# ECO ORO MINERALS CORP.

## Consolidated Financial Statements

### Year Ended December 31, 2014

# Independent Auditor's Report

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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, 2014 and December 31, 2013 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Eco Oro Minerals Corp. as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

## Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 and Note 12 in the consolidated financial statements which describe that the Company has incurred cumulative losses of $242.0 million as at December 31, 2014, has reported a net loss of $9.2 million during the year ended December 31, 2014, 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 12 indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Grant Thornton LLP

Vancouver, Canada
March 26, 2015

Chartered Accountants

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

| ***As at*** | | **December 31, 2014** | | December 31, 2013 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | **$** | **2,346** | $ | 10,737 |
| Guaranteed investment certificate | | **30** | | 87 |
| Accounts receivable | | **3** | | 3 |
| Other assets | | **116** | | 63 |
| | | **2,495** | | 10,890 |
| **Non-current assets** | | | | |
| Property, plant and equipment (note 4) | | **1,884** | | 2,103 |
| Exploration and evaluation assets (note 5) | | **18,417** | | 18,396 |
| | | **20,301** | | 20,499 |
| **TOTAL ASSETS** | **$** | **22,796** | $ | 31,389 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | **$** | **1,220** | $ | 2,165 |
| Amounts payable on exploration and evaluation asset acquisition | | **915** | | 1,116 |
| Site restoration provision (current) (note 6) | | **585** | | 20 |
| Equity tax liability (current) (note 7) | | **-** | | 1,589 |
| | | **2,720** | | 4,890 |
| **Non-current liabilities** | | | | |
| Long-term employee benefits | | **21** | | 26 |
| Site restoration provision (long-term) (note 6) | | **4,366** | | 1,896 |
| | | **4,387** | | 1,922 |
| **TOTAL LIABILITIES** | | **7,107** | | 6,812 |
| **EQUITY** | | | | |
| Share capital (note 8) | **$** | **234,975** | $ | 234,975 |
| Equity reserve | | **22,667** | | 22,310 |
| Deficit | | **(241,953)** | | (232,708) |
| **TOTAL EQUITY** | | **15,689** | | 24,577 |
| **TOTAL EQUITY AND LIABILITIES** | **$** | **22,796** | $ | 31,389 |

*Commitments and contingencies (notes 12)*
*Subsequent events (notes 7 and 17)*

*The accompanying notes are an integral part of these consolidated financial statements.*

**Eco Oro Minerals Corp.**
**Consolidated Statements of Loss and Comprehensive Loss**
**(Expressed in thousands of US dollars)**

| | For the years ended December 31, 2014 | December 31, 2013 |
|---|---|---|
| **Exploration and evaluation expenses:** | | |
| Administrative expenses | $ 740 | $ 3,535 |
| Salaries, benefits and share-based compensation | 2,145 | 3,140 |
| Feasibility studies | (307) | 921 |
| Surface rights | 574 | 914 |
| Drilling and field expenses | (117) | 208 |
| Environmental expenses | 4,650 | (924) |
| Depreciation | 432 | 431 |
| Other exploration and evaluation expenses | 44 | 325 |
| | 8,161 | 8,550 |
| **General and administrative expenses:** | | |
| Salaries and benefits | 832 | 1,686 |
| Share-based compensation | 357 | 961 |
| Other administrative expenses | 1,006 | 1,443 |
| | 2,195 | 4,090 |
| **Total expenses before other items** | 10,356 | 12,640 |
| **Other items** | | |
| Other income (note 10) | (71) | (132) |
| Finance cost (note 11) | 292 | 353 |
| Fair value of change on warrant liabilities | - | (278) |
| Foreign exchange gain | (1,353) | (518) |
| Loss on disposal of property, plant and equipment | 22 | - |
| Gain on disposition of subsidiaries (note 15) | (1) | - |
| | (1,111) | (575) |
| **TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE YEAR** | $ 9,245 | $ 12,065 |
| **Basic and diluted loss per share for the period attributable to common shareholders ($ per common share) (warrants and options not included as the impact would be anti-dilutive)** | $ 0.11 | $ 0.14 |
| **Weighted average number of common shares outstanding** | 84,228 | 84,228 |

*The accompanying notes are an integral part of these consolidated financial statements.*

**Eco Oro Minerals Corp.**
**Consolidated Statements of Cash Flows**
**(Expressed in thousands of US dollars)**

| | For the years ended | |
|---|---|---|
| | **December 31, 2014** | December 31, 2013 |
| **Cash flows provided from (used by):** | | |
| **OPERATING ACTIVITIES** | | |
| **Net loss for the year** | **$ (9,245)** | $ (12,065) |
| **Adjustments for:** | | |
| Remediation expenditures | **(24)** | (140) |
| Depreciation | **432** | 451 |
| Loss (gain) on disposal of property and equipment | **22** | (13) |
| Gain on disposition of subsidiaries | **(1)** | - |
| Fair value change on warrant liabilities | **-** | (278) |
| Non-cash finance expenses | **274** | 342 |
| Share-based compensation | **357** | 982 |
| Unrealized foreign exchange gain | **(1,377)** | (529) |
| Other non-cash income and expenses | **(29)** | (69) |
| Equity tax paid | **(1,606)** | (1,695) |
| Change in site restoration provision | **3,822** | (959) |
| Change in non-cash working capital items (note 13) | **(762)** | (939) |
| **Net cash flows used in operating activities** | **(8,137)** | (14,912) |
| | | |
| **INVESTING ACTIVITIES** | | |
| Exploration and evaluation asset acquisition | **(21)** | (7) |
| Proceeds on disposition of assets | **-** | 36 |
| Purchase of property, plant and equipment | **(235)** | (1,044) |
| Purchase of guaranteed investment certificate | **-** | (1,935) |
| Redemption of guaranteed investment certificate | **53** | 1,858 |
| Interest received | **29** | 70 |
| **Net cash flows used in investing activities** | **(174)** | (1,022) |
| | | |
| **Effects of exchange rate changes on cash and cash equivalents** | **(80)** | (70) |
| | | |
| **Net decrease in cash** | **(8,391)** | (16,004) |
| **Cash and cash equivalents, beginning of year** | **10,737** | 26,741 |
| **Cash and cash equivalents, end of year (note 13)** | **$ 2,346** | $ 10,737 |

*The accompanying notes are an integral part of 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 ('000) | Amount | Contributed Surplus | Warrants | Total | Accumulated deficit | Total |
| **Balance at December 31, 2012** | **84,228** | **$ 234,975** | **$ 19,174** | **$ 2,078** | **$ 21,252** | **$ (220,643)** | **$ 35,584** |
| Reclassification of grant-date fair value on expired or cancelled warrants | - | - | 1,582 | (1,582) | - | - | **-** |
| Share-based payments | - | - | 1,058 | - | 1,058 | - | **1,058** |
| Net loss for the year | - | - | - | - | - | (12,065) | **(12,065)** |
| **Balance at December 31, 2013** | **84,228** | **$ 234,975** | **$ 21,814** | **$ 496** | **$ 22,310** | **$ (232,708)** | **$ 24,577** |
| | | | | | | | |
| **Balance at December 31, 2013** | **84,228** | **$ 234,975** | **$ 21,814** | **$ 496** | **$ 22,310** | **$ (232,708)** | **$ 24,577** |
| Reclassification of grant-date fair value on expired or cancelled warrants | - | - | 218 | (218) | - | - | **-** |
| Share-based payments | - | - | 357 | - | 357 | - | **357** |
| Net loss for the year | - | - | - | - | - | (9,245) | **(9,245)** |
| **Balance at December 31, 2014** | **84,228** | **$ 234,975** | **$ 22,389** | **$ 278** | **$ 22,667** | **$ (241,953)** | **$ 15,689** |

*The accompanying notes are an integral part of 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 300-1055 W. Hastings St. Vancouver, British Columbia V6E 2E9. The consolidated financial statements of the Company as at and for the year ended December 31, 2014 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, 2014, the Company had working capital deficiency of $225 and had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended December 31, 2014, the Company reported a comprehensive loss of $9,245 and as at December 31, 2014, had an accumulated deficit of $241,953. Cash used in operating activities for the year ended December 31, 2014 was $8,137. 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 12); 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

***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 26, 2015.

***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.

## 2. BASIS OF PREPARATION (CONTINUED)

***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.

***Use of estimates and judgments***

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, 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)***
  The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine or exploration property. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- ***Measurement of liabilities for share-based payment arrangements (note 9)***
  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- ***Recovery of deferred tax assets (note 3m and 16)***
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement.

## 2. BASIS OF PREPARATION (CONTINUED)

***Use of estimates and judgments (continued)***

Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Critical judgments 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)***
  The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

- ***Determination of functional currency***
  In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company and its subsidiaries is the United States dollar, as this is the currency of the primary economic environment in which the Company operates.

- ***Recoverability of exploration and evaluation assets (note 3g and 5)***
  While assessing whether any indications of impairment exist for evaluation and exploration assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of evaluation and exploration assets. Internal sources of information include the manner in which evaluation and exploration assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's evaluation and exploration assets.

***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.

## 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 3p.

### 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 original 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### d. Financial instruments (continued)

*Loans and receivables*

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

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

*Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Liabilities in this category include trade and other payables 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 and accumulated impairment losses. 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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*

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. For exploration and evaluation assets (and tangible assets related thereto such as plant and equipment), the Company considers the following indicators of impairment: (i) whether the period for which the Company has the right to explore has expired in the period or will expire in the near future, and is not expected to be renewed; (ii) substantive expenditures on further exploration for and evaluation of mineral resources is neither budgeted nor planned; (iii) exploration and evaluation have not led to the discovery of commercially viable mineral resources and activities are to be discontinued; (iv) sufficient data exists to indicate that, although a development in the area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development of by sale; and (v) other factors that may be applicable such as a significant drop in metal prices or deterioration in the availability of equity financing. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### g. Impairment (continued)

Recoverable amount is the higher of fair value less costs to dispose, and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

An impairment loss recognized in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 at the acquisition date 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 payments 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### m. Income taxes (continued)

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, 2014.

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

- Offsetting Financial Assets and Liabilities (Amendments to IAS 32)

  The standard amends the presentation to provide clarifications on the application of the offsetting rules which focused on four main areas:

  i. the meaning of "currently has a legally enforceable right of set-off",
  ii. the application of simultaneous realization and settlement,
  iii. the offsetting of collateral amounts, and
  iv. the unit of account for applying the offsetting requirements.

- IFRIC 21 – Levies

  This standard clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### p. New accounting standards not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2015. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact:

- The IASB issued amendments to IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets to address depreciation and amortization methods which are based on revenue. The amendment to IAS 16 prohibits the use of a revenue-based depreciation method as this reflects a pattern other than the consumption of economic benefits consumed through the use of the asset. The amendment to IAS 18 introduce a rebuttable presumption that a revenue based amortization method for intangible assets is in appropriate. This presumption can be overcome only if the intangible asset is expressed as a measure of revenue or it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2016. Early application of this standard is permitted.

- Amendments to IFRS 11 Joint arrangements provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 Business Combinations and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance. The amendment is effective for annual reporting periods beginning on or after January 1, 2016.

- IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue and IAS 11 Construction Contracts. The new standard provides guidance on whether revenue is to be recognized over time or at a point in time, and expands and improves disclosures about revenue. The standard does not apply to certain contracts such as lease, insurance, financing arrangements, and guarantees other than product warranties. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2017. Early application of this standard is permitted.

- IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 has also been amended not to require the restatement of comparative period financial statements for the initial application of the classification and measuring requirements of IFRS 9, but instead requires modified disclosures on transition to IFRS 9. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018. Early application of this standard is permitted.

**(Expressed in thousands of US dollars)**

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Field Equipment | Office Equipment | Transport | CIP | Total |
|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | |
| As at December 31, 2013 | $ 599 | $ 2,018 | $ 591 | $ 312 | $ 843 | **$ 4,363** |
| Additions | - | - | - | - | 235 | **235** |
| Disposals | - | - | (10) | (42) | - | **(52)** |
| Transfer between categories | 1,064 | 6 | - | - | (1,070) | **-** |
| **Balance as at December 31, 2014** | **$ 1,663** | **$ 2,024** | **$ 581** | **$ 270** | **$ 8** | **$ 4,546** |
| ***Depreciation*** | | | | | | |
| As at December 31, 2013 | $ (204) | $ (1,262) | $ (515) | $ (279) | $ - | **$ (2,260)** |
| Charged for the year | (64) | (296) | (59) | (13) | - | **(432)** |
| Eliminated on disposal | - | - | 10 | 20 | - | **30** |
| **Balance as at December 31, 2014** | **$ (268)** | **$ (1,558)** | **$ (564)** | **$ (272)** | **$ -** | **$ (2,662)** |
| ***Net book value*** | | | | | | |
| As at December 31, 2013 | $ 395 | $ 756 | $ 76 | $ 33 | $ 843 | $ 2,103 |
| **As at December 31, 2014** | **$ 1,395** | **$ 466** | **$ 17** | **$ (2)** | **$ 8** | **$ 1,884** |

| | Buildings | Field Equipment | Office Equipment | Transport | CIP | Total |
|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | |
| As at December 31, 2012 | $ 578 | $ 1,889 | $ 540 | $ 392 | $ - | **$ 3,399** |
| Additions | 21 | 30 | 51 | - | 942 | **1,044** |
| Disposals | - | - | - | (80) | - | **(80)** |
| Transfer between categories | - | 99 | - | - | (99) | **-** |
| **Balance as at December 31, 2013** | **$ 599** | **$ 2,018** | **$ 591** | **$ 312** | **$ 843** | **$ 4,363** |
| ***Depreciation*** | | | | | | |
| As at December 31, 2012 | $ (170) | $ (940) | $ (461) | $ (296) | $ - | **$ (1,867)** |
| Charged for the year | (34) | (322) | (54) | (41) | - | **(451)** |
| Eliminated on disposal | - | - | - | 58 | - | **58** |
| **Balance as at December 31, 2013** | **$ (204)** | **$ (1,262)** | **$ (515)** | **$ (279)** | **$ -** | **$ (2,260)** |
| ***Net book value*** | | | | | | |
| As at December 31, 2012 | $ 408 | $ 949 | $ 79 | $ 96 | $ - | $ 1,532 |
| **As at December 31, 2013** | **$ 395** | **$ 756** | **$ 76** | **$ 33** | **$ 843** | **$ 2,103** |

**(Expressed in thousands of US dollars)**

## 5. EXPLORATION AND EVALUATION ASSETS

The Company's focus is on the development of the Angostura Project in northeastern Colombia which consists of the main Angostura deposit (note 12) and five satellite prospects: Armenia, La Plata, Agua Limpia, Violetal and Móngora.

| | Tangible assets | Intangible assets | Total |
|---|---|---|---|
| **As at December 31, 2012** | $ 11,727 | $ 6,662 | **$ 18,389** |
| Additions | 7 | - | **7** |
| **Balance as at December 31, 2013** | **$ 11,734** | **$ 6,662** | **$ 18,396** |
| Additions | 21 | - | **21** |
| **Balance as at December 31, 2014** | **$ 11,755** | **$ 6,662** | **$ 18,417** |

## 6. PROVISIONS

| | **December 31, 2014** | December 31, 2013 |
|---|---|---|
| **Beginning of year, current and long-term** | **$ 1,916** | $ 3,118 |
| Increase (decrease) in liability due to changes in estimate | **3,822** | (959) |
| Remediation work performed | **(24)** | (140) |
| Unwinding of discount | **214** | 158 |
| Changes in foreign exchange rates | **(977)** | (261) |
| **End of year, current and long-term** | **$ 4,951** | $ 1,916 |
| | | |
| Current portion | **$ 585** | $ 20 |
| Long-term portion | **4,366** | 1,896 |
| | **$ 4,951** | $ 1,916 |

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

| | **For the years ended** | |
|---|---|---|
| | **December 31, 2014** | **December 31, 2013** |
| Pre-tax risk-free discount rate | 4.90 – 7.61% | 4.14 - 7.25% |
| Inflation rate | 2.90 – 3.10% | 3.00 - 3.63% |
| Years of settlement | 2018 - 2034 | 2018 - 2033 |
| Anticipated closure date | January 1, 2018 | January 1, 2018 |

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, 2014, there were changes in the extent of the required rehabilitation activities, timing of these activities, changes in discount rates and foreign exchange rate.

**(Expressed in thousands of US dollars)**

## 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.

| | | **December 31, 2014** | | December 31, 2013 |
|---|---|---|---|---|
| **Beginning of year, current and long-term** | **$** | **1,589** | $ | 3,347 |
| Amount paid during the year | | **(1,606)** | | (1,695) |
| Changes in foreign exchange rates | | **(43)** | | (247) |
| Unwinding of discount | | **60** | | 184 |
| **End of year, current and long-term** | **$** | **-** | $ | 1,589 |
| | | | | |
| Current portion | **$** | **-** | $ | 1,589 |
| Long-term portion | | **-** | | - |
| | **$** | **-** | $ | 1,589 |

Effective January 1, 2015, the Colombian government imposed a new wealth tax on all Colombian entities for 2015 to 2018 at a maximum rate of 1.15% for 2015; 1% for 2016; 0.4% for 2017 and 0% for 2018. The wealth tax is based on the Colombian entity's net equity position at the beginning of each year with 25% minimum and maximum change in the net equity from the prior year. Amounts are payable and will be accounted for as an expense for the year (refer to Note 12).

## 8. EQUITY

### Share capital

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

### 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.

## 9. SHARE-BASED PAYEMENT ARRANGEMENTS

### 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.

| | **December 31, 2014** | | December 31, 2013 | |
|---|---|---|---|---|
| | **Number outstanding (in thousands)** | **Weighted average exercise price (Cdn $)** | Number outstanding (in thousands) | Weighted average exercise price (Cdn $) |
| Outstanding, beginning of year | **5,252** | **$ 1.88** | 4,927 | $ 2.89 |
| Granted | **2,195** | **0.30** | 2,100 | 0.73 |
| Forfeited | **(2,239)** | **1.52** | (1,600) | 3.19 |
| Expired | **(65)** | **3.60** | (175) | 4.71 |
| Outstanding, end of year | **5,143** | **$ 1.35** | 5,252 | $ 1.88 |

The following summarizes information about stock options outstanding and exercisable at December 31, 2014:

| **Expiry date** | **Options outstanding** | **Options exercisable** | **Exercise price (Cdn$)** | **Weighted average remaining contractual life (in years)** |
|---|---|---|---|---|
| 2015/05/17 | 88 | 88 | $ 3.900 | 0.38 |
| 2020/09/21 | 15 | 15 | 3.920 | 5.73 |
| 2016/06/03 | 700 | 700 | 3.270 | 1.42 |
| 2016/09/06 | 180 | 180 | 3.270 | 1.68 |
| 2016/09/15 | 100 | 100 | 3.270 | 1.71 |
| 2016/11/16 | 100 | 100 | 3.270 | 1.88 |
| 2017/04/27 | 505 | 437 | 2.410 | 2.32 |
| 2017/07/01 | 50 | 50 | 1.740 | 2.50 |
| 2017/10/09 | 240 | 240 | 0.870 | 2.78 |
| 2018/05/10 | 845 | 682 | 0.820 | 3.36 |
| 2018/07/12 | 450 | 450 | 0.520 | 3.53 |
| 2019/06/01 | 1,520 | 1,107 | 0.275 | 4.42 |
| 2019/07/09 | 50 | 50 | 0.255 | 4.52 |
| 2019/09/08 | 300 | 300 | 0.255 | 4.69 |
| | **5,143** | **4,499** | | **3.21** |

**(Expressed in thousands of US dollars)**

## 9. SHARE-BASED PAYEMENT ARRANGEMENTS (CONTINUED)

### Stock option plan (continued)

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:

| | For the year ended | | | |
|---|---|---|---|---|
| | December 31, 2014 | | December 31, 2013 | |
| Risk-free interest rate | | 1.32% | | 1.27% |
| Expected annual volatility | | 88.32% | | 102.10% |
| Expected life (in years) | | 5.00 | | 5.00 |
| Expected dividend yield | | 0% | | 0% |
| Share price ($ per share) | Cdn$ | 0.30 | Cdn$ | 0.71 |
| Weighted average grant date fair value per option ($ per option) | Cdn$ | 0.21 | Cdn$ | 0.53 |

### Share appreciation rights

During the year ended December 31, 2014, the Company entered into an agreement with an officer of the Company to amend the expiry date of his employment agreement. As a result of this amendment, 1,000,000 share appreciation rights with an exercise price of Cdn$ 1.74 per share expired.

During the year ended December 31, 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 SARs, exercisable any time after the Company receives an environmental license for its Angostura underground project and before June 1, 2014, were cancelled. Two additional consulting agreements were entered into during the year ended December 31, 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 license 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 license and before June 30, 2015. If the date of the issuance of the environmental license 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 license.

As at December 31, 2014, the Company believes that it is more likely than not that the vesting conditions of the 400,000 outstanding SARs will not be met and, as such, there are no liabilities recognized in its financial statements.

**(Expressed in thousands of US dollars)**

## 9. SHARE-BASED PAYEMENT ARRANGEMENTS (CONTINUED)

### Share purchase warrants

The following summarizes information about shares purchase warrants outstanding and exercisable at December 31, 2014:

| Expiry date | Warrants outstanding | | Exercise price ($ per warrant) | Weighted average remaining contractual life (in years) |
|---|---|---|---|---|
| January 20, 2015 | 20 | Cdn$ | 3.69 | 0.05 |
| January 20, 2015 | 15 | Cdn$ | 3.69 | 0.05 |
| January 11, 2016 | 40 | Cdn$ | 7.10 | 1.03 |
| January 14, 2016 | 4 | Cdn$ | 6.75 | 1.04 |
| February 18, 2016 | 20 | Cdn$ | 5.65 | 1.13 |
| | **99** | | | **0.71** |

## 10. OTHER INCOME

| | | **December 31, 2014** | | December 31, 2013 |
|---|---|---|---|---|
| Interest income | **$** | **30** | $ | 91 |
| Other income | | **41** | | 41 |
| | **$** | **71** | $ | 132 |

## 11. FINANCE COST

| | | **December 31, 2014** | | December 31, 2013 |
|---|---|---|---|---|
| Unwinding of discount on site restoration provision | **$** | **214** | $ | 158 |
| Unwinding of discount on equity tax payable | | **60** | | 184 |
| Bank charges | | **18** | | 11 |
| | **$** | **292** | $ | 353 |

**(Expressed in thousands of US dollars)**

## 12. COMMITMENTS AND CONTINGENCIES

### Commitments

The following is a schedule of the Company's commitments as at December 31, 2014:

| | | Total | | 2015 | | 2016 | | 2017 | | 2018 | | 2019 and thereafter |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating leases | $ | 11 | $ | 11 | $ | - | $ | - | $ | - | $ | - |
| Site restoration provision [(1)] | | 6,262 | | 611 | | 370 | | 579 | | 1,439 | | 3,263 |
| Wealth tax [(2)] | | 165 | | 77 | | 63 | | 25 | | - | | - |
| | **$** | **6,438** | **$** | **699** | **$** | **433** | **$** | **604** | **$** | **1,439** | **$** | **3,263** |

1) Represents the undiscounted cash flow.

2) Represents the estimated wealth tax payments based on the Company's net equity position as at December 31, 2014.

### Contingencies

*La Plata Mining Title Assignment*

In February 2012, the Company received notice that Sociedad Minera La Plata Ltda. ("SMLPL") was seeking an arbitration pursuant to the arbitration clause contained in the mining title assignment agreement (the "La Plata Assignment Agreement") pursuant to which the Company acquired its La Plata property from SMLPL. An arbitration panel was constituted and there were ten hearings between December 2012 and July 2013. The arbitration panel rendered their decision in September 2013 finding that the two year statute of limitations applied to the La Plata Assignment Agreement and the first of three subordinate partial assignment agreements, in respect of 25% of the property, and found in favour of the Company in that regard. However, the arbitration panel found that the statute of limitations did not apply to the second and third subordinate partial assignment agreements (the "Annulled Agreements"), in respect of 75% of the property, and declared a relative nullity in respect of these agreements with respect to the amounts greater than 500,000 Colombian pesos. The panel ordered SMLPL to pay the Company 1,677,500,686 Colombian pesos, which relates to the amount paid to SMLPL by the Company under each of the Annulled Agreements (less 500,000 Colombian pesos X 2), within thirty days of the decision becoming firm. The arbitration panel recognized in its decision that it lacked the power to order the relevant Colombian authorities to annul the administrative acts relating to the property and related environmental management plan registered in the name of the Company. The La Plata property and related environmental management plan remain in the name of the Company.

In October 2013, the Company filed with the Judicial District Tribunal Superior Court of Bucaramanga a motion for annulment of the arbitration panels' decision on the basis, among other things, that: the arbitration tribunal 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 the Annulled Agreements as they were subordinate to the La Plata Assignment Agreement. In February 2014, the Company was notified of the decision rendered by the Judicial District Tribunal Superior Court with respect to the motion for annulment and the Company was not successful. In August 2014, the Company filed with the Supreme Court an action (Acción de Tutela or "Tutela Action") seeking the revocation of the decisions of the arbitration panel and Judicial District Tribunal Superior Court. In September 2014, the Company was notified of the decision rendered by the Supreme Court in the Tutela Action and the Company was not successful. This decision was appealed to the Supreme Court and, in November 2014, the Company was notified of the decision rendered by the Supreme Court in the appeal and the Company was not successful.

## 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

*La Plata Mining Title Assignment (continued)*

In any event, as Colombia's National Mining Agency has rejected SMLPL's request to register the decision of the arbitration and cancel registration of the Annulled Agreements, the Company remains the registered owner of the entire La Plata property. Furthermore, as the La Plata Assignment Agreement (and the first of three subordinate partial assignment agreements) remains valid, if necessary, the Company may commence a legal action against SMLPL to require SMLPL to comply with its obligations thereunder, including the obligation to legally assign the remaining portion of the La Plata property, which was the subject of the Annulled Agreements, to the Company.

*Angostura Mining Title Assignment*

In August 2013, the Company was served with notice of arbitration proceedings in the Chamber of Commerce of the City of Bogota initiated by Sociedad Mina Los Diamantes Ltda. and Crisanto Peña Gelvez ("SMLDL and Gelvez"). These proceedings follow the decision of the Eighth Civil Circuit Court of the City of Bucaramanga, which decision was upheld on appeal by the Superior Tribunal in July 2013, that the ordinary courts lacked jurisdiction. Pursuant to these proceedings, SMLDL and Gelvez are seeking the annulment of the 1994 assignment and sale agreement (the "Permit 3452 Assignment Agreement") pursuant to which the Company acquired mining permit 3452 (the "Permit") from SMLDL and Gelvez, who retained net profits royalties. The Permit, covering an area of 250 hectares, was converted into integrated Concession Contract 3452, 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. In the initial court action, SMLDL and Gelvez alleged that not all formalities were observed at the time the Permit 3452 Assignment Agreement was entered into and that the agreement 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, including by the Colombian Ministry of Mines by perfecting the assignment of the Permit in 1996 by administrative act, and that, in any event, the statute of limitations can be invoked to reject the claims. In January 2014, the Chamber of Commerce of the City of Bogota referred the file to the Arbitration Center for the Chamber of Commerce of the City of Bucaramanga, which formally constituted an arbitration panel in March 2014. In April 2014, the Company presented its defense to the claim and commenced a counterclaim against SMLDL and Gelvez seeking compensation for the costs incurred by the Company in the Eighth Civil Circuit Court of the City of Bucaramanga and the Superior Tribunal. The Company and SMLDL and Gelvez were unable to reach a negotiated settlement at a conciliation hearing held in October 2014. In December 2014, the proceedings advanced to the evidence gathering phase and, in February 2015, the arbitration panel appointed experts with relevant accounting, legal and technical experience to assist with evaluating the evidence.

These proceedings remain in the evidentiary gathering phase. 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 license before June 30, 2015.

## 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

### 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.

On December 19, 2014, Ministry of Environment and Sustainable Development (Ministerio de Ambiente y Desarrollo Sostenible or "MADS") approved Resolution 2090 dated December 19, 2014, wherein the boundaries of the Páramo of Santurbán have been officially declared. The Resolution provides that within the páramo there are certain areas where mining can take place, subject to stricter environmental controls. The Company is currently assessing how the Angostura Project will be developed taking into consideration the páramo. This will include assessing various techno-economic parameters such as cut-off grade, production rates, mining and metallurgical approaches, access to adjacent and at depth resources and the overall infrastructure layout.

*Environmental license*

In 2011, 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.

(Expressed in thousands of US dollars)

## 13. SUPPLEMENTARY CASH FLOW INFORMATION

**Cash and cash equivalents**

| | | December 31, 2014 | | December 31, 2013 |
|---|---|---|---|---|
| **Cash** | **$** | **2,306** | $ | 9,762 |
| **Short-term deposit** | | **40** | | 975 |
| | **$** | **2,346** | $ | 10,737 |

**Other items**

| | | For the years ended | | |
|---|---|---|---|---|
| | | **December 31, 2014** | | December 31, 2013 |
| **Change in non-working capital** | | | | |
| Prepaid expenses | **$** | **(39)** | $ | - |
| Other assets | | **(21)** | | 815 |
| Trade and other payables | | **(702)** | | (1,754) |
| | **$** | **(762)** | $ | (939) |

## 14. 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.

**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.

## 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market risk (continued)

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

| | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | US$ | Colombian peso (in million) | US$ | Colombian peso (in million) |
| Cash and cash equivalents | **126** | **296** | 68 | 131 |
| Accounts receivable | **-** | **1** | 3 | 5 |
| Trade and other payables | **(1,049)** | **(2,465)** | (2,115) | (4,076) |
| Amounts payable on exploration and evaluation asset acquisition | **(915)** | **(2,150)** | (1,116) | (2,150) |
| | **(1,838)** | **(4,318)** | (3,160) | (6,090) |

As at December 31, 2014, 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 $236.

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

| | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | US$ | Cdn$ (in thousands) | US$ | Cdn$ (in thousands) |
| Cash and cash equivalents | **263** | **306** | 1,023 | 1,088 |
| Guaranteed investment certificate | **30** | **35** | 87 | 93 |
| Trade and other payables | **(107)** | **(124)** | (57) | (61) |
| | **186** | **217** | 1,053 | 1,120 |

As at December 31, 2014, 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 $19.

*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 $2,376 as at December 31, 2014, an increase or decrease in the annual interest rate of 1% would result in a corresponding increase or decrease of annual interest income by $24.

**(Expressed in thousands of US dollars)**

## 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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 not represent significant credit exposure.

### 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, 2014, all of the Company's other financial liabilities have maturities less than one year.

### Fair value measurements

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

| | **December 31, 2014** | | December 31, 2013 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| **Financial assets:** | | | | |
| ***Loans and receivables*** | | | | |
| Cash and cash equivalents | **$ 2,346** | **$ 2,346** | $ 10,737 | $ 10,737 |
| Guaranteed investment certificate | **30** | **30** | 87 | 87 |
| Accounts receivable | **3** | **3** | 3 | 3 |
| | **$ 2,379** | **$ 2,379** | $ 10,827 | $ 10,827 |
| **Financial liabilities:** | | | | |
| ***Other financial liabilities*** | | | | |
| Trade and other payables | **$ 1,220** | **$ 1,220** | $ 2,165 | $ 2,165 |
| Amounts payable on exploration and evaluation asset acquisition | **915** | **915** | 1,116 | 1,116 |
| | **$ 2,135** | **$ 2,135** | $ 3,281 | $ 3,281 |

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.

**(Expressed in thousands of US dollars)**

## 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Fair value measurements (continued)**

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.

At December 31, 2014 and 2013, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

**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. As at December 31, 2014, the Company considers its cash and cash equivalents, guaranteed investment certificates and shareholders' equity in total of $18,065 (December 31, 2013 – $35,401) 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.

## 15. RELATED PARTIES

**Subsidiaries**

| | **Ownership interest at** | |
|---|---|---|
| | **December 31, 2014** | December 31, 2013 |
| Eco Oro Holdings Finance International Ltd. | - | 100% |
| Eco Oro Holdings N.V. | - | 100% |
| Eco Oro S.A.S | **100%** | 100% |
| Eco Oro Spain SLU | - | 100% |

During the year ended December 31, 2014, the Company dissolved three subsidiaries. As a result of the dissolution, the Company recognized $1 gain on disposition of subsidiaries in the consolidated statement of loss and comprehensive loss.

**(Expressed in thousands of US dollars)**

## 15. RELATED PARTIES (CONTINUED)

### Key management personnel compensation

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

| | For the years ended | |
|---|---|---|
| | **December 31, 2014** | December 31, 2013 |
| Short-term benefits | **$ 883** | $ 1,254 |
| Share-based payments | **103** | 1,000 |
| | **$ 986** | $ 2,254 |

Certain executive officers are entitled to termination benefits. In the event of termination without sufficient advance written notice, these executive officers are entitled to an amount of 6 months of their base compensation by way of lump sum payment. CEO is eligible to receive Cdn$ 100 in the case the Company decides to terminate the agreement immediately and without further liability.

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

| | For the years ended | |
|---|---|---|
| | **December 31, 2014** | December 31, 2013 |
| **Fintec Holdings Corp. ("Fintec")** | | |
| Director's fees | **$ 16** | $ 38 |
| Management fees | **147** | - |
| | **$ 163** | $ 38 |
| | | |
| **Quantum Advisory Partners LLP ("Quantum")** | | |
| Management and accounting services | **$ 99** | $ 16 |
| | | |
| **James H. Atherton Law Corporation ("Law Corp")** | | |
| Legal services | **$ 96** | $ - |

Fintec is a company owned by the Company's President & Chief Executive Officer (CEO). The services provided by Fintec were in the normal course of operations related to director and CEO matters.

Quantum is a partnership whose incorporated partner is the Company's Chief Financial Officer (CFO). The services provided by Quantum were in the normal course of operations related to accounting and CFO services.

Law Corp. is a professional corporation owned by the Company's Corporate Secretary. The services related to day-to-day legal services provided to the Company.

At December 31, 2014, $12 due to the Company's officer was included in trade and other payables (December 31, 2013 - $4 due to the Company's director).

**(Expressed in thousands of US dollars)**

## 16. INCOME TAX

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.00% (2013 – 25.75%) to pre-tax income (loss) as follows:

| | 2014 | 2013 |
|---|---|---|
| Loss before income taxes | $ (9,244) | $ (12,065) |
| Statutory tax rate | 26.00% | 25.75% |
| Income tax recovery at statutory rates | (2,403) | (3,107) |
| Share-based compensation and other permanent differences | | |
| Taxable capital gain under 49(2) | (14) | (204) |
| Stock based compensation | 93 | 253 |
| Non-capital loss expired during the year | 513 | - |
| Other | 536 | (64) |
| Effective of tax rate change - opening temp. difference | - | (2,332) |
| Effect of current and future tax rate difference | - | (31) |
| Fair value change on warrant liabilities | - | (72) |
| Deferred tax assets not recognized | 1,276 | 5,556 |
| Income tax recovery | $ - | $ - |

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized at December 31, 2014 and 2013 are attributable to the following:

| | 2014 | 2013 |
|---|---|---|
| Capital assets and E&E assets | $ 206,256 | $ 201,080 |
| Losses carried forward | 39,508 | 39,707 |
| Equity tax liability | 0 | 1,589 |
| Site restoration provision | 4,951 | 1,916 |
| Share issuance costs | - | 1,052 |
| Deferred tax assets not recognized | $ 250,715 | $ 245,344 |

(Expressed in thousands of US dollars)

## 16. INCOME TAX (CONTINUED)

At December 31, 2014, the Company has capital losses of approximately $407 (2013 - $515) that are without expiry and Canadian operating losses with expiry dates as follows:

| Operating loss for years ending | | Amount | Expiry Dates |
|---|---|---|---|
| December 31, 2005 | $ | 600 | 2015 |
| December 31, 2006 | | 436 | 2026 |
| December 31, 2007 | | 443 | 2027 |
| December 31, 2008 | | 1,787 | 2028 |
| December 31, 2009 | | 4,041 | 2029 |
| December 31, 2010 | | 6,363 | 2030 |
| December 31, 2011 | | 10,413 | 2031 |
| December 31, 2012 | | 6,968 | 2032 |
| December 31, 2013 | | 5,704 | 2033 |
| December 31, 2014 | | 2,347 | 2034 |
| | $ | 39,100 | |

## 17. SUBSEQUENT EVENT

On February 23, 2015, the Company announced that it had closed the last tranche of the private placement announced on January 26, 2015, which consisted of the sale of 3,597,987 common shares of the Company at Cdn$ 0.77 per share for gross aggregate proceeds of Cdn$ 2,770,450.