

Condensed consolidated interim financial statements of

## **Samco Gold Limited**

As at and for the three and six months ended June 30, 2015

(Unaudited – Prepared by Management)

# **Samco Gold Limited**

## **Advisory to reader**

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

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

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

# Samco Gold Limited

As at and for the three and six months ended June 30, 2015

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# Samco Gold Limited

## Condensed consolidated interim statements of loss and comprehensive loss three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
		\$		\$
Interest income	1	553	5	1,099
Administrative expenses (Note 4)	<b>(902,540)</b>	(575,231)	<b>(1,666,070)</b>	(1,322,214)
Finance and interest charges	<b>(2,912)</b>	(2,478)	<b>(5,708)</b>	(5,583)
Foreign exchange (loss)/gain	<b>(4,519)</b>	9,015	<b>70,546</b>	(39,511)
Share-based payment expense (Note 9(c))	<b>(9,220)</b>	(1,463)	<b>(18,559)</b>	(6,403)
Loss before tax	<b>(919,190)</b>	(569,604)	<b>(1,619,786)</b>	(1,372,612)
Current tax expense	<b>(41)</b>	30	<b>(44)</b>	(162)
Deferred tax	<b>757</b>	214	<b>1,558</b>	(17,114)
Income tax (Note 6)	<b>716</b>	244	<b>1,514</b>	(17,276)
<b>Loss and comprehensive loss</b>	<b>(918,474)</b>	(569,360)	<b>(1,618,272)</b>	(1,389,888)
<b>Loss per share, basic and diluted (Note 9(d))</b>	<b>(0.01)</b>	(0.01)	<b>(0.02)</b>	(0.02)
<b>Weighted average number of shares outstanding, basic and diluted</b>	<b>65,076,075</b>	65,076,075	<b>65,076,075</b>	65,076,075

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

# Samco Gold Limited

## Condensed consolidated interim statements of financial position as at June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

	June 30, 2015	December 31, 2014
	\$	\$
<b>Assets</b>		
Non-current assets		
Plant and equipment (Note 7)	203,797	225,120
Mineral rights and exploration assets (Note 8)	24,604,049	24,181,587
Prepaid assets	939,644	963,900
Receivables	53,969	53,373
<b>Total non-current assets</b>	<b>25,801,459</b>	<b>25,423,980</b>
Current assets		
Cash	497,514	1,048,065
Prepaid assets	274,655	150,434
Receivables (Note 5)	1,400,000	1,400,000
<b>Total current assets</b>	<b>2,172,169</b>	<b>2,598,499</b>
<b>Total assets</b>	<b>27,973,628</b>	<b>28,022,479</b>
<b>Equity and liabilities</b>		
Capital and reserves		
Share capital (Note 9(a))	45,423,567	45,423,567
Warrants (Notes 9(b))	900,802	900,802
Share-based payment reserve (Note 9(b) and 9(c))	4,988,079	4,969,520
Deficit	(25,349,046)	(23,730,774)
<b>Total equity</b>	<b>25,963,402</b>	<b>27,563,115</b>
Non-current liabilities		
Deferred tax liability (Note 6)	16,967	18,526
Due to related parties (Note 5)	500,000	-
<b>Total non-current liabilities</b>	<b>516,967</b>	<b>18,526</b>
Current liabilities		
Due to related parties (Note 5)	626,621	-
Accounts payable and accrued liabilities	866,638	440,838
<b>Total current liabilities</b>	<b>1,493,259</b>	<b>440,838</b>
<b>Total liabilities</b>	<b>2,010,226</b>	<b>459,364</b>
<b>Total equity and liabilities</b>	<b>27,973,628</b>	<b>28,022,479</b>

Approved by the Board on August 20, 2015

"John Hick" \_\_\_\_\_ Director

"Charles Koppel" \_\_\_\_\_ Director

# Samco Gold Limited

## Condensed consolidated interim statements of changes in equity six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

	Share capital	Warrants	Share-based payment reserve	Deficit	Total
	\$	\$	\$	\$	\$
<b>Opening balance as at January 1, 2014</b>	45,423,567	900,802	4,943,457	(21,146,700)	30,121,126
Loss for the period attributable to shareholders	-	-	-	(1,389,888)	(1,389,888)
Share-based payment expense (Notes 9(b) and 9(c))	-	-	6,403	-	6,403
<b>Balance as at June 30, 2014</b>	<b>45,423,567</b>	<b>900,802</b>	<b>4,949,860</b>	<b>(22,536,588)</b>	<b>28,737,641</b>
Loss for the period attributable to shareholders	-	-	-	(1,194,186)	(1,194,186)
Share-based payment expense (Notes 9(b) and 9(c))	-	-	19,660	-	19,660
<b>Balance as at December 31, 2014</b>	<b>45,423,567</b>	<b>900,802</b>	<b>4,969,520</b>	<b>(23,730,774)</b>	<b>27,563,115</b>
Loss for the period attributable to shareholders	-	-	-	(1,618,272)	(1,618,272)
Share-based payment expense (Notes 9(b) and 9(c))	-	-	18,559	-	18,559
<b>Balance as at June 30, 2015</b>	<b>45,423,567</b>	<b>900,802</b>	<b>4,988,079</b>	<b>(25,349,046)</b>	<b>25,963,402</b>

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

# Samco Gold Limited

## Condensed consolidated interim statements of cash flows three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Operating activities</b>				
Loss for the period	(918,474)	(569,360)	(1,618,272)	(1,389,888)
Interest income	(1)	(553)	(5)	(1,099)
Foreign exchange (gain)/loss	4,519	(9,015)	(70,546)	39,511
Share-based payment expense (Note 9(c))	9,220	1,463	18,559	6,403
Depreciation (Note 7)	5,165	7,987	10,848	15,264
Disposals of plant and equipment (Note 7)	-	-	-	9,336
Deferred tax (Note 6)	(757)	(214)	(1,558)	17,114
	<b>(900,328)</b>	<b>(569,692)</b>	<b>(1,660,974)</b>	<b>(1,303,359)</b>
Movements in working capital				
(Increase)in receivables	(2,704)	(6,264)	(596)	(7,168)
(Increase)/decrease in prepaid assets	(121,321)	38,616	(99,965)	153,365
Increase/(decrease) in accounts payable and accrued liabilities	412,913	(88,937)	425,800	693
Increase/(decrease) in amounts due to related parties	1,019,421	(27,084)	1,126,621	-
	<b>407,981</b>	<b>(653,361)</b>	<b>(209,114)</b>	<b>(1,156,469)</b>
<b>Net cash used in operating activities</b>	<b>407,981</b>	<b>(653,361)</b>	<b>(209,114)</b>	<b>(1,156,469)</b>
<b>Investing activities</b>				
Investment in mineral property rights and exploration costs (Note 8)	(196,325)	(223,454)	(411,988)	(497,332)
Interest income	1	553	5	1,099
(Increase) in receivable (Note 5)	-	-	-	(1,400,000)
Purchase of plant and equipment (Note 7)	-	(4,473)	-	(104,476)
	<b>(196,324)</b>	<b>(227,374)</b>	<b>(411,983)</b>	<b>(2,000,709)</b>
<b>Net cash used in investing activities</b>	<b>(196,324)</b>	<b>(227,374)</b>	<b>(411,983)</b>	<b>(2,000,709)</b>
Effect of foreign exchange rate changes on cash	(4,519)	9,015	70,546	(39,511)
Increase/(decrease) in cash	207,138	(871,720)	(550,551)	(3,196,689)
Cash at the beginning of the period	290,376	3,448,370	1,048,065	5,773,339
<b>Cash at the end of the period</b>	<b>497,514</b>	<b>2,576,650</b>	<b>497,514</b>	<b>2,576,650</b>

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

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### 1. General information

Samco Gold Limited (the "Company") was incorporated in the British Virgin Islands on June 16, 2009. The registered office address is Geneva Place, 2nd floor, 333 Waterfront Drive, Road Town, Tortola, British Virgin Islands.

The Company is a mineral exploration company that acquires, explores and develops mineral properties in South America. The Company's material properties are the El Dorado-Monserrat property and adjacent Judite property, and the Corina property, all located in the Province of Santa Cruz, Argentina. All of the Company's properties are at an early stage of exploration.

These condensed consolidated interim financial statements include the Company's three wholly-owned subsidiaries, Samco Gold S.A. and 5R S.A., both companies incorporated in Argentina, and Samco Gold Services (UK) Ltd., a company incorporated in the United Kingdom.

The Company's common shares are traded on the TSX Venture Exchange and all filings are publicly available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company has prepared unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2015 and 2014.

These unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2015 and 2014 have been prepared by management and authorized for issuance by the Board of Directors of the Company on August 20, 2015.

### 2. Significant accounting policies

#### *Statement of compliance*

The Company's condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, 'Interim Financial Reporting'.

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2014, audited annual consolidated financial statements.

Certain information and disclosures normally required to be included in notes to annual financial statements have been condensed or omitted. The financial statements should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2014.

#### *Basis of preparation*

The Company is primarily engaged in the exploration of mainly gold and silver on properties in Argentina. The Company has not determined whether the exploration properties contain mineral reserves that are economically recoverable. The recoverability of the amount shown for mineral rights for exploration is dependent upon the discovery of economically recoverable reserves of gold and silver on the exploration properties and on attaining future profitable production from such properties.

#### *Going concern*

The Company had a loss and comprehensive loss of \$1,488,272 for the six months ended June 30, 2015 (2014: \$1,389,888). As the Company has not yet achieved profitable operations, the Company has, since its inception, accumulated a deficit to June 30, 2015, of \$25,219,046 and expects to incur further losses in the development of its business. These conditions, along with other matters relevant to exploration companies, such as failure to obtain the necessary permits which could result in the delay or indefinite postponement of further exploration and development of its Argentinean mineral properties, indicate the existence of material uncertainties about the Company's ability to continue as a going concern. There is no assurance that the necessary permits will be obtained on favorable terms, or at all. These condensed consolidated interim financial statements do not include any additional adjustments to the recoverability and classification of certain asset amounts, classification of certain liabilities and



# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

### 2. Significant accounting policies (continued)

#### Going concern (continued)

changes to the statements of loss and comprehensive loss that might be necessary if the Company were unable to continue as a going concern.

### 3. Segment information

Operating segments were identified based on internal reporting reviews that are performed by the chief executive officer of the Company. Two segments were identified based on the operational activities and the reporting structure. The accounting policies of the reportable segments are the same as the Company's accounting policies. The Company operates a corporate business segment as well as a segment for managing exploration rights in Argentina. Assets, liabilities and loss/(income) within each segment are as follows:

	As at June 30, 2015		
	Corporate	Argentina	Total
	\$	\$	\$
Non-current assets	729,071	25,072,388	25,801,459
Current assets	1,985,682	186,487	2,172,169
Non-current liabilities	516,967	-	516,967
Current liabilities	914,854	578,405	1,493,259

  

	As at December 31, 2014		
	Corporate	Argentina	Total
	\$	\$	\$
Non-current assets	736,266	24,687,714	25,423,980
Current assets	2,486,119	112,380	2,598,499
Non-current liabilities	18,526	-	18,526
Current liabilities	149,006	291,832	440,838

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

### 3. Segment information (continued)

	Three months ended June 30, 2015		
	Corporate	Argentina	Total
	\$	\$	\$
Interest income	1	-	1
Depreciation expense	3,788	1,377	5,165
Finance and interest charges	981	1,931	2,912
Share-based payment expense	9,220	-	9,220
Income tax expense	-	41	41
Deferred tax recovery	(757)	-	(757)
Loss	738,929	179,545	918,474
Mineral rights and exploration expenditure	-	201,490	201,490

	Three months ended June 30, 2014		
	Corporate	Argentina	Total
	\$	\$	\$
Interest income	553	-	553
Depreciation expense	5,303	2,684	7,987
Finance and interest charges	1,750	728	2,478
Share-based payment expense	1,463	-	1,463
Income tax recovery	-	(30)	(30)
Deferred tax recovery	(214)	-	(214)
Loss/(income)	5,387,850	(4,818,490)	569,360
Expenditures on plant and equipment	3,661	812	4,473
Mineral rights and exploration expenditure	1,051	243,437	244,488

	Six months ended June 30, 2015		
	Corporate	Argentina	Total
	\$	\$	\$
Interest income	5	-	5
Depreciation expense	7,791	3,057	10,848
Finance and interest charges	2,904	2,804	5,708
Share-based payment expense	18,559	-	18,559
Income tax expense	-	44	44
Deferred tax recovery	(1,558)	-	(1,558)
Loss/(income)	1,378,764	239,508	1,618,272
Mineral rights and exploration expenditure	-	422,462	422,462

	Six months ended June 30, 2014		
	Corporate	Argentina	Total
	\$	\$	\$
Interest income	1,099	-	1,099
Depreciation expense	9,908	5,356	15,264
Finance and interest charges	4,163	1,420	5,583
Share-based payment expense	6,403	-	6,403
Income tax expense	-	162	162
Deferred tax expense	17,114	-	17,114
Loss/(income)	5,995,710	(4,605,822)	1,389,888
Expenditures on plant and equipment	103,664	812	104,476
Mineral rights and exploration expenditure	17,115	522,286	539,401

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

### 4. Administrative expenses

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Administration costs	55,565	52,176	135,974	190,251
Travel and subsistence	18,287	56,947	81,259	126,367
Application fees	15,235	7,395	19,130	19,053
Management and professional fees	586,725	225,294	990,506	534,622
Salary	221,563	225,432	428,353	436,657
Depreciation (Note 8)	5,165	7,987	10,848	15,264
	902,540	575,231	1,666,070	1,322,214

### 5. Related party transactions

The Company's related parties include key management. Key management includes the directors (executive and non-executive) and officers of the Company. Remuneration of key management was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
			\$	\$
Short-term employee benefits	168,750	168,750	337,500	333,334
Share-based payments	9,220	1,463	18,559	6,403
	177,970	170,213	356,059	339,737
Amounts due to related parties - current	368,413	-	626,621	-
Amounts due to related parties - non-current	500,000	-	500,000	-

Mr. Fornazzari, who is the Company's corporate secretary, is also a partner in Gowling, Lafleur, Henderson LLP, which provided legal services of \$42,163 during the three month period ended June 30, 2015 (2014: \$37,451). The value of the services billed by Gowling, Lafleur, Henderson LLP, in the six months ended June 30, 2015 was \$137,067 (2014: \$152,456). \$193,171 was outstanding as at June 30, 2015 which was settled on July 30, 2015 after a discount of \$37,027 was applied to the total outstanding amount.

No bonuses were awarded for the period ended June 30, 2015, and the Company does not participate in a pension plan.

On December 6, 2013, the Company entered into a lease for its new London office premises with JayTree Limited, a company wholly-owned by the Company's chairman and chief executive officer, Mr. Koppel. Refer to note 11 for further disclosure.

On January 10, 2014, the Company announced that it had entered into a participation and option agreement with a director of the Company, Mr. R. Auriemma, under which the Company could acquire the sole and exclusive right to participate in any benefits arising from enforcement of an Argentinean court judgment relating to the breach of an agreement between Mr. R. Auriemma and Northern Orion Resources Inc. (since acquired by Yamana Gold Inc. and renamed 0805346 B.C. Ltd.).

On February 14, 2014, the Company closed the participation and option agreement and an option payment of \$1,400,000 was made to Mr. R. Auriemma. The Company has recorded the \$1,400,000 as a

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

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### 5. *Related party transactions (continued)*

current asset in the statement of financial position as the Company believes that it will recover the value of the asset within twelve months. Mr. R. Auriemma has the right to terminate the participation and option agreement commencing on the 365<sup>th</sup> day following the Argentinean court appointed arbitrator's assessment of the monetary value of court awarded damages or, if later, the date on which any available appeals therefrom are exhausted. The Company may terminate the participation and option agreement at any time.

In the three months ended June 30, 2015, Samco Gold Limited waived \$Nil (2014: \$4,750,080) in loans to Samco Gold S.A. and related interest of \$Nil (2014: \$220,520).

In the six months ended June 30, 2015, Samco Gold Limited waived \$Nil (2014: \$4,750,080) in loans to Samco Gold S.A. and related interest of \$Nil (2014: \$220,520).

On December 12, 2014, the Company entered into a share purchase agreement with Mantaro Resources Limited, a company in which the Company's chairman and chief executive officer, Mr. Koppel, has a majority interest, for the acquisition of all the issued and outstanding shares of Samco Minerals S.A. and Cia Dorita MA S.A.C., Mantaro's wholly-owned Peruvian subsidiaries which hold certain exploration and mining concessions over the Dino polymetallic property located in Peru. Subject to meeting certain conditions, closing of the acquisition has been extended to August 31, 2015. In accordance with the share purchase agreement, a total of \$515,134 has accrued to Mantaro Resources Limited of which \$402,200 was still outstanding for the six month period ended June 30, 2015 (2014: \$Nil).

On June 30, 2015, the Company announced that it has closed the first tranche of \$1,000,000 of its non-brokered private placement (the "Private Placement") of up to \$5,000,000 principal amount convertible notes bearing 12% interest and maturing December 30, 2016 (the "Notes"). The principal amount of the Notes is convertible at the option of the holder into common shares of the Company at a deemed price of CDN \$0.50 per share. Immediately prior to the conversion of the principal amount (in whole or in part), the amount will be deemed to first be converted to Canadian dollars at the Bank of Canada noon rate between Canadian dollars and U.S. dollars (the "Noon Rate") on June 26, 2015, being \$1 = CDN \$1.2359. Interest outstanding on the converted amount may, at the holder's election, but subject to the approval of the TSX Venture Exchange (the "TSXV"), be settled by the issue of common shares of the Company at the market price of such shares at the time of settlement, being the most recent price of the common shares on the TSXV prior to the conversion, which will be converted into U.S. dollars based on the applicable Noon Rate on the first business day preceding the relevant conversion.

The purchasers of the first tranche of Notes having a principal amount of \$500,000 each, are Sentient Global Resources Fund IV, L.P. ("Sentient"), a >10% shareholder of the Company, and Mantaro Resources Limited ("Mantaro"), a company in which the Company's Chairman and Chief Executive Officer, Mr Koppel, a >10% shareholder of the Company, has a majority interest; therefore the closing of the first tranche of the Private Placement constitutes a related party transaction pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101") and TSX Venture Exchange Policy 5.9. The Board of the Company consists of six directors, four of whom are unrelated to Sentient and Mantaro, and are otherwise independent as determined pursuant to Part 7 of MI 61-101. The independent directors approved the participation of Sentient and Mantaro in the Private Placement. The principal amount from Mantaro was received on June 30, 2015 and is disclosed in the table above. The principal amount from Sentient was received on July 1, 2015.

In consideration of the size of the first tranche of the Private Placement, the Company relied upon the "fair market value not more than 25% of market capitalization" exemptions from the requirements to obtain a formal valuation and minority shareholder approval in Sections 5.5(a) and 5.7(a) of MI 61-101 respectively. On July 21, 2015, the Company has also filed a material change report on SEDAR ([www.sedar.com](http://www.sedar.com)) regarding the Private Placement. The material change report was filed less than 21 days prior to the closing of the Private Placement due to the Company's immediate need for financing.

The related party transactions are conducted in the normal course of business operations and were measured at the exchange amount, which is the amount agreed to by the related parties.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

### 6. Income taxes

The standard rate of corporate tax applicable to the parent company, which is incorporated in the British Virgin Islands, is Nil. The income taxes recognized in the consolidated financial statements of the Company are derived from Samco Gold S.A. and 5R S.A. that operate in Argentina, and Samco Gold Services (UK) Ltd. that operates in the United Kingdom.

Income tax expense differs from the amount that would result from applying the statutory tax rate of 35% (2014: 35%) and 20% (2014: 20%) to income before income taxes in Argentina and the UK, respectively.

These differences result from the following items:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
			\$	\$
Net loss before income tax	919,190	569,604	1,619,786	1,372,612
Income tax (expense)/recovery at Argentina rates	62,843	(1,691,924)	83,830	(1,620,998)
Income tax (expense)/recovery at UK rates	(1,589)	2,726	(1,730)	4,480
Differences arising from:				
Permanent differences (exchange rate changes)	68,588	-	174,650	2,412
Alternative minimum tax	(41)	30	(44)	(162)
Change in previously unrecognized net deductible temporary differences	(131,430)	1,686,472	(258,479)	1,609,626
Disallowable expenses	(758)	(1,583)	(2,297)	(3,493)
Capital allowances	2,346	4,309	4,026	7,973
Deferred tax	757	214	1,558	(17,114)
Total income tax expense	716	244	1,514	(17,276)

The following table summarizes the movement in the deferred tax liability:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
			\$	\$
Deferred tax movement for the period	(757)	(214)	(1,558)	17,114
Deferred tax liability at the end of the period	16,967	19,947	16,967	19,947

The deferred tax liability relates to the temporary differences on the property and equipment in the United Kingdom.

Tax loss carry forward as at December 31, 2014 and June 30, 2015, is as follows:

	\$
Tax loss carried forward at the beginning of the period	755,304
Exchange rate changes	(50,687)
Tax loss carry forward (utilized)/incurred during the period	258,479
Tax loss carry forward at the end of the period	963,096
Valuation allowance	(963,096)
Net	-

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

### 6. Income taxes (continued)

The benefit of the total tax loss carry forward described above has not been recognized in these condensed consolidated interim financial statements. Management does not consider the utilization of deferred tax assets to be likely in the short term.

Accordingly, deferred income tax assets are appropriately valued at a \$Nil balance as at June 30, 2015, and December 31, 2014. Tax losses carried forward expire five years from the year the loss arose; consequently the above losses will expire between one and five years.

The Company has recognized a deferred tax liability of \$16,967 as at June 30, 2015 (December 31, 2014 - \$18,526). The Company is also subject to routine proceedings and tax audits. The Company does not believe that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated earnings, cash flow or financial position.

### 7. Plant and equipment

	Fixtures and fittings	Computer and office equipment	Vehicles	Machinery	Leashold improvements	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
As at January 1, 2014	121,749	68,070	144,579	51,821	93,180	479,399
Additions	86,407	19,496	-	-	-	105,903
Disposals	(7,695)	(16,593)	(108,127)	-	-	(132,415)
As at December 31, 2014	200,461	70,973	36,452	51,821	93,180	452,887
Additions	-	-	-	-	-	-
As at June 30, 2015	<b>200,461</b>	<b>70,973</b>	<b>36,452</b>	<b>51,821</b>	<b>93,180</b>	<b>452,887</b>
<b>Accumulated depreciation</b>						
As at January 1, 2014	(23,665)	(47,215)	(62,734)	(10,573)	(67,690)	(211,877)
Depreciation	(19,232)	(19,371)	(8,954)	(5,182)	(25,490)	(78,229)
Disposals	1,596	13,356	47,387	-	-	62,339
As at December 31, 2014	(41,301)	(53,230)	(24,301)	(15,755)	(93,180)	(227,767)
Depreciation	<b>(10,023)</b>	<b>(5,064)</b>	<b>(3,645)</b>	<b>(2,591)</b>	-	<b>(21,323)</b>
As at June 30, 2015	<b>(51,324)</b>	<b>(58,294)</b>	<b>(27,946)</b>	<b>(18,346)</b>	<b>(93,180)</b>	<b>(249,090)</b>
<b>Carrying amount</b>						
As at January 1, 2014	98,084	20,855	81,845	41,248	25,490	267,522
As at December 31, 2014	159,160	17,743	12,151	36,066	-	225,120
As at June 30, 2015	<b>149,137</b>	<b>12,679</b>	<b>8,506</b>	<b>33,475</b>	-	<b>203,797</b>

Of the total depreciation for the three months ended June 30, 2015, \$5,167 (2014: \$21,033) is capitalized to mineral rights and exploration costs as this is directly attributable to the mining operations, and \$5,165 (2014: \$7,987) is expensed.

Of the total depreciation for the six months ended June 30, 2015, \$10,475 (2014: \$42,068) is capitalized to mineral rights and exploration costs as this is directly attributable to the mining operations, and \$10,848 (2014: \$15,264) is expensed.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

### 8. Mineral rights and exploration assets

*Mineral rights and exploration costs movement:*

	El Dorado Monserrat	Corina	Other exploration properties	Total
	\$	\$	\$	\$
Balance as at December 31, 2013	18,983,566	4,038,230	137,146	23,158,942
Exploration costs incurred				
Drilling	-	-	-	-
Field costs	182,078	10,443	14,079	206,600
Surface rights	94,916	755	1,340	97,011
Professional fees	29,447	6,473	-	35,920
Geophysics	5,874	-	-	5,874
Lab costs	18,111	222	438	18,771
Geology	451,455	113,667	93,347	658,469
	<u>781,881</u>	<u>131,560</u>	<u>109,204</u>	<u>1,022,645</u>
Balance as at December 31, 2014	19,765,447	4,169,790	246,350	24,181,587
Exploration costs incurred				
Drilling	-	-	-	-
Field costs	61,653	76	124	61,853
Surface rights	43,685	580	992	45,257
Professional fees	6,414	-	-	6,414
Geophysics	-	-	-	-
Lab costs	-	-	-	-
Geology	157,999	52,853	98,086	308,938
	<u>269,751</u>	<u>53,509</u>	<u>99,202</u>	<u>422,462</u>
Balance as at June 30, 2015	<u>20,035,198</u>	<u>4,223,299</u>	<u>345,552</u>	<u>24,604,049</u>

The Company currently maintains mineral property rights for mainly gold and silver exploration in Argentina's Santa Cruz Province. There is no foreseeable time limit over which the Company can explore the properties.

On May 29, 2014, the Company announced that a binding letter of intent had been signed with Pan American Silver Corp. ("PAS") to grant PAS the exclusive option to acquire a 60% interest in the El Dorado Monserrat project in Santa Cruz Province, Argentina ("EDM"). As a precondition to PAS exercising its option PAS is to conduct further work, including drilling at EDM equivalent to at least \$2,000,000, followed by the preparation of a technical report. Upon exercising the option, PAS is to make a one-time payment to the Company of \$5,000,000. The letter of intent was due to terminate if a definitive agreement between the parties' Argentinean subsidiaries had not been entered into by October 1, 2014. On September 30, 2014, November 3, 2014, December 1, 2014, and February 2, 2015, the Company announced extensions of the binding letter of intent's termination. On February 9, 2015, the Company announced that the definitive option agreement had been executed.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

### 9. Share capital, warrants and share options

#### a) Share capital

Common shares	Six months ended June 30, 2015		Year ended December 31, 2014	
	Shares	Amount \$	Shares	Amount \$
Balance at beginning of the year	65,076,075	45,423,567	65,076,075	45,423,567
Balance at end of the year	65,076,075	45,423,567	65,076,075	45,423,567

#### b) Warrants and share options

##### Warrants

The warrants that expired during the year ended December 31, 2013, had a fair value of \$900,802 on the date they were granted.

##### Share options

The Company has in place a stock option plan (the "Option Plan"), which, under the policies of the TSX Venture Exchange, requires re-approval at each annual meeting of shareholders of the Company.

The Option Plan is a "rolling" stock option plan, pursuant to which the number of common shares that may be issued upon exercise of options may not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time and such aggregate number of common shares automatically increases or decreases as the number of issued and outstanding common shares of the Company changes.

The Option Plan was established to promote the profitability and growth of the Company, facilitating the efforts of the Company to obtain and retain key individuals by encouraging their ownership of the Company's shares so that they benefit from increases in the value of the Company's shares. If the Option Plan is not approved by the shareholders at the annual meeting, the Company will not be able to grant any further options under the Option Plan and the Company will have to consider other methods of compensation, such as increased cash compensation.

The following table summarizes information about share options outstanding as at June 30, 2015:

Number outstanding	Number vested and exercisable	Exercise price (CDN \$)	Expiry date	Weighted average remaining contractual life (years)
4,650,000	4,650,000	1.10	July 6, 2016	1.02
500,000	500,000	1.10	March 27, 2017	1.74
200,000	200,000	0.35	October 4, 2017	2.27
200,000	-	0.17	June 3, 2019	3.93
325,000	-	0.22	July 13, 2019	4.04
5,875,000	5,350,000			1.39



# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

### 9. Share capital, warrants and share options (continued)

#### b) Warrants and share options (continued)

##### Share options (continued)

	Note	Number	Weighted average exercise price (CDN \$)
Balance as at December 31, 2013		5,750,000	1.07
Granted	(i)	525,000	0.20
Balance as at December 31, 2014		6,275,000	1.00
Cancelled	(ii) -	400,000	1.10
Balance as at June 30, 2015		5,875,000	0.99

(i) On June 3, 2014, 200,000 share options were granted at CDN \$0.17. These options will vest if the individual is still employed eighteen months from the grant date.

On July 13, 2014, 325,000 share options were granted at CDN \$0.22. These options will vest if the employees are still employed eighteen months from the grant date.

(ii) On June 4, 2015, 400,000 share options with an exercise price of CDN \$1.10 were cancelled.

The following table summarizes the range of inputs used by the Company in calculating the share-based payment expense using the Black-Scholes option-pricing model:

Issue/modification date	October 4, 2012	June 3, 2014	July 13, 2014
Expected dividend yield	-	-	-
Expected volatility	88%	95%	96%
Risk free rate	1.23%	1.61%	1.39%
Expected life (years)	4	5	4
Fair value per option (CDN \$)	0.07	0.10	0.15

#### c) Share-based payment reserve

During the three months ended June 30, 2015, the Company expensed \$9,220 (2014: \$1,463) in relation to the fair value of these options.

During the six months ended June 30, 2015, the Company expensed \$18,559 (2014: \$6,403) in relation to the fair value of these options.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

### 9. Share capital, warrants and share options (continued)

#### d) Loss per share

The calculation of basic and diluted loss per share is based on the net loss of \$918,474 for the three months ended June 30, 2015 (2014: \$569,360) and on the total weighted average number of common shares of 65,076,075 outstanding during the three months ended June 30, 2015 and 2014.

The calculation of basic and diluted loss per share is based on the net loss of \$1,618,272 for the six months ended June 30, 2015 (2014: \$1,389,888) and on the total weighted average number of common shares of 65,076,075 outstanding during the six months ended June 30, 2015 and 2014.

#### Effect on diluted earnings per share

The share options have an anti-dilutive effect on the diluted loss per share disclosed in the consolidated statement of loss and comprehensive loss or had not vested as at June 30, 2015, and therefore were not included in the diluted earnings per share calculation for the period.

### 10. Operating commitments

Commitments in force were as follows:

	As at June 30, 2015	As at December 31, 2014
	\$	\$
In respect of:		
Surface rights	110,000	43,000
<b>Total</b>	<b>110,000</b>	<b>43,000</b>

There are two separate contracts for surface rights covering the EL Dorado and Monserrat properties. The costs are spread evenly over the terms of the contracts.

### 11. Operating lease commitments

The Company leases offices in the UK and in Argentina. The term of the office lease in the UK is for four years and five months and expires on May 5, 2018. The office lease in Argentina was terminated during the three months ended June 30, 2015.

The future minimum lease payments of the operating leases are as follows:

	As at June 30, 2015	As at December 31, 2014
	\$	\$
No later than 1 year	129,567	158,113
Later than 1 year and no later than 5 years	228,514	343,379
Later than 5 years	-	-
<b>Total</b>	<b>358,081</b>	<b>501,492</b>

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

### 12. Financial instruments and risk management

#### a) Capital risk management

The Company's objectives in managing its capital are to ensure the Company's ability to continue as a going concern, to meet its capital expenditures for its continued exploration programs in Argentina, and to maintain a flexible capital structure of equity and debt financing to optimize the costs of capital with minimal risks. The Company considers the items included in shareholders' equity to be capital. The Board of Directors monitors the Company's capital position on a regular basis.

The Company is sensitive to both changes in foreign exchange rates and commodity prices.

#### b) Liquidity risk management

The following table has been prepared based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Company could be required to pay. The Company continues to pursue future financing options and has completed the Private Placement for \$5,000,000 as disclosed in Note 5.

<b>As at June 30, 2015</b>					
	< 1 month	1-3 months	3 months to 1 year	> 1 year	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	866,638	0	-	-	866,638
Due to related parties	224,421	402,200	-	500,000	1,126,621
	<u>1,091,059</u>	<u>402,200</u>	<u>-</u>	<u>500,000</u>	<u>1,993,259</u>
<b>As at December 31, 2014</b>					
	< 1 month	1-3 months	3 months to 1 year	> 1 year	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	-	440,838	-	-	440,838
Due to related parties	-	-	-	-	-
	<u>-</u>	<u>440,838</u>	<u>-</u>	<u>-</u>	<u>440,838</u>

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

### 12. *Financial instruments and risk management (continued)*

#### *c) Foreign currency risk management*

The Company undertakes transactions denominated in foreign currencies, and consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by maintaining low levels of foreign currencies and related obligations that are perceived to be volatile. The carrying amount of the Company's foreign currency denominated assets and monetary liabilities at the end of the reporting period, in United States dollars is:

	As at June 30, 2015		As at December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
	\$	\$	\$	\$
Argentine pesos	8,846	578,405	58,056	291,832
United Kingdom sterling	212,165	59,374	253,831	35,033
Canadian dollars	44,032	470,247	120,876	132,499
	<b>265,043</b>	<b>1,108,026</b>	<b>432,763</b>	<b>459,364</b>

Based on the June 30, 2015, balances and applying a movement in the exchange rate of 5%, had the United States dollar strengthened (weakened) against the Argentine peso, the Company's equity would have been \$28,478 higher (lower). Had the United States dollar strengthened (weakened) against the United Kingdom sterling, the Company's equity would have been \$7,640 lower (higher). Had the United States dollar strengthened (weakened) against the Canadian dollar, the Company's equity would have been \$21,311 higher (lower). The Company's cash is predominantly held in United States dollars other than as needed in the ordinary course of business.

#### *d) Title risk*

Title to mineral properties and exploration rights involves certain inherent risks due to the potential for problems arising from the ambiguous conveyance history characteristic of many mining properties and from political risk associated with the countries in which the Company carries out its exploration activities. The Company has taken all reasonable steps to ensure it has proper title to its properties. However, no guarantees can be provided that there are no unregistered agreements, claims or defects, which may result in the Company's title to its properties being challenged. Furthermore, the Company requires a number of different permits and licenses in order to carry on its business and there can be no assurance that they will be renewed upon expiry.

#### *e) Credit risk management*

The Company's main credit risk arises from its cash deposit with banks, of which there is \$497,514 deposited as at June 30, 2015 (December 31, 2014: \$1,048,065). The Company limits its counterparty credit risk on its deposits by dealing only with financial institutions with high credit ratings.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2015

(Unaudited)

(In United States dollars, except where otherwise stated)

### 12. *Financial instruments and risk management (continued)*

#### f) *Fair value hierarchy*

The Company applies a three-tier hierarchy to classify the determination of fair value measurements for disclosure purposes. Inputs refer broadly to the data and assumptions that market participants would use in pricing the investment. Observable inputs are inputs that are based on market data from independent sources. Unobservable inputs are inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing an investment based on the best information available in the circumstances. The three-tier hierarchy of inputs is as follows:

Level 1 - quoted prices in active markets for identical investments.

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (as prices) or indirectly (derived from prices).

Level 3 - inputs for the investment that are not based on observable market data (unobservable inputs).

The Company currently has cash at Level 1.

Categories of financial instruments:

Carrying amount	Classification	As at June 30, 2015	As at December 31, 2014
		\$	\$
Financial assets			
Cash	loans and receivables	<b>497,514</b>	1,048,065
Receivables	loans and receivables	<b>1,453,969</b>	1,453,373
Financial liabilities			
Accounts payable and accrued liabilities	Other liability	<b>866,638</b>	440,838
Due to related parties	Other current liability	<b>626,621</b>	-
Due to related parties	Other non-current liability	<b>500,000</b>	-

Cash in the statement of financial position comprises cash at banks and on hand. As at June 30, 2015, and December 31, 2014, there are no cash equivalents. The carrying value of cash and receivables approximates their fair values. The accounts payable and accrued liabilities have remaining terms of less than one year and the amounts due to related parties have remaining terms of both less than and more than one year. The carrying values of the other liabilities both current and non-current approximate their fair values.