

Condensed consolidated financial statements of

**Samco Gold Limited**

March 31, 2017

# **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

March 31, 2017

## Table of contents

Condensed consolidated interim statements of loss and comprehensive loss .....	1
Condensed consolidated interim statements of financial position.....	2
Condensed consolidated interim statements of changes in equity .....	3
Condensed consolidated interim statements of cash flows .....	4
Notes to the condensed consolidated interim financial statements .....	5-20

# Samco Gold Limited

## Condensed consolidated interim statements of loss and comprehensive loss three months ended March 31, 2017 and 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

	<b>Three months ended March 31, 2017</b>	Three months ended March 31, 2016
	\$	\$
Interest and other income	-	-
Administrative expenses (Note 4)	<b>(347,414)</b>	(339,899)
Finance and interest charges	<b>(3,338)</b>	(122,072)
Foreign exchange (loss)/gain	<b>9,380</b>	1,469
Share-based payment expense (Note 9(c))	-	(672)
Loss before tax	<b>(341,372)</b>	(461,174)
Current tax expense	-	(18)
Deferred tax recovery	<b>590</b>	758
Income tax (Note 6)	<b>590</b>	740
<b>Loss and comprehensive loss</b>	<b>(340,782)</b>	(460,434)
<b>Loss per share, basic (Note 9(d))</b>	<b>(0.01)</b>	(0.01)
<b>Loss per share, diluted (Note 9(d))</b>	<b>(0.01)</b>	(0.01)
<b>Weighted average number of shares outstanding, basic</b>	<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

# Samco Gold Limited

## Condensed consolidated interim statements of financial position as at March 31, 2017 and December 31, 2016

(Unaudited)

(In United States dollars, except where otherwise stated)

	2017	2016
	\$	\$
<b>Assets</b>		
Non-current assets		
Plant and equipment (Note 7)	61,526	64,477
Mineral rights and exploration assets (Note 8)	1,922,191	1,915,518
Prepaid assets	606,067	590,064
Receivables	38,136	37,665
<b>Total non-current assets</b>	<b>2,627,920</b>	<b>2,607,724</b>
Current assets		
Cash and cash equivalents	997,327	1,433,877
Prepaid assets	151,499	141,942
Receivables (Note 8)	1,400,000	1,400,000
<b>Total current assets</b>	<b>2,548,826</b>	<b>2,975,819</b>
<b>Total assets</b>	<b>5,176,746</b>	<b>5,583,543</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(b) and 9(c))	5,005,571	5,005,571
Deficit	(49,060,347)	(48,719,565)
<b>Total equity</b>	<b>2,269,593</b>	<b>2,610,375</b>
Non-current liabilities		
Deferred tax liability (Note 6)	12,305	12,895
Accrued liabilities	64,226	62,204
<b>Total non-current liabilities</b>	<b>76,531</b>	<b>75,099</b>
Current liabilities		
Due to related parties (Note 5)	1,472,520	1,462,373
Accounts payable and accrued liabilities	1,358,102	1,435,696
<b>Total current liabilities</b>	<b>2,830,622</b>	<b>2,898,069</b>
<b>Total liabilities</b>	<b>2,907,153</b>	<b>2,973,168</b>
<b>Total equity and liabilities</b>	<b>5,176,746</b>	<b>5,583,543</b>

Approved by the Board on May 30, 2017

"John Hick" Director

"Charles Koppel" Director

# Samco Gold Limited

## Condensed consolidated interim statements of changes in equity

as at March 31, 2017

(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, 2016</b>	45,423,567	900,802	5,004,899	(37,308,265)	14,021,003
Loss for the period attributable to shareholders	-	-	-	(460,434)	(460,434)
Share-based payment expense (Notes 9(b) and 9(c))	-	-	672	-	672
<b>Balance as at March 31, 2016</b>	<b>45,423,567</b>	<b>900,802</b>	<b>5,005,571</b>	<b>(37,768,699)</b>	<b>13,561,241</b>
<b>Opening balance as at January 1, 2017</b>	<b>45,423,567</b>	<b>900,802</b>	<b>5,005,571</b>	<b>(48,719,565)</b>	<b>2,610,375</b>
Loss for the period attributable to shareholders	-	-	-	(340,782)	(340,782)
Share-based payment expense (Notes 9(b) and 9(c))	-	-	-	-	-
<b>Balance as at March 31, 2017</b>	<b>45,423,567</b>	<b>900,802</b>	<b>5,005,571</b>	<b>(49,060,347)</b>	<b>2,269,593</b>

# Samco Gold Limited

## Condensed consolidated interim statements of cash flows three months ended March 31, 2017 and 2016

(In United States dollars, except where otherwise stated)

	2017	2016
	\$	\$
<b>Operating activities</b>		
Loss for the period	(340,782)	(460,434)
Foreign exchange loss/(gain)	(9,380)	(1,469)
Share-based payment expense (Note 9(c))	-	672
Depreciation (Note 7)	2,951	5,087
(Gain) on disposals of plant and equipment (Note 7)	-	(1,319)
Deferred tax (Note 6)	(590)	(758)
	(347,801)	(458,221)
Movements in working capital		
(Increase)/decrease in receivables	(471)	1,297
(Increase)/decrease in prepaid assets	(25,560)	121,027
(Decrease)/increase in accounts payable and accrued liabilities	(75,572)	61,942
Increase in amounts due to related parties	10,147	155,976
Net cash used in operating activities	(439,257)	(117,979)
<b>Investing activities</b>		
Investment in mineral property rights and exploration costs (Note 8)	(6,673)	(44,627)
Disposals of plant and equipment (Note 7)	-	22,728
Net cash provided by/(used in) investing activities	(6,673)	(21,899)
Effect of foreign exchange rate changes on cash	9,380	1,469
Increase/(decrease) in cash	(436,550)	(138,409)
Cash and cash equivalents at the beginning of the period	1,433,877	374,026
<b>Cash and cash equivalents at the end of the period</b>	<b>997,327</b>	<b>235,617</b>

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(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.

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 month periods ended March 31, 2017 and 2016.

These unaudited condensed consolidated interim financial statements for the three month periods ended March 31, 2017 and 2016, have been prepared by management and authorized for issuance by the board of directors of the Company on May 30, 2017.

### 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, 2016, 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, 2016.

#### *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 \$340,782 for the three months ended March 31, 2017 (2016: \$460,434). As the Company has not yet achieved profitable operations, the Company has, since its inception, accumulated a deficit to March 31, 2017, of \$49,060,347 (2016: \$37,768,699) and expects to incur further losses in the development of its business.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(Unaudited)

(In United States dollars, except where otherwise stated)

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

#### *Going concern (continued)*

As at March 31, 2017, the Company had \$997,327 (December 31, 2016: \$1,433,877) 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

March 31, 2017

(Unaudited)

(In United States dollars, except where otherwise stated)

### 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 March 31, 2017		
	Corporate	Argentina	Total
	\$	\$	\$
Non-current assets	706,311	1,921,609	2,627,920
Current assets	2,462,247	86,579	2,548,826
Non-current liabilities	12,305	64,226	76,531
Current liabilities	2,634,451	196,171	2,830,622

	As at December 31, 2016		
	Corporate	Argentina	Total
	\$	\$	\$
Non-current assets	708,791	1,898,933	2,607,724
Current assets	2,891,176	84,643	2,975,819
Non-current liabilities	12,895	62,204	75,099
Current liabilities	2,702,692	195,377	2,898,069

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(Unaudited)

(In United States dollars, except where otherwise stated)

### 3. Segment information (continued)

	Three months ended March 31, 2017		
	Corporate	Argentina	Total
	\$	\$	\$
Depreciation expense	2,951	-	2,951
Finance and interest expense	3,007	331	3,338
Share-based payment expense	-	-	-
Income tax expense	-	-	-
Deferred tax recovery	(590)	-	(590)
Loss	304,307	36,475	340,782
Mineral rights and exploration costs	-	6,673	6,673

	Three months ended March 31, 2016		
	Corporate	Argentina	Total
	\$	\$	\$
Depreciation expense	3,788	1,299	5,087
Finance and interest expense	46,868	75,204	122,072
Share-based payment expense	672	-	672
Income tax expense	-	18	18
Deferred tax recovery	(758)	-	(758)
Loss	304,989	155,445	460,434
Mineral rights and exploration costs	-	47,861	47,861

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(Unaudited)

(In United States dollars, except where otherwise stated)

### 4. Administrative expenses

	Three months ended March 31,	
	2017	2016
	\$	\$
Administration costs	50,573	49,215
Travel and subsistence	35,549	7,631
Application fees	4,281	4,413
Management and professional fees	121,188	120,343
Salary	132,872	153,210
Depreciation (Note 7)	2,951	5,087
	<b>347,414</b>	<b>339,899</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 ended March 31,	
	2017	2016
	\$	\$
Short-term employee benefits	118,750	168,750
Share-based payments	-	672
	<b>118,750</b>	<b>169,422</b>
Amounts due to related parties - current	<b>1,472,520</b>	<b>2,573,484</b>

The Company does not participate in a pension plan. No bonuses were awarded during the three months ended March 31, 2017 and 2016.

Mr. Fornazzari, who is the Company's corporate secretary, is a partner in Fasken Martineau DuMoulin LLP law firm, which provided legal services of \$33,013 (2016: \$4,252) to the Company during the three months ended March 31, 2017, of which \$13,653 (2016: \$2,140) was accrued.

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. C. Koppel. Refer to Note 11 for further disclosure.

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. C. 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.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(Unaudited)

(In United States dollars, except where otherwise stated)

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

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 March 31, 2017 (2016: \$677,200), which amount was reflected in the termination agreement and was evidenced by a promissory note in favour of Mantaro payable upon receipt of funds by the Company in certain circumstances. On March 29, 2017, the promissory note was assigned by Mantaro to Mr. C. Koppel.

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 year ended December 31, 2016, pursuant to the terms of the Private Placement, the Company repaid \$1,000,000 to Mantaro representing the principal of its first and second tranche of the Private Placement and leaving a total owing of \$500,000 as at March 31, 2017 (2016: \$1,500,000). The maturity date of the Private Placement with Sentient was amended to June 30, 2017, during the year ended December 31, 2016. Related interest of \$281,667 was accrued as at March 31, 2017.

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

March 31, 2017

(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 month periods ended March 31, 2017 and 2016:

	<b>2017</b>	2016
	<b>\$</b>	\$
Deferred tax liability as at January 1,	<b>12,895</b>	15,452
Deferred tax movement for the period	<b>(590)</b>	(758)
<b>Deferred tax liability at the end of the period</b>	<b>12,305</b>	14,694

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

The Company has non-capital losses of \$1,776,200 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

March 31, 2017

(Unaudited)

(In United States dollars, except where otherwise stated)

### 7. Plant and equipment

	Fixtures and fittings	Computer and office equipment	Machinery	Leasehold improvements	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
As at January 1, 2016	200,461	70,973	51,821	93,180	416,435
Additions	-	2,702	-	-	2,702
Disposals	(113,791)	(39,766)	(51,821)	(93,180)	(298,558)
As at December 31, 2016	86,670	33,909	-	-	120,579
Additions/disposals	-	-	-	-	-
<b>As at March 31, 2017</b>	<b>86,670</b>	<b>33,909</b>	<b>-</b>	<b>-</b>	<b>120,579</b>
<b>Accumulated depreciation</b>					
As at January 1, 2016	(61,348)	(62,505)	(20,937)	(93,180)	(237,970)
Depreciation	(22,138)	(7,698)	(2,785)	-	(32,621)
Disposals	58,106	39,481	23,722	93,180	214,489
As at December 31, 2016	(25,380)	(30,722)	-	-	(56,102)
Depreciation	(2,166)	(785)	-	-	(2,951)
<b>As at March 31, 2017</b>	<b>(27,546)</b>	<b>(31,507)</b>	<b>-</b>	<b>-</b>	<b>(59,053)</b>
<b>Carrying amount</b>					
As at January 1, 2016	139,113	8,468	30,884	-	178,465
As at December 31, 2016	61,290	3,187	-	-	64,477
<b>As at March 31, 2017</b>	<b>59,124</b>	<b>2,402</b>	<b>-</b>	<b>-</b>	<b>61,526</b>

Of the total depreciation for the three months ended March 31, 2017, \$Nil (2016: \$3,234) is capitalized to mineral rights and exploration costs as this is directly attributable to the mining operations, and \$2,951 (2016: \$5,087) is expensed.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(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, 2015	10,821,096	2,924,862	345,552	14,091,510
Exploration costs incurred:				
Field costs	11,863	-	-	11,863
Surface rights	31,021	-	435	31,456
Professional fees	13,605	-	-	13,605
Geology	22,371	-	-	22,371
	78,860	-	435	79,295
Impairment	(9,043,370)	(1,924,862)	(287,055)	(11,255,287)
Disposal of Corina	-	(1,000,000)	-	(1,000,000)
Balance as at December 31, 2016	1,856,586	-	58,932	1,915,518
Exploration costs incurred:				
Field costs	1,204	-	151	1,355
Surface rights	2,718	-	302	3,020
Professional fees	2,298	-	-	2,298
	6,220	-	453	6,673
<b>Balance as at March 31, 2017</b>	<b>1,862,806</b>	<b>-</b>	<b>59,385</b>	<b>1,922,191</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.

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. Consequently, the Company classified the Corina property as held for sale and recognized an impairment loss of \$1,924,862 on initial classification as held for sale. Total consideration paid by Yamana in connection with the above transactions, including the purchase of Corina for \$1,000,000, 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.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(Unaudited)

(In United States dollars, except where otherwise stated)

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

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 resulted in the recognition of a gain/(loss) on sale of \$Nil.

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 a 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, and on February 9, 2015, the Company announced that the definitive option agreement had been executed.

On January 17, 2017, the Company announced that it has received notice of termination of the letter of intent and that the corresponding option agreement has been terminated in accordance with its terms. The Company intends to evaluate other strategic opportunities to continue to develop the El Dorado Monserrat property and achieve its business objectives.

During the year ended December 31, 2016, the Company undertook an impairment review of its mineral rights and exploration assets and in accordance with IAS 36 management performed an assessment for impairment indicators regarding the Company's mineral properties and concluded that an indication of impairment existed. In estimating the fair value, the Company used the market capitalization of the Company plus a premium to estimate the fair value of the exploration assets. Therefore, the Company wrote down the carrying value of EDM to \$1,856,586 and that of the other exploration properties to \$58,932, recognizing impairment losses of \$9,043,370 and \$287,055 respectively.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(Unaudited)

(In United States dollars, except where otherwise stated)

### 9. Share capital and share options

#### a) Share capital

Common shares	Three months ended March 31, 2017		Year ended December 31, 2016	
	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 March 31, 2017:

Number outstanding	Number vested and exercisable	Exercise price (CDN \$)	Expiry date	Weighted average remaining contractual life (years)
100,000	100,000	0.35	October 4, 2017	0.51
200,000	200,000	0.17	June 3, 2019	2.18
300,000	300,000			1.62

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(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 \$)
Balance as at January 1, 2016		3,945,000	0.98
Cancelled	(i)	(670,000)	0.88
Expired	(ii)	(2,400,000)	1.10
Balance as at December 31, 2016		875,000	0.73
Expired	(iii)	(500,000)	1.10
Cancelled	(iv)	(75,000)	0.22
<b>Balance as at March 31, 2017</b>		<b>300,000</b>	<b>0.23</b>

(i) 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 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. A further 75,000 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 December 31, 2016.

(ii) 2,400,000 share options granted on July 6, 2011 with an exercise price of CDN \$1.10 expired during the three month period ended September 30, 2016.

(iii) 500,000 share options granted on March 27, 2012 with an exercise price of CDN \$1.10 expired during the three month period ended March 31, 2017.

(iv) 75,000 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, 2017.

#### c) Share-based payment reserve

During the three months ended March 31, 2017, the Company expensed \$Nil (2016: \$672) in relation to the fair value of these options as all the share option had fully vested during the year ended December 31, 2016.

#### d) Loss per share

The calculation of basic and diluted loss per share is based on the net loss of \$340,782 for the three months ended March 31, 2017 (2016: \$460,434) and using the total weighted average number of common shares of 65,076,075 outstanding during the three months ended March 31, 2017 and 2016.

#### 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 March 31, 2017, and were therefore not included in the diluted earnings per share calculation for the periods.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(Unaudited)

(In United States dollars, except where otherwise stated)

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### 10. Operating commitments

There are no operating commitments as at March 31, 2017.

### 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.

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

	<b>As at</b>	As at
	<b>March 31,</b>	December 31,
	<b>2017</b>	2016
	\$	\$
No later than 1 year	<b>98,275</b>	96,988
Later than 1 year and no later than 5 years	<b>9,424</b>	33,215
Later than 5 years	-	-
<b>Total</b>	<b>107,699</b>	130,203

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# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(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 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 March 31, 2017				
	< 1 month	1-3 months	3 months to 1 year	> 1 year	Total
	\$	\$	\$	\$	\$
Due to related parties	-	13,653	1,458,867	-	1,472,520
Accounts payable and accrued liabilities	-	358,102	1,000,000	64,226	1,422,328
	-	371,755	2,458,867	64,226	2,894,848

	As at December 31, 2016				
	< 1 month	1-3 months	3 months to 1 year	> 1 year	Total
	\$	\$	\$	\$	\$
Due to related parties	-	3,506	1,458,867	-	1,462,373
Accounts payable and accrued liabilities	-	435,696	1,000,000	62,204	1,497,900
	-	439,202	2,458,867	62,204	2,960,273

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(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 monetary assets and liabilities at the end of the reporting period, in United States dollars is:

	As at		As at	
	March 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
	\$	\$	\$	\$
Argentine pesos	4,623	260,397	4,686	257,581
United Kingdom sterling	114,957	14,614	145,655	41,460
Canadian dollars	14,993	48,858	58,573	73,023
	134,573	323,869	208,914	372,064

Based on the March 31, 2017, 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 \$12,789 (higher) lower. Had the United States dollar strengthened (weakened) against the United Kingdom pound sterling, the Company's equity would have been \$5,017 higher (lower). Had the United States dollar strengthened (weakened) against the Canadian dollar, the Company's equity would have been \$1,693 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 \$997,327 deposited as at March 31, 2017 (December 31, 2016: \$1,433,877). 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.

# Samco Gold Limited

## Notes to the condensed consolidated interim financial statements

March 31, 2017

(Unaudited)

(In United States dollars, except where otherwise stated)

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

#### 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.

Categories of financial instruments:

Carrying amount	Classification	As at March 31, 2017	As at December 31, 2016
		\$	\$
Financial assets			
Cash and cash equivalents	loans and receivables	997,327	1,433,877
Receivables	loans and receivables	1,438,136	1,437,665
Financial liabilities			
Accounts payable and accrued liabilities	other liabilities	1,422,328	1,497,900
Due to related parties	other liabilities	1,472,520	1,462,373

Cash in the statement of financial position comprises cash at banks and on hand. As at March 31, 2017, and December 31, 2016, 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 both less than and more than one year 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.