

Condensed consolidated interim financial statements of

## **Samco Gold Limited**

As at and for the three and six months ended June 30, 2016

(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, 2016

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# Samco Gold Limited

## Condensed consolidated interim statements of loss and comprehensive loss three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
		\$		\$
Interest and other income (Note 8)	<b>2,000,000</b>	1	<b>2,000,000</b>	5
Administrative expenses (Note 4)	<b>(415,114)</b>	(902,540)	<b>(755,013)</b>	(1,666,070)
Finance and interest charges	<b>(47,301)</b>	(2,912)	<b>(93,295)</b>	(5,708)
Foreign exchange (loss)/gain	<b>(41,292)</b>	(4,519)	<b>(115,901)</b>	70,546
Share-based payment expense (Note 9(c))	-	(9,220)	<b>(672)</b>	(18,559)
Loss on disposal of Corina (Note 8)	<b>(1,924,864)</b>	-	<b>(1,924,864)</b>	-
Loss before tax	<b>(428,571)</b>	(919,190)	<b>(889,745)</b>	(1,619,786)
Current tax	<b>5</b>	(41)	<b>(13)</b>	(44)
Deferred tax	<b>757</b>	757	<b>1,515</b>	1,558
Income tax (Note 6)	<b>762</b>	716	<b>1,502</b>	1,514
<b>Loss and comprehensive loss</b>	<b>(427,809)</b>	(918,474)	<b>(888,243)</b>	(1,618,272)
<b>Loss per share, basic (Note 9(d))</b>	<b>(0.01)</b>	(0.01)	<b>(0.01)</b>	(0.02)
<b>Loss per share, diluted (Note 9(d))</b>	<b>(0.01)</b>	(0.01)	<b>(0.01)</b>	(0.02)
<b>Weighted average number of shares outstanding, basic</b>	<b>65,075,075</b>	65,075,075	<b>65,076,075</b>	65,076,075
<b>Weighted average number of shares outstanding, diluted</b>	<b>65,076,075</b>	65,076,075	<b>65,076,075</b>	65,076,075

# Samco Gold Limited

## Condensed consolidated interim statements of financial position as at June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

	June 30, 2016	December 31, 2015
	\$	\$
<b>Assets</b>		
Non-current assets		
Plant and equipment (Note 7)	141,359	178,465
Mineral rights and exploration assets (Note 8)	11,218,780	14,091,510
Prepaid assets	620,765	694,316
Receivables	40,863	45,131
<b>Total non-current assets</b>	<b>12,021,767</b>	<b>15,009,422</b>
Current assets		
Cash	3,592,488	374,026
Prepaid assets	207,017	196,781
Receivables (Note 8)	1,400,000	1,400,000
<b>Total current assets</b>	<b>5,199,505</b>	<b>1,970,807</b>
<b>Total assets</b>	<b>17,221,272</b>	<b>16,980,229</b>
<b>Equity and liabilities</b>		
Capital and reserves		
Share capital (Note 9(a))	45,423,567	45,423,567
Warrants	900,802	900,802
Share-based payment reserve (Note 9(c) and 9(d))	5,005,571	5,004,899
Deficit	(38,196,508)	(37,308,265)
<b>Total equity</b>	<b>13,133,432</b>	<b>14,021,003</b>
Non-current liabilities		
Deferred tax liability (Note 6)	13,937	15,452
Accrued liabilities	65,449	75,169
<b>Total non-current liabilities</b>	<b>79,386</b>	<b>90,621</b>
Current liabilities		
Due to related parties (Note 5)	2,449,621	2,417,508
Accounts payable and accrued liabilities	1,558,833	451,097
<b>Total current liabilities</b>	<b>4,008,454</b>	<b>2,868,605</b>
<b>Total liabilities</b>	<b>4,087,840</b>	<b>2,959,226</b>
<b>Total equity and liabilities</b>	<b>17,221,272</b>	<b>16,980,229</b>

Approved by the Board on August 25, 2016

"Charles Koppel" Director

"John Hick" Director

# Samco Gold Limited

## Condensed consolidated interim statements of changes in equity six months ended June 30, 2016

(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, 2015</b>	45,423,567	900,802	4,969,520	(23,730,774)	27,563,115
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>
Loss for the period attributable to shareholders	-	-	-	(11,959,219)	(11,959,219)
Share-based payment expense (Notes 9(b) and 9(c))	-	-	16,820	-	16,820
<b>Balance as at December 31, 2015</b>	<b>45,423,567</b>	<b>900,802</b>	<b>5,004,899</b>	<b>(37,308,265)</b>	<b>14,021,003</b>
Loss for the period attributable to shareholders	-	-	-	(888,243)	(888,243)
Share-based payment expense (Notes 9(b) and 9(c))	-	-	672	-	672
<b>Balance as at June 30, 2016</b>	<b>45,423,567</b>	<b>900,802</b>	<b>5,005,571</b>	<b>(38,196,508)</b>	<b>13,133,432</b>

# Samco Gold Limited

## Condensed consolidated interim statements of cash flows three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Operating activities</b>				
Loss for the period	(427,809)	(918,474)	(888,243)	(1,618,272)
Interest and other income (Note 8)	(2,000,000)	(1)	(2,000,000)	(5)
Foreign exchange (gain)/loss	41,292	4,519	115,901	(70,546)
Share-based payment expense (Note 9(c))	-	9,220	672	18,559
Depreciation (Note 7)	5,084	5,165	10,171	10,848
(Gain)/loss on disposals of plant and equipment (Note 7)	-	-	(1,319)	-
(Gain)/loss on disposals of sale of mining assets (Note 8)	1,924,864	-	1,924,864	-
Deferred tax (Note 6)	(757)	(757)	(1,515)	(1,558)
	(457,326)	(900,328)	(839,469)	(1,660,974)
Movements in working capital				
(Increase)/decrease in receivables	2,971	(2,704)	4,268	(596)
(Increase)/decrease in prepaid assets	(57,712)	(121,321)	63,315	(99,965)
Increase/(decrease) in accounts payable and accrued liabilities	1,036,074	412,913	1,098,016	425,800
Increase/(decrease) in amounts due to related parties	(123,863)	1,019,421	32,113	1,126,621
<b>Net cash used in operating activities</b>	<b>400,144</b>	<b>407,981</b>	<b>358,243</b>	<b>(209,114)</b>
<b>Investing activities</b>				
Investment in mineral property rights and exploration costs (Note 8)	(1,981)	(196,325)	(46,608)	(411,988)
Interest and other income (Note 8)	2,000,000	1	2,000,000	5
Sale of mineral assets (Note 8)	1,000,000	-	1,000,000	-
Disposals of plant and equipment (Note 7)	-	-	22,728	-
Purchase of plant and equipment (Note 7)	-	-	-	-
<b>Net cash used in investing activities</b>	<b>2,998,019</b>	<b>(196,324)</b>	<b>2,976,120</b>	<b>(411,983)</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>(41,292)</b>	<b>(4,519)</b>	<b>(115,901)</b>	<b>70,546</b>
Increase/(decrease) in cash	3,356,871	207,138	3,218,462	(550,551)
Cash and cash equivalents at the beginning of the period	235,617	290,376	374,026	1,048,065
<b>Cash and cash equivalents at the end of the period</b>	<b>3,592,488</b>	<b>497,514</b>	<b>3,592,488</b>	<b>497,514</b>

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(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 property is the El Dorado-Monserrat property which is located in the Province of Santa Cruz, Argentina. All of the Company's properties are at an early stage of exploration.

The Company owned further properties known as Corina, Corina I and Mercia ("the Corina property"). On May 18, 2016, the Company entered into an agreement with Yamana Gold Inc. ("Yamana") which provided in part for the sale of the Company's Corina property to Yamana.

These unaudited 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, 2016 and 2015.

These unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016 and 2015, have been prepared by management and authorized for issuance by the board of directors of the Company on August 25, 2016.

### 2. Significant accounting policies and continuation of the business

#### *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, 2015, 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. These condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2015.

#### *Basis of preparation*

These condensed consolidated interim financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 \$888,243 for the six months ended June 30, 2016 (2015: \$1,618,272). As the Company has not yet achieved profitable operations, the Company has, since its inception, accumulated a deficit to June 30, 2016, of \$38,196,508 (2015 \$25,349,046) and expects to incur further losses in the development of its business. As at June 30, 2016, the Company had \$3,592,488



# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

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### 3. **Significant accounting policies and continuation of the business (continued)**

#### *Going concern (continued)*

(2015: \$497,514) in cash and cash equivalents. The Company does not currently have revenue-generating properties.

The Company's ability to continue operations in the normal course of business is dependent on several factors including its ability to secure additional funding, along with other matters relevant to exploration companies, such as the failure to maintain the necessary permits which could result in the delay or indefinite postponement of further exploration and development of its Argentinean mineral properties. Such matters indicate the existence of material uncertainties about the Company's ability to continue as a going concern. There is no assurance that the financing required and/or the necessary permits will be maintained on favorable terms, or at all. Management is exploring all available options to secure additional funding, including equity and loan financing. In addition, the recoverability of the amount shown for mineral rights and exploration assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to continue to perform exploration activity or complete the development of the properties where necessary, or alternatively, upon the Company's ability to recover its incurred costs through a disposition of its interests, all of which are uncertain.

In the event the Company is unable to identify recoverable resources, receive the necessary permitting, or arrange appropriate financing, the carrying value of the Company's assets could be subject to material adjustment. Furthermore, these conditions may cast significant doubt upon the validity of the going concern assumption.

These condensed consolidated interim financial statements do not include any additional adjustments to the recoverability and classification of certain recorded asset amounts, classification of certain liabilities and changes to the statement of loss and comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

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### 4. 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, 2016		
	Corporate	Argentina	Total
	\$	\$	\$
Non-current assets	707,494	11,314,273	12,021,767
Current assets	5,114,382	85,123	5,199,505
Non-current liabilities	13,937	65,449	79,386
Current liabilities	3,727,373	281,081	4,008,454

	As at December 31, 2015		
	Corporate	Argentina	Total
	\$	\$	\$
Non-current assets	719,338	14,290,084	15,009,422
Current assets	1,779,862	190,945	1,970,807
Non-current liabilities	15,452	75,169	90,621
Current liabilities	2,609,680	258,925	2,868,605

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

### 3. Segment information (continued)

	Three months ended June 30, 2016		
	Corporate	Argentina	Total
	\$	\$	\$
Depreciation expenses	3,788	1,296	5,084
Finance and interest charge	47,299	2	47,301
Income tax expense	-	(5)	(5)
Deferred tax	(757)	-	(757)
Loss	(351,564)	779,373	427,809
Mineral rights and exploration costs	-	4,272	4,272
	Three months ended June 30, 2015		
	Corporate	Argentina	Total
	\$	\$	\$
Interest Income	1	-	1
Depreciation expenses	3,788	1,377	5,165
Finance and interest charge	981	1,931	2,912
Share-based payment expense	9,220	-	9,220
Income tax expense	-	41	41
Deferred tax expense	(757)	-	(757)
Loss	738,929	179,545	918,474
Mineral rights and exploration costs	-	201,490	201,490
	Six months ended June 30, 2016		
	Corporate	Argentina	Total
	\$	\$	\$
Depreciation expenses	7,576	2,595	10,171
Finance and interest charge	94,167	(872)	93,295
Share-based payment expense	672	-	672
Income tax expense	-	13	13
Deferred tax	(1,515)	-	(1,515)
Loss	(46,575)	934,818	888,243
Mineral rights and exploration costs	-	52,133	52,133
	Six months ended June 30, 2015		
	Corporate	Argentina	Total
	\$	\$	\$
Interest Income	5	-	5
Depreciation expenses	7,791	3,057	10,848
Finance and interest charge	2,904	2,804	5,708
Share-based payment expense	18,559	-	18,559
Income tax expense	-	44	44
Deferred tax expense	(1,558)	-	(1,558)
Loss	1,378,764	239,508	1,618,272
Mineral rights and exploration costs	-	422,462	422,462

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

### 4. Administrative expenses

	Three months		Six months	
	ended June 30,		ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Administration costs	62,635	55,565	111,850	135,974
Travel and subsistence	57,164	18,287	64,795	81,259
Application fees	4,749	15,235	9,162	19,130
Management and professional fees	111,648	291,725	231,991	531,963
Pre-acquisition costs	-	295,000	-	458,543
Salary	173,834	221,563	327,044	428,353
Depreciation (Note 7)	5,084	5,165	10,171	10,848
	<b>415,114</b>	<b>902,540</b>	<b>755,013</b>	<b>1,666,070</b>

### 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		Six months	
	ended June 30,		ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Short-term employee benefits	131,250	168,750	262,500	337,500
Share-based payments	-	9,220	672	18,559
	<b>131,250</b>	<b>177,970</b>	<b>263,172</b>	<b>356,059</b>
			As at	As at
			June 30,	December 31,
			2016	2015
			\$	\$
Amounts due to/(from) related parties - current			<b>2,449,621</b>	<b>2,417,508</b>

Mr. Fornazzari, who is the Company's corporate secretary, was also a partner in Gowling, Lafleur, Henderson LLP, which provided legal services of \$Nil to the Company during the three month period ended June 30, 2016 (2015: \$42,163). The value of the services billed by Gowling, Lafleur, Henderson LLP, in the six months ended June 30, 2016, was \$Nil (2015: \$137,067). \$Nil was outstanding as at June 30, 2016 (\$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).

Mr. Fornazzari joined Fasken Martineau DuMoulin LLP law firm during the year ended December 31, 2015, which provided legal services of \$46,691 (2015: \$Nil) to the Company during the three months ended June 30, 2016. The value of services billed by Fasken Martineau DuMoulin LLP, in the six months ended June 30, 2016 was \$50,984 (2015: \$Nil), of which \$43,671 was outstanding.

On December 6, 2013, the Company entered into a lease for its 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.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

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

On December 12, 2014, the Company entered into a share purchase agreement with Mantaro Resources Limited ("Mantaro"), a company in which the Company's chairman and chief executive officer, Mr. Koppel, has a majority interest, and has a greater than 10% shareholding in the Company, 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. The agreement was terminated on December 1, 2015. In accordance with the share purchase agreement, a total of \$790,134 has accrued to Mantaro of which \$677,200 was still outstanding as at June 30, 2016 (2015: \$402,200), which amount was reflected in the termination agreement.

On June 30, 2015, the Company announced that it had 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.

The purchasers of the first tranche of Notes having a principal amount of \$500,000 each, were Sentient Global Resources Fund IV, L.P. ("Sentient"), a greater than 10% shareholder of the Company, and Mantaro; therefore the closing of the first tranche of the Private Placement constituted 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 consisted of six directors, four of whom were unrelated to Sentient and Mantaro, and were 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.

On November 18, 2015, the Company announced that it had closed the second tranche of its previously announced non-brokered Private Placement of up to \$5,000,000 principal amount of convertible notes, consisting of \$500,000 principal amount of convertible Notes bearing 12% interest and maturing December 30, 2016. The principal amount of the Notes is convertible at the option of the holder into common shares of the Company at a conversion price of CAD\$0.50 per share. The purchaser of the second tranche of Notes was Mantaro, therefore the closing of the second tranche of the Private Placement constituted a related party transaction.

In the three months ended June 30, 2016, the Company owed a total of \$1,500,000 (2015: \$Nil) in respect of the Private Placement and related interest of \$45,500 (2015: \$Nil) was accrued.

In the six months ended June 30, 2016, the Company owed a total of \$1,500,000 (2015: \$Nil) in respect of the Private Placement and related interest of \$91,000 (2015: \$Nil) was accrued.

In the three months ended June 30, 2016, a total of \$18,750 (2015: \$Nil) was accrued in respect of fees and salaries due to Directors and Officers of the Company.

In the six months ended June 30, 2016, a total of \$68,750 (2015: \$Nil) was accrued in respect of fees and salaries due to Directors and Officers of the Company.

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, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

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### 6. Income taxes

The current and deferred 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.

The following table summarizes the movement in the deferred tax liability for the three and six month periods ended 31, 2016 and 2015:

	Three months		Six months	
	ended June 30,		ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Deferred tax movement for the period	(757)	(757)	(1,515)	(1,558)
Deferred tax liability at the end of the period	13,937	16,967	13,937	16,967

The deferred tax liability is entirely related to fixed assets' taxable temporary differences in the United Kingdom.

The company has non-capital losses of \$1,666,510 in Argentina for which no deferred tax asset has been recognized. If not utilized, these losses will expire between one and five years from the year the loss arose.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

### 7. Plant and equipment

	Fixtures and fittings	Computer and office equipment	Vehicles	Machinery	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
As at January 1, 2015	200,461	70,973	36,452	51,821	93,180	452,887
Disposals	-	-	(36,452)	-	-	(36,452)
As at December 31, 2015	200,461	70,973	-	51,821	93,180	416,435
Disposals	-	(549)	-	(37,848)	-	(38,397)
As at June 30, 2016	<b>200,461</b>	<b>70,424</b>	-	<b>13,973</b>	<b>93,180</b>	<b>378,038</b>
<b>Accumulated depreciation</b>						
As at January 1, 2015	(41,301)	(53,230)	(24,301)	(15,755)	(93,180)	(227,767)
Depreciation	(20,047)	(9,275)	(5,468)	(5,182)	-	(39,972)
Disposals	-	-	29,769	-	-	29,769
As at December 31, 2015	(61,348)	(62,505)	-	(20,937)	(93,180)	(237,970)
Depreciation	(10,023)	(4,029)	-	(1,645)	-	(15,697)
Disposals	-	549	-	16,439	-	16,988
As at June 30, 2016	<b>(71,371)</b>	<b>(65,985)</b>	-	<b>(6,143)</b>	<b>(93,180)</b>	<b>(236,679)</b>
<b>Carrying amount</b>						
As at January 1, 2015	159,160	17,743	12,151	36,066	-	225,120
As at December 31, 2015	139,113	8,468	-	30,884	-	178,465
As at June 30, 2016	<b>129,090</b>	<b>4,439</b>	-	<b>7,830</b>	-	<b>141,359</b>
Of the total depreciation for the three months ended June 30, 2016, \$2,292 (2015: \$5,167) is capitalized to mineral rights and exploration costs as this is directly attributable to the mining operations, and \$5,084 (2015: \$5,165) is expensed.						
Of the total depreciation for the six months ended June 30, 2016, \$5,526 (2015: \$10,475) is capitalized to mineral rights and exploration costs as this is directly attributable to the mining operations, and \$10,171 (2015: \$10,848) is expensed.						

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

### 8. Mineral rights and exploration assets

	El Dorado Monserrat	Corina	Other exploration properties	Total
	\$	\$	\$	\$
Balance as at December 31, 2014	19,765,447	4,169,790	246,350	24,181,587
Exploration costs incurred:				
Field costs	75,019	107	124	75,250
Surface rights	92,995	580	992	94,567
Professional fees	8,454	-	-	8,454
Lab costs	259,730	52,853	98,086	410,669
Geology	436,198	53,540	99,202	588,940
Balance as at December 31, 2015	20,201,645	4,223,330	345,552	24,770,527
Impairment	(9,380,550)	(1,298,467)	-	(10,679,017)
Balance as at December 31, 2015	10,821,095	2,924,863	345,552	14,091,510
Exploration costs incurred:				
Drilling	-	-	-	-
Field costs	9,366	-	-	9,366
Surface rights	19,735	-	-	19,735
Professional fees	661	-	-	661
Geophysics	-	-	-	-
Lab costs	-	-	-	-
Geology	22,371	-	-	22,371
	52,133	-	-	52,133
Disposal of Corina	-	(2,924,863)	-	(2,924,863)
<b>Balance as at June 30, 2016</b>	<b>10,873,228</b>	<b>-</b>	<b>345,552</b>	<b>11,218,780</b>

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.

In accordance with IAS 36, in 2015 management performed an assessment for impairment indicators regarding the Company's mineral properties and concluded that a risk of impairment exists. Accordingly, this has resulted in management performing an exercise to value the Corina and EDM properties in order to conclude as to whether or not the carrying values are recoverable. In estimating the fair value, the Company used the Indexed Acquisition Cost method. This methodology indexes the cost of the properties to the changes in natural resource prices from the acquisition date to the valuation date. As the valuation technique requires the use of observable inputs, the historical and current resource prices, but also requires the use of unobservable inputs, as similar properties are not frequently transacted on an active market, it is classified within Level 2 of the fair value hierarchy. A value in use calculation is not applicable as the Company does not have any expected cash flows from using the properties at this stage of operations. Therefore, the Company wrote down the carrying value of Corina to \$2,924,863 and that of El Dorado Monserrat to \$10,821,095, recognizing an impairment loss of \$1,298,467 and \$9,380,550 for the respective properties. No further impairment has occurred since December 31, 2015, on the El Dorado Monserrat or other exploration properties.



# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

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### 8. *Mineral rights and exploration assets (continued)*

On January 10, 2014, the Company announced that it had entered into a participation and option agreement with a former director of the Company, Dr. R. Auriemma. On February 14, 2014, the Company closed the participation and option agreement and an option payment of \$1,400,000 was made to Dr. R. Auriemma. The Company has recorded the \$1,400,000 as a current asset in the statement of financial position as the Company believes that it will recover the value of the asset within twelve months. The participation and option agreement was terminated on May 18, 2016, however, the option payment of \$1,400,000 remains repayable.

On May 19, 2016, the Company announced that after a strategic review of its business, operations and prospects, it has terminated the participation and option agreement with Dr. R. Auriemma in order to progress with other aspects of its business, including entering into an agreement with Yamana which provides in part for the sale to Yamana of the Company's Corina property located adjacent to Yamana's Cerro Moro property in Santa Cruz, Argentina. Total consideration paid by Yamana in connection with the above transactions, including the purchase of Corina, was \$4,000,000, but Yamana will be entitled to receive a reimbursement of at least \$1,000,000 from the termination payments Samco receives pursuant to its termination of the participation and option agreement.

Pursuant to the agreement, on June 16, 2016 (the "Closing"), the Corina property was acquired by Yamana, subject to a 2% NSR to the Company. The consideration received by the Company in respect of the property was \$1,000,000, which is a loss of \$1,924,864.

The agreement further provided for the execution by the parties of a discontinuance of civil claim and mutual covenants not to sue in connection with certain proceedings and threatened proceedings. On Closing, the British Columbia litigation (the "B.C. Legal Proceedings") commenced by Yamana and its subsidiary, 0805346 B.C. Ltd. against, among others, Samco and its subsidiary, 5R S.A., that related to the El Dorado Monserrat property in Santa Cruz, Argentina, was discontinued as against the Company and 5R S.A. and such parties signed a mutual covenant not to sue and discontinuance agreement in regards to the foregoing.

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 property in Santa Cruz, Argentina. As a precondition to PAS exercising its option PAS is to conduct further work, including drilling at El Dorado Monserrat 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. On February 9, 2015, the Company announced that the definitive option agreement had been executed.

PAS had not yet commenced any activity pursuant to this agreement as a result of the litigation commenced by 0805346 B.C. Ltd. and Yamana in which an interest was claimed in the El Dorado Monserrat property, however, with the discontinuance of the B.C. Legal Proceedings (see above) as against the Company and 5R S.A., it is anticipated that PAS, through its Argentinean subsidiary, will now move forward with the exploration and development work contemplated under the option agreement over the El Dorado Monserrat property on September 1, 2016.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

### 9. Share capital and share options

#### a) Share capital

	Six months ended		Year ended	
	June 30, 2016		December 31, 2015	
Common shares	Shares	Amount	Shares	Amount
		\$		\$
Balance, beginning of period	65,076,075	45,423,567	65,076,075	45,423,567
Balance, end of period	65,076,075	45,423,567	65,076,075	45,423,567

#### b) 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 tables summarize information about share options outstanding as at June 30, 2016:

Number outstanding	Number vested and exercisable	Exercise price (CDN \$)	Expiry date	Weighted average remaining contractual life (years)
2,400,000	2,400,000	1.10	July 6, 2016	0.02
500,000	500,000	1.10	March 27, 2017	0.74
100,000	100,000	0.35	October 4, 2017	1.26
200,000	200,000	0.17	June 3, 2019	2.93
150,000	150,000	0.22	July 14, 2019	3.04
3,350,000	3,350,000			0.47

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

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

#### b) Share options (continued)

	Note	Number	Weighted average exercise price (CDN \$)
<b>Balance as at December 31, 2014</b>		<b>6,275,000</b>	<b>1.00</b>
Cancelled	(i)	(2,330,000)	1.04
<b>Balance as at December 31, 2015</b>		<b>3,945,000</b>	<b>0.98</b>
Cancelled	(ii)	(595,000)	0.96
<b>Balance as at June 30, 2016</b>		<b>3,350,000</b>	<b>0.98</b>

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

1,750,000 of the total share options granted on July 6, 2011 with an exercise price of CDN \$1.10 were cancelled during the three month period ended September 30, 2015.

100,000 of the total share options granted on October 4, 2012 with an exercise price of CDN \$0.35 were cancelled during the three month period ended September 30, 2015.

80,000 of the total share options granted on July 14, 2014 with an exercise price of CDN \$0.22 were cancelled during the three month period ended September 30, 2015.

(ii) 20,000 of the total share options granted on July 14, 2014 with an exercise price of CDN \$0.22 were cancelled during the three month period ended March 31, 2016. 75,000 of the total share options granted on July 14, 2014 with an exercise price of CDN \$0.22 and 500,000 of the total share options granted on July 6, 2011 with an exercise price of CDN \$1.10. were cancelled during the three month period ended June 30, 2016.

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:

	October 04, 2012	June 03, 2014	July 13, 2014
Expected dividend yield	0	0	0
Expected volatility	96%	95%	96%
Risk free rate	1.33%	1.61%	1.39%
Expected life (years)	5	5	4
Fair value per option (CDN \$)	0.14	0.10	0.15

#### c) Share-based payment reserve

During the three months ended June 30, 2016, the Company expensed \$Nil (2015: \$9,220) in relation to the fair value of these options.

During the six months ended June 30, 2016, the Company expensed \$672 (2015: \$18,559) 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, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

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

#### d) Loss per share

The calculation of basic and diluted loss per share is based on the net loss of \$427,809 for the three months ended June 30, 2016 (2015: \$918,474) and on the total weighted average number of common shares of 65,076,075 outstanding during the three months ended June 30, 2016 and 2015.

The calculation of basic and diluted loss per share is based on the net loss of \$888,243 for the six months ended June 30, 2016 (2015: \$1,618,272) and on the total weighted average number of common shares of 65,076,075 outstanding during the six months ended June 30, 2016 and 2015.

#### 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 as at June 30, 2016, and therefore were not included in the diluted earnings per share calculation for the period.

### 10. Operating commitments

Commitments were as follows:

	<b>As at June 30, 2016</b>	<b>As at December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
In respect of		
- Surface rights	<b>40,000</b>	110,000
	<b>40,000</b>	110,000

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. The term of the office lease in the UK is for four years and five months and expires on May 5, 2018. An office lease in Argentina was terminated during the year ended December 31, 2015.

The future minimum lease payments of the operating lease is as follows:

	<b>As at June 30, 2016</b>	<b>As at December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
No later than 1 year	<b>105,272</b>	116,373
Later than 1 year and no later than 5 years	<b>89,121</b>	156,546
<b>Total</b>	<b>194,393</b>	272,919

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The company manages liquidity risk through the management of its capital structure.

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 in 2015 completed the Private Placement for \$5,000,000 (see Note 5) and in 2016 entered into the agreement with Yamana (see Note 8).

	As at June 30, 2016				
	< 1 month	1-3 months	3 months to 1 year	> 1 year	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	-	1,558,833	-	-	1,558,833
Due to related parties	-	112,421	2,337,200	-	2,449,621
	-	1,671,254	2,337,200	-	4,008,454
	As at December 31, 2015				
	< 1 month	1-3 months	3 months to 1 year	> 1 year	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	-	451,097	-	75,169	526,266
Due to related parties	-	171,308	2,246,200	-	2,417,508
	-	622,405	2,246,200	75,169	2,943,774

#### 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, 2016		As at December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
	\$	\$	\$	\$
Argentine pesos	662	346,530	70,938	334,094
United Kingdom sterling	426,997	17,664	31,320	25,318
Canadian dollars	23,315	21,750	9,626	31,709
	450,974	385,944	111,884	391,121

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

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

Based on the June 30, 2016, 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 \$17,293 (higher) lower. Had the United States dollar strengthened (weakened) against the United Kingdom sterling, the Company's equity would have been \$20,467 higher (lower). Had the United States dollar strengthened (weakened) against the Canadian dollar, the Company's equity would have been \$78 lower (higher). 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 \$3,592,488 deposited as at June 30, 2016 (December 31, 2015: \$374,026). The Company limits its counterparty credit risk on its deposits by dealing only with financial institutions with high credit ratings.

#### f) *Price Risk*

Mineral prices, in particular gold and silver, are volatile, and have fluctuated sharply in recent years. The prices are subject to market supply and demand, political and economic factors, and commodity speculation, all of which can interact with one another to cause significant price movement from day to day. These price movements can affect the Company's ability to operate and to raise financing through the sale of its common shares.

#### g) *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.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements as at and for three and six months ended June 30, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

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

Categories of financial instruments:

		As at June 30, 2016	As at December 31, 2015
Carrying amount	Classification		
		\$	\$
Financial assets			
Cash and cash equivalents	loans and receivables	3,592,488	374,026
Receivables	loans and receivables	1,440,863	1,445,131
Financial liabilities			
Accounts payable and accrued liabilities	other liabilities	1,558,833	451,097
Due to related parties - current	other liabilities	2,449,621	2,417,508

Cash in the statement of financial position comprises cash at banks and on hand. As at June 30, 2016, and December 31, 2015, there are no cash equivalents. The carrying value of cash and receivables approximates their fair values. The accounts payable and accrued liabilities and the amounts due to related parties have remaining terms of less than one year. The carrying values of the other liabilities both current and non-current approximate their fair values.