tax rate differences		-		518
		(8,346)		(8,628)
Deferred tax assets not recognized		8,346		8,628
Income tax recovery	$	-	$	-

As of January 1, 2012, the applicable income tax rate in Canada was reduced from 26.5% to 25.0% due to changes in the federal tax rate. The change in tax rate has no income tax impact because of the unrecognized deductible temporary differences disclosed below.

For the year ended December 31, 2012 (Expressed in thousands of US dollars)

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

	2012	2011
Capital assets and exploration and evaluation assets	$ 191,302	$ 163,000
Losses carried forward	35,433	29,089
Equity tax liability	3,347	4,416
Site restoration provision	3,118	2,259
Share issuance costs	1,052	2,105
	234,252	200,869

At December 31, 2012, the Company has Canadian capital losses of approximately $2,097 (2011 - $2,097) that are without expiry and Canadian operating losses of approximately $33,335 expiring between 2014 and 2032.

12. Commitments and contingencies

a) Commitments

The following is a schedule of the Company's commitments as at December 31, 2012:

	2013	2014	2015	2016	2017	2018 and Thereafter
Consulting & contract services	$ 757	$ 18	$ -	$ -	$ -	$ -
Office operating leases	96	16	17	-	-	-
	$ 853	$ 34	$ 17	$ -	$ -	$ -

b) Contingencies

La Plata Mining Title Assignment

On February 28, 2012, the Company received notice that Sociedad Minera La Plata Ltda. ("SMLPL") was seeking an arbitration pursuant to the arbitration clause contained in the mining title assignment agreement (the "Assignment Agreement") pursuant to which the Company acquired its La Plata property from SMLPL. The Company believes it has met all of its requirements under the Assignment Agreement and believes it has full title to the La Plata property. An arbitration panel was constituted and a hearing was held on December 6, 2012 wherein the arbitrators ordered the admission of evidence, which process is currently underway. The Company's view is that it is more likely than not that a favourable outcome will be obtained in this matter.

Ninth Circuit Administrative Court Order

On July 20, 2012, the Company announced that it had received a ruling (the "Ruling") from the Ninth Circuit Administrative Court of the City of Bucaramanga wherein MME was ordered to initiate administrative and/or judicial actions to "leave without effect resolution 3452" (the "Order") assumedly in reference to the Company's principal mining title, Concession 3452,. The Ruling relates to an action filed by an individual in June 2010, which sought to "leave without effect" the Company's environmental license to proceed with developing the Angostura Project as an open pit mine. The Company believes the Order exceeds the Court's authority and has appealed the Ruling before the Administrative Tribunal of the

For the year ended December 31, 2012 (Expressed in thousands of US dollars)

Department of Santander. The Order is suspended until the Administrative Tribunal of the Department of Santander renders a final decision in the matter. Concession 3452 is currently in good standing and remains in force and the Order has no effect on the Company's current activities. The Company's view is that it is more likely than not that a favourable outcome will be obtained in this matter.

Investigation of alleged environmental violation

During 2012, an environmental authority in Colombia initiated an investigation into allegations that the Company pumped water out of tunnels it maintained without the proper permits to do so. As the investigation is ongoing, it is not possible to predict the outcome of this investigation and any resulting penalty that may be imposed.

Other

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

13. Related parties

(a) Subsidiaries

	Ownership interest at December 31, 2012	2011
Eco Oro Holdings Finance International Ltd.	100%	100%
Eco Oro Holdings N.V.	100%	100%
Eco Oro S.A.S.	100%	100%
Eco Oro Spain SLU	100%	100%

(b) Key management personnel compensation

Key management personnel include the members of the Board of Directors and executive officers of the Company.

Certain executive officers are entitled to termination and change in control benefits. In the event of termination without sufficient advance written notice, these executive officers are entitled to an amount ranging from 3 to 24 months of their base compensation by way of lump sum payment and an amount ranging from zero to double the amount of the bonus payments, if any. In the event of a change in control, these executive officers are entitled to receive a lump sum payment ranging from 6 – 24 months of the their base compensation payment and an amount ranging from zero to double the amount of the bonus payments, if any, and all stock options held by these individuals will fully vest. Furthermore, in the event of a sale of the Company transaction, an officer is entitled to a one-time bonus amount equal to 1.00% of the incremental value realized on the transaction.

For the year ended December 31, 2012 (Expressed in thousands of US dollars)

Executive officers and directors also participate in the Company's share option and share appreciation rights programs.

	For the year ended December 31, 2012	2011
Salaries and directors' fees	$ 1,385	$ 2,011
Termination benefits	-	1,740
Share-based payments	1,791	2,377
	$ 3,176	$ 6,128

(c) Key management personnel transactions

Two members of the Board of Directors of the Company are employed by a shareholder who owns 20.8% of the outstanding shares of the Company as at December 31, 2012.

The aggregate value of transactions related to key management personnel and entities over which they have control or significant influence follows:

Key management personnel	Transaction	Company		For the year ended December 31, 2012	2011
Anna Stylianides	Salaries and directors' fees	Fintec Holdings Corp.	(i)	$ 248	$ 125
Paul Robertson	Salaries	Quantum Advisory Partners LLP	(i)	199	67
Brian E. Bayley	Consulting and administrative	Ionic Management Corp.		-	34
David B. Rovig	Consulting and management	Rovig Minerals Inc.		-	112

(i) These amounts are included in the amounts in note 12(b)

There were no balances outstanding at each year end.

For the year ended December 31, 2012 (Expressed in thousands of US dollars)

14. Supplementary cash flow information

	For the year ended December 31, 2012	2011
Change in non-cash working capital items		
Other assets	$ (5)	$ (98)
Trade and other payables	(485)	(1,841)
	$ (490)	$ (1,939)
Non-cash investing and financing activities:		
Change in warrants' value due to extension of expiry date	$ 36	$ -
Fair value of share purchase warrants issued on additions to exploration and evaluation assets	-	74

Cash and cash equivalents are comprised of:

	2012	2011
Cash	$ 26,741	$ 51,380
Bank short-term deposits	-	4,929
	$ 26,741	$ 56,309

15. Segment disclosures

	Canada	Colombia	Total
December 31, 2012			
Loss for the year	$ 5,068	$ 30,103	$ 35,171
Interest income	(218)	(46)	(264)
Total assets	33,141	14,450	47,591
Total liabilities	738	11,269	12,007
December 31, 2011:			
Loss for the year	$ 5,780	$ 30,994	$ 36,774
Interest income	(903)	(92)	(995)
Total assets	$ 68,162	$ 14,043	$ 82,205
Total liabilities	1,736	11,725	13,461

16. Financial risk management

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating 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.

For the year ended December 31, 2012 (Expressed in thousands of US dollars)

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk; interest rate risk; and commodity price risk. Financial instruments affected by market risk include: cash and cash equivalents, guaranteed investment certificates, accounts receivable, trade and other payables, amounts payable on exploration and evaluation asset acquisition, warrant liabilities and equity tax liability. The Company currently does not have any financial instruments that are significantly impacted by commodity price risk.

(b) 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 US 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 US dollars.

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

	2012		2011	
	US$	Colombian Peso	US$	Colombian Peso
Cash and cash equivalents	$ 350	$ 618,931	$ 425	$ 824,915
Other assets	706	1,248,874	710	1,379,678
Trade and other payables	(3,588)	(6,343,900)	(3,944)	(7,661,896)
Equity tax liability	(3,347)	(5,917,493)	(4,416)	(8,578,079)
Amounts payable on exploration and evaluation asset acquisition	(1,216)	(2,150,000)	(1,107)	(2,150,002)
	$ (7,095)	$ (12,543,588)	$ (8,332)	$ (16,185,384)

As at December 31, 2012, with other variables unchanged, a 10% depreciation or appreciation of the US 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 $709.

The Company's exposure to the Colombia peso on annual exploration expenditures throughout the year ended December 31, 2012 was COP35,507,330 having the US dollar equivalent of $19,776. A 10% depreciation or appreciation of the US dollar against the Colombian peso would affect the consolidated statement of operations and comprehensive loss by approximately $1,978.

For the year ended December 31, 2012 (Expressed in thousands of US dollars)

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

	2012		2011	
	US$	CDN$	US$	CDN$
Cash and cash equivalents	$ 4,054	$ 4,033	$ 17,546	$ 17,844
Guaranteed investment certificate	-	-	5,580	5,675
Other assets	135	134	161	163
Trade and other payables	(411)	(409)	(544)	(553)
	$ 3,778	$ 3,758	$ 22,743	$ 23,129

As at December 31, 2012, with other variables unchanged, a 10% depreciation or appreciation of the US 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 $378.

The Company's exposure to the Canadian dollar on annual exploration expenditures throughout the year ended December 31, 2012 was Cdn$695 having the US dollar equivalent of $693. A 10% depreciation or appreciation of the US dollar against the Canadian dollar would affect the consolidated statement of operations and comprehensive loss by approximately $69.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's bank accounts, guaranteed investment certificates and short-term investments earn interest income at variable rates. The Company's future interest income is exposed to changes in short-term rates. Based on the Company's cash balance and guaranteed investment certificates of $26,787, an increase or decrease in the annual interest rate of 1% would result in a corresponding increase or decrease of annual interest income by $268.

(d) 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 and guaranteed investment certificates are held through large Canadian financial institutions. Guaranteed investment certificates 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.

For the year ended December 31, 2012 (Expressed in thousands of US dollars)

(e) 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.

As at December 31, 2012, the Company's liabilities have contractual maturities as summarized below:

	Total	Less than 1 year	1 - 3 years
Trade and other payables	$ 4,025	$ 4,025	$ -
Accounts payable on exploration and evaluation asset acquisition	1,216	1,216	-
Equity tax liability	3,347	1,732	1,615
	$ 8,588	$ 6,973	$ 1,615

(f) Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts, are presented by class in the following table.

	December 31, 2012		December 31, 2011	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial Assets				
Loans and receivables:				
Guaranteed investment certificate	$ 46	$ 46	$ 5,614	$ 5,614
Cash and cash equivalents	26,741	26,741	56,309	56,309
Accounts receivable	87	87	90	90
Financial Liabilities				
Other financial liabilities:				
Trade and other payables	$ 3,946	$ 3,946	$ 4,445	$ 4,445
Amounts payable on exploration and evaluation asset acquisition	1,216	1,216	1,107	1,107
Equity tax liability	3,347	3,434	4,416	4,479
Fair value through profit and loss (FVTPL):				
Share appreciation rights (SARs)	79	79	66	66
Warrants	301	301	1,168	1,168

The fair value of the share purchase warrants classified as liabilities is measured using the Black-Scholes model. Expected volatility is estimated by considering historic share price volatility. The following table shows the weighted-average assumptions used in the measurement of fair value:

For the year ended December 31, 2012 (Expressed in thousands of US dollars)

	December 31, 2012	December 31, 2011
Risk-free interest rate	1.10%	1.01%
Expected life	4 years	4 years
Annualized volatility	111.00%	80.7%
Expected dividends	Nil	Nil
Share price	Cdn$0.72	Cdn$1.49

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.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – 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.

Level 3 – Unobservable (supported by little or no market activity) prices.

	Level 1	Level 2	Level 3	Total
December 31, 2012				
Financial Liabilities:				
SARs	-	79	-	79
Warrants	-	301	-	301
	$ -	$ 380	$ -	$ 380
December 31, 2011				
Financial Liabilities:				
SARs	-	66	-	66
Warrants	-	1,168	-	1,168
Total financial liabilities at fair value	$ -	$ 1,234	$ -	$ 1,234

(g) Capital management

The Company's objective when managing capital is to maintain adequate levels of funding in order to support exploration and development of its projects and to maintain corporate and administrative functions. The Company considers its cash and cash equivalents, guaranteed investment certificates, shareholders' equity and warrant liabilities as capital. In order to maintain or adjust the capital structure, the Company may issue equity or debt, or sell assets.

In order to facilitate the management of its capital requirements, the Company prepares operating budgets that are approved by the Board of Directors.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the prior year.

17. Subsequent event

In February 2013, the Company was served with notice of legal proceedings in the Eighth Civil Circuit Court of the City of Bucaramanga filed by Sociedad Mina Los Diamantes Ltda. and Crisanto Peña Gelvez (the "Claimants"). The Claimants were seeking the annulment of an assignment and sale agreement (the "Agreement") entered into in 1994 pursuant to which the Company acquired mining permit 3452 (the "Permit").

The Permit, covering an area of 250 hectares, was converted into integrated concession contract 3452 (the "Concession"), covering an area of 5,254 hectares, with the Colombian Government and registered in the National Mining Register in 2007. A significant portion of the Angostura deposit, however, is covered by the original area of the Permit. The Concession, which incorporated the Permit and several other mineral tenures, is fully registered in the name of the Company.

After reviewing the Claimants' allegations with its legal advisors, the Company considered the claims to be without merit and vigorously contested them.

On March 20, 2013, a judge of the Eighth Civil Court of the City of Bucaramanga rejected the entire claim noting any dispute raised by the Claimants is to be settled by way of arbitration and not the courts.