Eco Oro Minerals Corp.
Consolidated Financial Statements
Year Ended December 31, 2013

Independent Auditor's Report

Grant Thornton LLP
Suite 1600, Grant Thornton Place
333 Seymour Street
Vancouver, BC
V6B 0A4

T +1 604 687 2711
F +1 604 685 6569
www.GrantThornton.ca

To the Shareholders of
Eco Oro Minerals Corp.:

We have audited the accompanying consolidated financial statements of Eco Oro Minerals Corp., which comprise the consolidated statements of financial position as at December 31, 2013, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained in our audit 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 Eco Oro Minerals Corp. as at December 31, 2013, and its financial performance and its cash flows for the year ended December 31, 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 and Note 13 in the consolidated financial statements which describe that the Company has incurred cumulative losses of $232.7 million as at December 31, 2013, has reported a net loss of $12.1 million during the year ended December 31, 2013 and is subject to certain legal, regulatory and environmental challenges relating to its principal mineral property in Colombia. These conditions, along with other matters set forth in Note 1 and Note 13 indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The consolidated financial statements of Eco Oro Minerals Corp. for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on March 26, 2013.

Grant Thornton LLP

Vancouver, Canada
March 6, 2014

Chartered Accountants

Eco Oro Minerals Corp.
Consolidated Statements of Financial Position
(expressed in thousands of US dollars)

	Notes	December 31, 2013	December 31, 2012
ASSETS			
Current assets:			
Cash and cash equivalents		$ 10,737	$ 26,741
Guaranteed investment certificates		87	46
Other assets		66	882
		10,890	27,669
Property, plant and equipment	4	2,103	1,533
Exploration and evaluation assets	5	18,396	18,389
		$ 31,389	$ 47,591
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade and other payables		$ 2,165	$ 3,919
Amounts payable on exploration and evaluation asset acquisition		1,116	1,216
Site restoration provision	6a	20	112
Warrant liabilities	9c	-	301
Equity tax liability	7	1,589	1,732
		4,890	7,280
Long-term employee benefits		26	27
Share appreciation rights liabilities	9b	-	79
Site restoration provision	6a	1,896	3,006
Equity tax liability	7	-	1,615
		6,812	12,007
Shareholders' equity:			
Share capital	8	234,975	234,975
Equity reserves		22,310	21,252
Deficit		(232,708)	(220,643)
		24,577	35,584
		$ 31,389	$ 47,591

Commitments and contingencies 13
Subsequent event 17

See accompanying notes to these consolidated financial statements.

Eco Oro Minerals Corp.
Consolidated Statements of Loss and Comprehensive Loss
(expressed in thousands of US dollars, except for per share amounts)

	Notes	For the years ended December 31, 2013	2012
Exploration and evaluation expenses:			
Administrative expenses		$ 3,535	$ 6,343
Salaries, benefits and share-based compensation		3,140	6,575
Feasibility studies		921	7,800
Surface rights		914	206
Drilling and field expenses		208	4,883
Environmental expenses		(924)	853
Depreciation		431	397
Other exploration and evaluation expenses		325	2,474
		8,550	29,531
General and administrative expenses:			
Salaries and benefits		1,686	1,913
Share-based compensation		961	1,719
Other administrative expenses		1,443	1,791
		4,090	5,423
Total expenses before other items		12,640	34,954
Other items:			
Other income	11	(132)	(264)
Finance expenses	12	353	427
Fair value change on warrant liabilities	9c	(278)	(861)
Foreign exchange (gain)/loss		(518)	915
		(575)	217
Loss and comprehensive loss for the year		$ 12,065	$ 35,171
Basic and diluted loss per share	8c	$ 0.14	$ 0.42
Weighted-average shares outstanding (thousands)		84,228	84,228

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, 2013	2012
Operating activities:			
Loss for the year		(12,065)	$ (35,171)
Adjustments for:			
Remediation expenditures	6a	(140)	(298)
Depreciation	4	451	415
Gain on disposition of assets		(13)	-
Fair value change on warrant liabilities	9c	(278)	(861)
Non-cash finance expenses	12	342	427
Share-based compensation		982	1,975
Unrealized foreign exchange (gain)/loss		(529)	334
Other non-cash income and expenses		(69)	(183)
Equity tax paid	7	(1,695)	(1,785)
Change in site restoration provision	6a	(959)	998
Change in non-cash working capital items	14b	(939)	(490)
Cash used in operating activities		(14,912)	(34,639)
Investing activities:			
Exploration and evaluation asset acquisition	5	(7)	(216)
Proceeds on disposition of assets		36	-
Purchase of property, plant and equipment	4	(1,044)	(680)
Purchase of guaranteed investment certificate		(1,935)	(12)
Redemption of guaranteed investment certificate		1,858	5,652
Interest received		70	202
Cash (used in)/generated from investing activities		(1,022)	4,947
Effect of exchange rate fluctuations on cash held		(70)	124
Decrease in cash and cash equivalents		(16,004)	(29,569)
Cash and cash equivalents, beginning of year		26,741	56,309
Cash and cash equivalents, end of year	14a	$ 10,737	$ 26,741

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		Equity reserves			
	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	-	-	1,975	-	-	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
Expiry of warrants	-	-	1,582	(1,582)	-	-
Share-based compensation	-	-	1,058	-	-	1,058
Loss and comprehensive loss	-	-	-	-	(12,065)	(12,065)
Balance, December 31, 2013	84,228	$ 234,975	$ 21,814	$ 496	$(232,708)	$ 24,577

See accompanying notes to these consolidated financial statements.

1. Nature of operations 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, 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. The Company's focus is on the development of the Angostura Project in northeastern Colombia which consists of the main Angostura deposit and five satellite prospects: Armenia, La Plata, Agua Limpia, Violetal and Móngora.

Going concern

At December 31, 2013, the Company had working capital of $6,000 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, 2013, the Company reported a comprehensive loss of $12,065 and as at December 31, 2013, had an accumulated deficit of $232,708. Cash used in operating activities for the year ended December 31, 2013 was $14,912. 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 (note 13); 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.

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 were approved by the Board of Directors and authorized for issue on March 6, 2014.

(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. Determination of functional currency involves significant judgment and other companies may make different judgments based on similar facts. The Company operates in an economic environment where the US dollar has a significant impact on its entities' operations and financial position: the Company's resources are calculated using US-dollar gold and silver prices; the majority of the Company's cash and cash equivalents is held in US dollars; a significant portion of the Company's expenses are based on the competitive international market; and the US dollar is the anticipated currency of future debt financing. 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 6)
- Measurement of liabilities for share-based payment arrangements (note 9)
- Recovery of deferred tax assets (note 3m and 10)

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 going concern (note 1)
- Determination of functional currency (note 2c)
- Recoverability of exploration and evaluation assets (note 3g and 5)

(e) 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.

(f) Reclassifications

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year. Expenses are aggregated according to the function to which they relate. Under this method, certain staff costs (2012: $269 of salaries, benefits and share-based compensation) and depreciation (2012: $397) have been reclassified from general and administrative expenses to exploration and evaluation expenses as the associated assets and personnel were employed in exploration and evaluation activities.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as outlined in note 3o.

(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 (included in other assets).

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 and amounts payable on exploration and evaluation asset acquisition.

(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 are as follows:

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

Construction in progress ("CIP") includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. CIP includes advances on long-lead items. CIP is not depreciated. Once the asset is complete and available for use, the costs of construction are transferred to the appropriate category of property, plant and equipment, and depreciation commences.

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 ("E&E") assets are classified as either tangible or intangible. Tangible assets comprise land. 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. E&E 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. For certain E&E assets of the Company, there is insufficient information about the mineral resources to estimate future cash flows and these E&E assets are allocated to CGUs for the purpose of assessing such assets for impairment.

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) Adoption of new and amended accounting standards

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 Company adopted the following new IFRS pronouncements effective January 1, 2013.

- 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 affect the Company’s financial results nor does it result in adjustments to previously-reported figures. The enhanced disclosure requirements of IFRS 13 have been incorporated in the annual consolidated financial statements for the year ended December 31, 2013. This includes 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”

(p) New accounting standards not yet adopted

Financial instruments

In November 2009, the IASB issued IFRS 9, “Financial Instruments” (“IFRS 9”) as the first phase in its project to replace IAS 39 (classification and measurement) and required 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.

(expressed in thousands of US dollars)

Requirements for financial liabilities were added to IFRS 9 in October 2010 with most of the requirements for financial liabilities carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. In July 2013, the IASB decided that a mandatory date of January 1, 2015 would not allow for sufficient time for entities to prepare to apply the standard because phase 2 of the IFRS 9 project (impairment methodology) has not yet been completed. Accordingly, the IASB decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion. In November 2013, IFRS 9 was amended to include guidance on hedge accounting (phase 3) and to allow entities to apply IFRS 9 immediately. The Company is currently assessing the impact of adopting IFRS 9 on our consolidated financial statements.

4. Property, plant and equipment

	Buildings	Field Equipment	Office Equipment	Transport	CIP[1]	Total
Cost						
At December 31, 2011	578	1,261	488	392	-	2,719
Additions	-	628	52	-	-	680
At December 31,2012	578	1,889	540	392	-	3,399
Additions	21	30	51	-	942	1,044
Disposals	-	-	-	(80)		(80)
Transfers between categories	-	99	-	-	(99)	-
At December 31, 2013	599	2,018	591	312	843	4,363
Accumulated depreciation						
At December 31, 2011	(139)	(677)	(412)	(223)	-	(1,451)
Depreciation	(31)	(263)	(49)	(73)	-	(415)
At December 31,2012	(170)	(940)	(461)	(296)	-	(1,866)
Depreciation	(34)	(322)	(54)	(41)	-	(451)
Disposals	-	-	-	58	-	58
At December 31,2013	(204)	(1,262)	(515)	(279)	-	(2,259)
Carrying amounts						
At December 31, 2012	408	949	79	96	-	1,533
At December 31, 2013	395	756	76	32	843	2,103

[1] Construction in progress (CIP) is transferred to the relevant category of property, plant and equipment once the asset is available for use.

(expressed in thousands of US dollars)

5. Exploration and evaluation assets

Certain mining titles are subject to royalties ranging from 5% - 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.

	Tangible assets	Intangible assets	Total
At December 31, 2011	11,475	6,662	18,137
Additions	252	-	252
At December 31, 2012	11,727	6,662	18,389
Additions	7	-	7
At December 31, 2013	11,734	6,662	18,396

Assessment of E&E assets for impairment involves significant judgment and other companies may make different judgments based on similar facts. The Company has determined that the facts and circumstances do not suggest that the carrying value of the Company's E&E assets may exceed its recoverable amount. In making this assessment, the Company has assumed that the contingencies and uncertainties surrounding the properties (note 13) will be favourably resolved.

6. Provisions

(a) Site restoration provision

	2013	2012
Beginning of year, current and long-term	3,118	2,259
(Decrease)/increase in liability due to changes in estimate	(1,220)	926
Liabilities incurred during the year	-	72
Remediation work performed	(140)	(298)
Unwinding of discount	158	159
End of year, current and long-term	1,916	3,118
Current portion	20	112
Long-term portion	1,896	3,006
	1,916	3,118

(expressed in thousands of US dollars)

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

	As at December 31, 2013	2012
Pre-tax risk-free discount rate	4.14 - 7.25%	4.50 - 5.84%
Inflation rate	3.00 - 3.63%	3.06 - 3.73%
Years of settlement	2018 - 2033	2013 - 2033
Anticipated closure date	Jan. 1, 2018	Jan. 1, 2014

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 year ended December 31, 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 $1,220 decrease in the site restoration provision, with the offsetting amount recorded as a $959 credit to environmental expenses and $261 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 at December 31, 2012 was reversed during the year ended December 31, 2013, with an offsetting credit recorded to environmental expenses.

7. 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. The unwinding of the discount is recorded as a finance expense.

(expressed in thousands of US dollars)

	2013	2012
Beginning of year, current and long-term	3,347	4,416
Amount paid during the year	(1,695)	(1,785)
Changes in foreign exchange rates	(247)	448
Unwinding of discount	184	268
End of year, current and long-term	1,589	3,347
Current portion	1,589	1,732
Long-term portion	-	1,615
	1,589	3,347

8. 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,	
	2013	2012
Net loss	12,065	35,171
Net loss – diluted	12,065	35,171
(thousands of common shares)		
Weighted-average number of common shares (thousands)	84,228	84,228
Effect of dilutive securities:		
Share options	-	-
Warrants	-	-
Weighted-average number of diluted common shares (thousands)	84,228	84,228
($ per common share)		
Loss per share – basic	0.14	0.42
Loss per share – diluted	0.14	0.42

(expressed in thousands of US dollars)

9. 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.

	Options (thousands)	Weighted-average exercise price (Cdn$)
Outstanding at December 31, 2011	3,699	3.77
Granted	2,353	2.09
Exercised	-	-
Forfeited	(886)	3.46
Expired	(239)	6.60
Outstanding at December 31, 2012	4,927	2.89
Granted	2,100	0.73
Exercised	-	
Forfeited	(1,600)	3.19
Expired	(175)	4.71
Outstanding at December 31, 2013	5,252	1.88
Exercisable at December 31, 2013	3,709	2.09

	Options (thousands)	Average life (years)
0.52 - 3.00	3,950	3.9
3.01 - 5.00	1,302	2.4

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:

(expressed in thousands of US dollars)

	As at December 31,	
	2013	2012
Risk-free interest rate	1.27%	1.43%
Expected life	5 years	5 years
Expected stock price volatility	102.1%	88.6%
Expected dividends	nil	nil
Share price	Cdn$0.71	Cdn$1.86
Grant date fair value	Cdn$0.53	Cdn$1.24

(b) Share appreciation rights

During 2013, the Company terminated and then entered into two new 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 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. During 2013, 350,000 of these SARs expired. With respect to the remaining 400,000 SARs, if there is an issuance of an environmental licence on or before June 30, 2015, the consultants may exercise 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.

During 2012, the Company granted 1,000,000 share appreciation rights 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.

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:

(expressed in thousands of US dollars)

	As at December 31, 2013	2012
Risk-free interest rate	1.07%	1.10%
Expected life	2-3 years	3 years
Annualized volatility	111.7%	97.3%
Expected dividends	nil	nil
Share price	Cdn$0.48	Cdn$0.72

As at December 31, 2013, the Company believes that it is more likely than not that the various vesting conditions of all the outstanding SARs will not be met and, as such, there are no liabilities recognized in its financial statements.

(c) Share purchase warrants

	Number of warrants (thousands)		
Expiry date	Warrant liabilities	Equity reserves	Exercise price (Cdn$)
2014	2,467	95	2.47–4.17
2015	-	35	3.69
2016	-	64	5.65–7.10
	2,467	194	2.47–7.10

Warrant liabilities:	2013	2012
Beginning of year	301	1,168
Change in fair value	(278)	(861)
Change in foreign exchange	(23)	(6)
End of year	-	301

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:

	2013	2012
Risk-free interest rate	1.07%	1.10%
Expected life	4 years	4 years
Annualized volatility	100.6%	111.0%
Expected dividends	Nil	Nil
Share price	Cdn$0.48	Cdn$0.72

(expressed in thousands of US dollars)

10. 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 25.75% (2012 – 25.0%) to pre-tax loss as follows:

	2013	2012
Loss before income taxes	(12,065)	(35,171)
Income tax recovery at statutory rates	(3,107)	(8,793)
Fair value change on warrant liabilities not subject to tax	(72)	(215)
Share-based compensation and other permanent differences	(14)	662
Future tax rate differences	(2,363)	-
	(5,556)	(8,346)
Deferred tax assets not recognized	5,556	8,346
Income tax recovery	-	-

As of April 1, 20132, the applicable income tax rate in Canada was increased from 25.0% to 26.0% due to changes in the B.C. corporate tax rate. The change in tax rate has no income tax impact because of the unrecognized deductible temporary differences disclosed below.

As the Company does not have any present sources of gold production or taxable income, it determined that it is more likely than not that a deferred tax asset will not be realized and the Company has not recognized it in its financial statements. Deductible temporary differences, unused tax losses and unused credits for which no deferred tax assets have been recognized are attributable to the following:

	2013	2012
Capital assets and E&E assets	201,080	191,302
Losses carried forward	40,222	35,433
Equity tax liability	1,589	3,347
Site restoration provision	1,916	3,118
Share issuance costs	515	1,052
	245,322	234,252

At December 31, 2013, the Company has Canadian capital losses of approximately $515 (2012 - $2,097) that are without expiry and Canadian operating losses of approximately $39,707 expiring between 2014 and 2033.

(expressed in thousands of US dollars)

11. Other income

	Year ended December 31, 2013	2012
Interest income	91	218
Other income	41	46
	132	264

12. Finance expenses

	Year ended December 31, 2013	2012
Unwinding of discount on site restoration provision	158	159
Unwinding of discount on equity tax payable	184	268
Bank charges	11	-
Total finance expenses	353	427

13. Commitments and contingencies

a) Commitments

The following is a schedule of the Company's commitments as at December 31, 2013:

	2014	2015	2016	2017	2018	2019 and thereafter
Consulting and contract services	277	-	-	-	-	-
Operating leases	146	14	-	-	-	-
	423	14	-	-	-	-

b) Contingencies

Ninth Circuit Administrative Court Order

In July 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.

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. In October 2013, the Company filed a motion with the Judicial District Tribunal Superior Court of Bucaramanga for annulment of the arbitration panels' decision regarding the La Plata mining title assignment 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 Assignment Agreement. In February 2014, a decision was rendered by the Court with respect to the motion for annulment and the Company was not successful (note 17).

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. The Company expects the arbitration panel to be constituted and arbitral proceeding to commence early in 2014. 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

Under the terms of an agreement with a consultant who provides research, political and public relations advisory services, 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.

c) Uncertainties

Páramo ecosystem boundaries

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, based on the IAvH definition of páramo elevations in its Atlas of Páramos, the Angostura Project does not lie within the páramo. 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.

(expressed in thousands of US dollars)

Environmental licence

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 licence 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.

14. Supplementary cash flow information

(a) Cash and cash equivalents

	December 31, 2013	December 31, 2012
Cash	9,762	23,892
Short-term deposits	975	2,849
	10,737	26,741

(b) Other items

	Year ended December 31,	
	2013	2012
Change in non-cash working capital		
Other assets	815	(5)
Trade and other payables	(1,754)	(485)
	(939)	(490)
Non-cash investing and financing activities		
Change in warrants' value due to expiry date extension	-	36

15. 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.

(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 and warrant liabilities. The Company currently does not have any financial instruments that are significantly impacted by commodity price risk.

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:

	2013		2012	
	US$	Colombian peso (millions)	US$	Colombian peso (millions)
Cash and cash equivalents	68	131	350	619
Accounts receivable	3	5	15	26
Trade and other payables	(2,115)	(4,076)	(3,588)	(6,344)
Amounts payable on E&E asset acquisition	(1,116)	(2,150)	(1,216)	(2,150)
	(3,160)	(6,089)	(4,439)	(7,849)

As at December 31, 2013, 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 $316.

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

	2013		2012	
	US$	Cdn$ (000s)	US$	Cdn$ (000s)
Cash and cash equivalents	1,023	1,088	4,054	4,033
Guaranteed investment certificate	87	93	-	-
Trade and other payables	(57)	(61)	(411)	(409)
	1,053	1,120	3,778	3,758

As at December 31, 2013, 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 $105.

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 cash and cash equivalents and guaranteed investment certificates earn interest at various short-term rates. The Company's future interest income is exposed to changes in these short-term rates. Based on the total of the Company's cash and cash equivalents and guaranteed investment certificates of $10,824 as at December 31, 2013, an increase or decrease in the annual interest rate of 1% would result in a corresponding increase or decrease of annual interest income by $108.

(b) Credit risk

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

The Company's cash and cash equivalents 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.

The total cash and cash equivalents, guaranteed investment certificates and accounts receivable (included in other assets) represent the maximum credit exposure. The Company limits its credit risk exposure by holding cash and cash equivalents and guaranteed investment certificates with reputable financial institutions with high credit ratings. The Company's accounts receivable balance is not significant and does to represent significant credit exposure.

(c) Liquidity risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances to meet short and long term business requirements. 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, 2013, all of the Company's other financial liabilities have maturities less than one year.

(d) Fair value measurements

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

(expressed in thousands of US dollars)

	December 31, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables:				
Cash and equivalents	10,737	10,737	26,741	26,741
Guaranteed investment certificates	87	87	46	46
Accounts receivable	3	3	15	15
Financial liabilities				
Other financial liabilities:				
Trade and other payables	2,165	2,165	3,919	3,919
Amounts payable on E&E asset acquisition	1,116	1,116	1,216	1,216
Fair value through profit and loss (FVTPL):				
Share appreciation rights liabilities	-	-	79	79
Warrant liabilities	-	-	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 3 – Unobservable (supported by little or no market activity) prices.

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Financial liabilities designated as FVTPL:				
Share appreciation rights liabilities			-	-
Warrant liabilities			-	-
			-	-
December 31, 2012				
Financial liabilities designated as FVTPL:				
Share appreciation rights liabilities			79	79
Warrant liabilities			301	301
			308	308

(expressed in thousands of US dollars)

(e) 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.

16. Related parties

a) Subsidiaries

	Ownership interest at December 31,	
	2013	2012
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.

	Year ended December 31,	
	2013	2012
Salaries, benefits and directors' fees	1,254	1,437
Share-based compensation	1,000	1,791
	2,254	3,228

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 12 to 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.

(expressed in thousands of US dollars)

Furthermore, in the event of a sale of the Company transaction, an officer is entitled to a one-time bonus amount equal to 1% of any incremental value between the market capitalization of the Company at closing and that on the trading day immediately prior to July 1, 2012. Sale of the Company transaction means any of the following transactions approved by the Board and/or the shareholders of the Company: (1) any change of the holding of the voting securities of the Company whereby as a result of such change a person (not affiliated or associated with the Company within the meaning of applicable securities legislation or securities regulatory instruments) or a group of persons (none of which are affiliated or associated with the Company) acting in concert, hold or control, directly or indirectly, by or for the benefit of such person or persons, voting securities of the Company carrying more than 50% of the votes for the election of directors whether such change in the holding or control of such securities occurs by way of reorganization, recapitalization, consolidation, amalgamation, arrangement, merger, transfer, acquisition or otherwise; (2) the acquisition by a person (not affiliated or associated with the Company) or a group of persons (none of which are affiliated or associated with the Company) acting in concert, pursuant to a take-over bid, as defined in applicable securities legislation or securities regulatory instruments, of voting securities of the Company that, together with the voting securities of the Company already beneficially owned by such person or group, constitute 50% or more of the outstanding voting securities of the Company; (3) the sale or other disposition, whether by way of purchase, joint venture, exchange or otherwise, to any person (not affiliated or associated with the Company) or a group of persons (none of which are affiliated or associated with the Company) acting in concert, of assets of the Company, or interests therein, having a value greater than 50% of the fair market value of the assets of the Company and any subsidiaries on a consolidated basis determined as at the date of the entering into of the transaction; or (4) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its affiliates and another corporation or other entity as a result of which the holders of voting securities of the Company prior to the completion of the transaction hold less than 50% of the outstanding shares of the successor corporation after completion of the transaction.

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

	Year ended December 31,	
	2013	2012
Fintec Holdings Corp.		
Director's fees	38	60
Salaries and benefits	-	188
	38	248
Quantum Advisory Partners LLP		
Salaries	16	199

Fintec Holdings Corp. is a company owned by a director and, until June 30, 2012, the Company's Interim President & Chief Executive Officer.

Quantum Advisory Partners LLP is a partnership whose incorporated partner was the Company's Chief Financial Officer until January 2013.

There was $4 payable to one director as at December 31, 2013 (2012 - $15).

17. Subsequent event

In February 2014, a decision was rendered with respect to the motion filed with the Judicial District Tribunal Superior Court by the Company for annulment of the arbitration panels' September 2013 decision regarding the La Plata mining title assignment. The Company was not successful in having the arbitration final ruling annulled by the Judicial District Tribunal Superior Court. The Company plans to file an action (Acción de Tutela) seeking the revocation of the decisions of the arbitration panel and Judicial District Tribunal Superior Court. While the Company believes the probability of a favorable decision in this action is more likely than not, the Company has determined that it is too early to predict the outcome of the action or the ultimate impact to the Company's rights with respect to the La Plata property. As Colombia's National Mining Agency has rejected the vendors' request to register the arbitration final ruling in order to obtain the cancellation of the partial assignment agreements of the 75% the property, the Company remains the registered owner of the entire La Plata property.