# Eco Oro Minerals Corp.
# Condensed Consolidated Interim Financial Statements
## September 30, 2013
**(unaudited)**

# Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Eco Oro Minerals Corp.
## Consolidated Statement of Financial Position
(expressed in thousands of US dollars - unaudited)

| | Note | September 30, 2013 | December 31, 2012 |
|---|---|---|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 7 | $ 13,173 | $ 26,741 |
| Guaranteed investment certificates | | 90 | 46 |
| Other assets | | 131 | 882 |
| | | 13,394 | 27,669 |
| Property, plant and equipment | | 2,131 | 1,533 |
| Exploration and evaluation assets | 3 | 18,389 | 18,389 |
| | | $ 33,914 | $ 47,591 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Trade and other payables | | $ 2,550 | $ 3,919 |
| Amounts payable on exploration and evaluation asset acquisition | | 1,123 | 1,216 |
| Share appreciation rights liabilities | | 23 | - |
| Site restoration provision | 4 | 144 | 112 |
| Warrant liabilities | | 15 | 301 |
| Equity tax liability | | 1,571 | 1,732 |
| | | 5,426 | 7,280 |
| Long-term employee benefits | | 22 | 27 |
| Share appreciation rights liabilities | | 77 | 79 |
| Site restoration provision | 4 | 1,993 | 3,006 |
| Equity tax liability | | - | 1,615 |
| | | 7,518 | 12,007 |
| Shareholders' equity: | | | |
| Share capital | | 234,975 | 234,975 |
| Equity reserves | | 22,166 | 21,252 |
| Deficit | | (230,745) | (220,643) |
| | | 26,396 | 35,584 |
| | | $ 33,914 | $ 47,591 |

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See accompanying notes to these consolidated financial statements.

# Eco Oro Minerals Corp.
## Consolidated Statement of Comprehensive Loss
(expressed in thousands of US dollars, except for per share amounts - unaudited)

| | Notes | Three months ended September 30, 2013 | Three months ended September 30, 2012 | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 |
|---|---|---|---|---|---|
| Exploration and evaluation expenses: | | | | | |
| Administrative expenses | | $ 907 | $ 1,807 | $ 2,918 | $ 5,453 |
| Salaries and benefits | | 971 | 1,577 | 2,532 | 5,146 |
| Feasibility studies | | 28 | 1,627 | 906 | 6,973 |
| Surface rights | | 237 | 43 | 805 | 164 |
| Drilling and field expenses | | 9 | 1,221 | 212 | 4,657 |
| Environmental expenses | | (537) | 94 | (744) | 234 |
| Depreciation | | 104 | 101 | 335 | 283 |
| Other exploration and evaluation expenses | | 39 | 985 | 294 | 2,314 |
| | | 1,758 | 7,455 | 7,258 | 25,224 |
| General and administrative expenses: | | | | | |
| Salaries and benefits | | 374 | 497 | 1,358 | 1,419 |
| Share-based compensation | | 371 | 419 | 914 | 1,428 |
| Other administrative expenses | | 218 | 442 | 1,181 | 1,426 |
| | | 963 | 1,358 | 3,453 | 4,273 |
| Total expenses before other items | | 2,721 | 8,813 | 10,711 | 29,497 |
| Other items: | | | | | |
| Other income | 6 | (37) | (50) | (118) | (196) |
| Finance expenses | | 81 | (15) | 286 | 237 |
| Fair value change on warrant liabilities | | (177) | (681) | (264) | (656) |
| Foreign exchange (gain)/loss | | 70 | (131) | (513) | 341 |
| | | (63) | (877) | (609) | (274) |
| Loss and comprehensive loss for the period | | $ 2,658 | $ 7,936 | $ 10,102 | $ 29,223 |
| Basic and diluted loss per share | | $ 0.03 | $ 0.09 | $ 0.12 | $ 0.35 |
| Weighted-average shares outstanding (thousands) | | 84,228 | 84,228 | 84,228 | 84,228 |

See accompanying notes to these consolidated financial statements.

# Eco Oro Minerals Corp.
## Consolidated Statement of Cash Flows
(expressed in thousands of US dollars - unaudited)

| | Notes | Nine months ended September 30, 2013 | 2012 |
|---|---|---|---|
| Operating activities: | | | |
| Loss for the period | | $ (10,102) | $ (29,223) |
| Adjustments for: | | | |
| Remediation expenditures | 4 | (105) | (220) |
| Depreciation | | 349 | 295 |
| Gain on disposal of asset | | (16) | - |
| Fair value change on warrant liabilities | | (264) | (656) |
| Non-cash finance costs | | 278 | 237 |
| Share-based compensation | | 936 | 1,621 |
| Unrealized foreign exchange (gain)/loss | | (487) | 63 |
| Other non-cash income and expenses | | (58) | (96) |
| Equity tax paid | | (1,695) | (1,785) |
| Change in site restoration provision | 4 | (750) | - |
| Change in non-cash working capital items | 7 | (623) | 2,656 |
| Cash used in operating activities | | (12,537) | (27,108) |
| Investing activities: | | | |
| Exploration and evaluation asset acquisition | | - | (216) |
| Proceeds on disposition of assets | | 16 | - |
| Purchase of property, plant and equipment | | (947) | (662) |
| Purchase of guaranteed investment certificate | | (1,935) | - |
| Redemption of guaranteed investment certificate | | 1,858 | 5,653 |
| Interest received | | 59 | 115 |
| Cash used in investing activities | | (949) | 4,890 |
| Effect of exchange rate fluctuations on cash held | | (82) | 316 |
| Decrease in cash and cash equivalents | | (13,568) | (21,902) |
| Cash and cash equivalents, beginning of period | | 26,741 | 56,309 |
| Cash and cash equivalents, end of period | 7 | $ 13,173 | $ 34,407 |

See accompanying notes to these consolidated financial statements.

# Eco Oro Minerals Corp.
## Consolidated Statement of Changes in Equity
(expressed in thousands of US dollars - unaudited)

| | Share capital (note 5) | | Equity reserves (note 5) | | | |
|---|---|---|---|---|---|---|
| | Number of shares (000s) | Amount | Contributed Surplus | Warrants | Deficit | Total |
| **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 | - | - | - | 36 | - | 36 |
| Share-based compensation | - | - | 1,621 | - | - | 1,621 |
| Loss and comprehensive loss | - | - | - | - | (29,223) | (29,223) |
| **Balance, September 30, 2012** | 84,228 | 234,975 | $ 18,820 | $ 2,078 | $ (214,695) | $ 41,178 |
| **Balance, December 31, 2012** | 84,228 | $ 234,975 | $ 19,174 | $ 2,078 | $ (220,643) | $ 35,584 |
| Expiry of warrants | - | - | 982 | (982) | - | - |
| Share-based compensation | - | - | 914 | - | - | 914 |
| Loss and comprehensive loss | - | - | - | - | (10,102) | (10,102) |
| **Balance, September 30, 2013** | 84,228 | $ 234,975 | $ 21,070 | $ 1,096 | $ (230,745) | $ 26,396 |

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 period ended September 30, 2013 comprise the Company, its Colombian branch and its subsidiaries. The Company’s principal business activities include the acquisition, exploration and development of mineral assets in Colombia.

*Uncertainties*

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, it is the Colombian Government that will determine 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 3452. The Company believes the Order exceeds the Court’s authority and 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 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 with respect to concession 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.

In February 2013, the Company received notice that Sociedad Mina Los Diamantes Ltda. and Crisanto Peña Gelvez ("SMLDL and Gelvez") filed legal proceedings in the Eighth Civil Circuit Court of the City of Bucaramanga pursuant to which they sought the annulment of an assignment and sale agreement (the "Sale Agreement") pursuant to which the Company acquired mining permit 3452 (the "Permit") from SMLDL and Gelvez. The Permit, covering an area of 250 hectares, was converted into integrated concession 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 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. The Company filed motions to have the proceedings in the Court dismissed as the Sale Agreement requires any dispute to be settled by way of arbitration and not the courts. The Court decided that it lacked jurisdiction, which decision was upheld on appeal by the Superior Tribunal in July 2013. In August 2013, the Company received notice that SMLDL and Gelvez had commenced arbitration proceedings seeking the annulment of the Sales Agreement. In the initial court action, SMLDL and Gelvez alleged that not all formalities were observed at the time the Sales Agreement was entered into and that it should be annulled on that basis. The Company is of the view that no deficiencies existed and had they existed would have been ratified by the conduct of the parties and the Colombian Government, and, in any event, the statute of limitations can be invoked to reject the claims. 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 arbitration proceedings or the ultimate impact to the Company's rights with respect to the Concession. An adverse decision 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.

In 2011, the Ministry of Environment and Sustainable Development (*Ministerio de Ambiente y Desarrollo Sostenible* or "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 September 30, 2013, the Company had working capital of $7,968 but had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the nine months ended September 30, 2013, the Company reported a comprehensive loss of $10,102 and as at September 30, 2013, had an accumulated deficit of $230,745. Cash used in operating activities for the nine months ended September 30, 2013 and 2012 was $12,537 and $27,108 respectively. The ability of the Company to continue as a going concern is dependent upon its 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. There are no assurances that the Company will be successful in its efforts to secure additional financing. These matters result in material uncertainties which may cast significant doubt on whether the Company will continue as a going concern. 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.

(expressed in thousands of US dollars - unaudited)

## 2. Basis of preparation

*Statement of compliance*

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual financial statements, except as outlined in note 12. These condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2012 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on October 30, 2013.

## 3. Exploration and evaluation assets

| | Intangible assets | Tangible assets | Total |
|---|---|---|---|
| **Cost** | | | |
| At December 31, 2012 | 6,662 | 11,727 | 18,389 |
| Additions | - | - | - |
| At September 30, 2013 | 6,662 | 11,727 | 18,389 |

## 4. Provisions

(a) Site restoration provision

| | |
|---|---|
| At December 31, 2012 | 3,118 |
| Increase/(decrease) in liability due to changes in estimates | (1,000) |
| Remediation work performed | (105) |
| Accretion during the period | 124 |
| At September 30, 2013 | 2,137 |
| Current portion | 144 |
| Long-term portion | 1,993 |
| At September 30, 2013 | 2,137 |

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.

Significant estimates and assumptions are made in determining the site restoration provision as there are numerous factors that will affect the ultimate liability payable. Those uncertainties may result in future actual expenditure differing from the amount currently provided. During the nine months ended September 30, 2013, there were changes in the extent of the required rehabilitation activities, timing of these activities, changes in discount rates and foreign exchange rate. These changes resulted in a $1,000 decrease in the site restoration provision, with the offsetting amount recorded as a $750 credit to environmental costs and $250 in foreign exchange gains.

(b) Other

The Company was successful in its appeal on an environmental penalty imposed in early 2012 for a purported breach of an environmental regulation relating to water discharged into a nearby creek with a pH level outside prescribed standards. As a result, the $103 provision included in trade and other payables was reversed during the three months ended September 30, 2013, with an offsetting credit recorded to environmental costs.

## 5. Share-based payment arrangements

(a) Stock options

During the three months ended September 30, 2013, the Company granted 450,000 options to directors, all vesting on the date of grant. The options are exercisable for up to five years from date of grant. The estimated fair value of the stock options granted was $170.

During the three months ended September 30, 2013, 972,035 stock options were forfeited or cancelled.

(b) Share appreciation rights

During the three months ended September 30, 2013, the Company terminated and then re-entered into two consulting agreements with consultants who provide research, political and public relations advisory services. As a result of the termination of the agreements, a total of 600,000 previously-granted share appreciation rights (“SARs”), exercisable any time after the Company receives an environmental licence for its Angostura underground project and before June 1, 2014, were cancelled. Two additional consulting agreements were entered into during the three months ended September 30, 2013, with consultants who provide research, political, public relations and communications strategy advisory services.

Under the four new consulting agreements, a total of 750,000 SARs were granted to consultants with each SAR entitling the holder, on exercise, to a cash payment equal to the excess, if any, of the Company’s share price on the date of exercise and Cdn$0.55. Under these agreements, if there is a favourable páramo declaration on or before October 31, 2013, the consultants may exercise 350,000 of these SARs, in whole or in part, any time after the date of the favourable páramo declaration but within three months from the date of the favourable páramo declaration. If there is an issuance of an environmental licence on or before June 30, 2015, the consultants may exercise 400,000 of these SARs, in whole or in part, any time after the date of the issuance of the environmental licence and before June 30, 2015. If the date of the issuance of the environmental licence is less than three months prior to June 30, 2015, then the exercise period is extended by three months from the date of the issuance of the environmental licence.

(expressed in thousands of US dollars - unaudited)

## 6. Other income

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Interest income | 21 | 48 | 77 | 183 |
| Other income | 16 | 2 | 41 | 13 |
| | 37 | 50 | 118 | 196 |

## 7. Supplementary cash flow information

(a) Cash and equivalents

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Cash | 11,450 | 23,892 |
| Short-term deposits | 1,723 | 2,849 |
| | 13,173 | 26,741 |

(b) Other items

| | Nine months ended September 30, | |
|---|---|---|
| | 2013 | 2012 |
| **Change in non-cash working capital** | | |
| Other assets | 751 | (7) |
| Trade and other payables | (1,374) | 2,663 |
| | (623) | 2,656 |
| **Non-cash investing and financing activities** | | |
| Change in warrants' value due to extension of expiry date | - | 36 |

(expressed in thousands of US dollars - unaudited)

## 8. Segment disclosures

The Company's operations comprise a single reporting operating segment engaged in the acquisition, exploration and development of assets in Colombia. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

*Geographical Information*

The following geographical information is provided as supplemental information to users of the financial statements to further describe the Company's operations:

| | Canada | Colombia | Other | Total |
|---|---|---|---|---|
| **As at and for the nine months ended September 30, 2013** | | | | |
| Loss for the period | 3,408 | 6,653 | 41 | 10,102 |
| Total assets | 19,410 | 14,489 | 15 | 33,914 |
| Total liabilities | 251 | 7,260 | 7 | 7,518 |
| **As at and for the nine months ended September 30, 2012** | | | | |
| Loss for the period | 3,706 | 25,474 | 43 | 29,223 |
| Total assets | 39,253 | 16,085 | 11 | 55,349 |
| Total liabilities | 855 | 13,307 | 9 | 14,171 |

Other includes subsidiaries located in the Netherlands, Barbados and Spain.

(expressed in thousands of US dollars - unaudited)

## 9. Fair value measurements

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

| | September 30, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets** | | | | |
| *Loans and receivables:* | | | | |
| Cash and equivalents | 13,173 | 13,173 | 26,741 | 26,741 |
| Guaranteed investment certificates | 90 | 90 | 46 | 46 |
| Accounts receivable | 35 | 35 | 87 | 87 |
| **Financial liabilities** | | | | |
| *Other financial liabilities:* | | | | |
| Trade and other payables | 2,550 | 2,550 | 3,919 | 3,919 |
| Amounts payable on exploration and evaluation asset acquisition | 1,123 | 1,123 | 1,216 | 1,216 |
| Equity tax liability | 1,571 | 1,607 | 3,347 | 3,434 |
| *Fair value through profit and loss (FVTPL):* | | | | |
| Share appreciation rights liabilities | 100 | 100 | 79 | 79 |
| Warrant liabilities | 15 | 15 | 301 | 301 |

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 2 fair values are determined using the Black-Scholes model, where the inputs are readily observable, including risk-free interest rate, historic share price volatility, and share price.

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

(expressed in thousands of US dollars - unaudited)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **September 30, 2013** | | | | |
| *Financial liabilities:* | | | | |
| Share appreciation rights liabilities | - | 100 | - | 100 |
| Warrant liabilities | - | 15 | - | 15 |
| | - | 115 | - | 115 |
| **December 31, 2012** | | | | |
| *Financial liabilities:* | | | | |
| Share appreciation rights liabilities | - | 79 | - | 79 |
| Warrant liabilities | - | 301 | - | 301 |
| | - | 308 | - | 308 |

## 10. Commitments and contingencies

a) Commitments

The following is a schedule of the Company's commitments as at September 30, 2013:

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 and thereafter |
|---|---|---|---|---|---|---|
| Consulting and contract services | 280 | - | - | - | - | - |
| Operating leases | 99 | 77 | - | - | - | - |
| | 379 | 77 | - | - | - | - |

b) Contingencies

*La Plata Mining Title Assignment*

In February 2012, the Company received notice that Sociedad Minera La Plata Ltda. ("SMLPL") filed an arbitral action against the Company pursuant to the arbitration clause contained in the mining title assignment agreement (the "Assignment Agreement") pursuant to which the Company acquired the La Plata property from SMLPL. There were also three subordinate partial assignment agreements between SMLPL and the Company which facilitated the transfer and registration of the property in the Company's name. SMLPL claimed that there was a lack of legal power of its legal representative to sign the Assignment Agreement and other agreements because no formal authorization from its board of directors existed, as required by SMLPL's bylaws for any agreement greater than 500,000 Colombian pesos. An arbitration panel was constituted, which rendered a final decision in September 2013. The panel found that the two-year statute of limitations applied in respect of the Assignment Agreement and the first of the three subordinate partial assignment agreements, relating to 25% of the property, and found in favour of the Company in that regard. However, the panel found that the statute of limitations did not apply in respect of the second and third subordinate partial assignment agreements, relating to 75% of the property, and declared a relative nullity in respect of those agreements with respect to the amounts greater than 500,000 Colombian pesos. The panel ordered SMLPL to pay 1,677,500,686 Colombian pesos to the Company, representing the amount paid by the Company to SMLPL under those two agreements less 1,000,000 Colombian pesos. See note 13 for additional information.

*Angostura Mining Title Assignment*

In February 2013, the Company received notice that Sociedad Mina Los Diamantes Ltda. and Crisanto Peña Gelvez ("SMLDL and Gelvez") filed legal proceedings in the Eighth Civil Circuit Court of the City of Bucaramanga pursuant to which they sought the annulment of an assignment and sale agreement (the "Sale Agreement") pursuant to which the Company acquired mining permit 3452 (the "Permit") from SMLDL and Gelvez. The Permit, covering an area of 250 hectares, was converted into integrated concession 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 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. The Company filed motions to have the proceedings in the Court dismissed as the Sale Agreement requires any dispute to be settled by way of arbitration and not the courts. The Court decided that it lacked jurisdiction, which decision was upheld on appeal by the Superior Tribunal in July 2013. In August 2013, the Company received notice that SMLDL and Gelvez had commenced arbitration proceedings seeking the annulment of the Sale Agreement. In the initial court action, SMLDL and Gelvez alleged that not all formalities were observed at the time the Sale Agreement was entered into and that it should be annulled on that basis. The Company is of the view that no deficiencies existed and had they existed would have been ratified by the conduct of the parties and the Colombian Government, and, in any event, the statute of limitations can be invoked to reject the claims. 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 arbitration proceedings or the ultimate impact to the Company's rights with respect to Concession 3452. An adverse decision 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.

*Consulting Agreement*

During the three months ended September 30, 2013, the Company terminated and then re-entered into a consulting agreement with a consultant who provides research, political and public relations advisory services. Under the terms of the new consulting agreement, the consultant shall be eligible to receive a contingent fee of $200 if there is an issuance of the environmental licence before June 30, 2015.

*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.

(expressed in thousands of US dollars - unaudited)

## 11. Related parties

Key management personnel include the members of the Board of Directors and executive officers of the Company. During the three months ended September 30, 2013, the Company incurred total compensation expenses of $570 for its key management personnel (2012 - $796).

The aggregate value of transactions with other related parties, including entities over which key management personnel have control or significant influence, is as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Fintec Holdings Corp. | | | | |
| Director's fees | 4 | 15 | 34 | 45 |
| Salaries | - | - | - | 188 |
| | 4 | 15 | 34 | 233 |
| Quantum Advisory Partners LLP | | | | |
| Salaries | - | 47 | - | 152 |

There were no balances owing to related parties at period end.

## 12. Adoption of new and amended IFRS pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2013.

The adoption of the following new IFRS pronouncement will result in enhanced financial statement disclosures in the Company's annual consolidated financial statements. This pronouncement does not affect the Company's financial results nor does it result in adjustments to previously-reported figures.

- IFRS 13, "Fair Value Measurements"

  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. It also enhances disclosures about fair value measurements.

  The adoption of IFRS 13 did not have an effect on the consolidated financial statements for the current period. The disclosure requirements of IFRS 13 will be incorporated in the annual consolidated financial statements for the year ended December 31, 2013. This will include disclosures about fair values of financial assets and liabilities measured on a recurring basis and non-financial assets and liabilities measured on a non-recurring basis.

The adoption of the following new or amended IFRS pronouncements did not affect the Company's financial results or disclosures as the Company's analysis determined that no changes were required to its existing accounting treatment.

- IFRS 10, "Consolidated Financial Statements"
- IFRS 12, "Disclosure of Interests in Other Entities"
- IFRS 11, "Joint Arrangements"
- IAS 1, "Presentation of Financial Statements"
- IAS 19, "Employee Benefits"

## 13. Subsequent event

On October 1, 2013, the Company filed a motion for annulment of the arbitration panels' decision regarding the La Plata mining title assignment (see note 10(b)) on the grounds that, among other things, the arbitration panel lacked jurisdiction to rule on the subordinate partial assignment agreements as they did not contain arbitration clauses and the statute of limitations should have been applied to all subordinate partial assignment agreements as they were subordinate to the principal Assignment Agreement. 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 with respect to the La Plata property.