Condensed consolidated interim financial statements of

Samco Gold Limited

As at and for the three and six months ended June 30, 2012

(Unaudited)

Samco Gold Limited

As at and for the three and six months ended June 30, 2012

Table of contents

Samco Gold Limited

Condensed consolidated interim statements of loss and comprehensive loss
three and six months ended June 30, 2012

(Unaudited)
(In United States dollars, except where otherwise stated)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Interest income	**-**	-	**5,095**	-
Administrative expenses (Note 4)	**(689,020)**	(817,484)	**(1,386,987)**	(1,170,783)
Finance and interest charge	**(15,675)**	(2,698)	**(8,712)**	(18,135)
Foreign exchange gain/(loss)	**(23,499)**	7,554	**132,320**	6,763
Share based payment expense (Note 9(c))	**(825,282)**	-	**(1,375,629)**	-
Loss before tax	**(1,553,476)**	(812,628)	**(2,633,913)**	(1,182,155)
Income tax (Note 6)	**(21,539)**	-	**(84,472)**	-
Deferred tax expense (Note 6)	**-**	-	**-**	(5,533)
Total loss and comprehensive loss for the period	**(1,575,015)**	(812,628)	**(2,718,385)**	(1,187,688)
Total loss and comprehensive loss attributed to non-controlling interest	**-**	-	**-**	(80)
Total loss and comprehensive loss attributed to common shareholders of the company	**(1,575,015)**	(812,628)	**(2,718,385)**	(1,187,608)
Loss per share, basic and diluted (Note 9(d))	**(0.02)**	(0.02)	**(0.04)**	**(0.06)**
Weighted average number of shares outstanding, basic and diluted (Note 9(d))	**65,076,075**	40,000,000	**65,076,075**	20,115,470

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

Samco Gold Limited

Condensed consolidated interim statements of changes in equity
six months ended June 30, 2012

(Unaudited)
(In United States dollars, except where otherwise stated)

	Non-controlling interest	Issued capital	Warrants reserve	Share based payment reserve	Deficit	Total
	$	$	$	$	$	$
Opening balance as at January 1, 2012	-	45,423,567	900,802	1,690,374	(12,809,540)	35,205,203
Loss for the period attributable to owners	-	-	-	-	(2,718,385)	(2,718,385)
Share based payment reserve (Notes 9(b) and 9(c))	-	-	-	1,375,629	-	1,375,629
Balance as at June 30, 2012	-	45,423,567	900,802	3,066,003	(15,527,925)	33,862,447
Opening balance as at January 1, 2011	15,523	10,000	-	-	(1,442,507)	(1,416,984)
Loss for the period attributable to owners	-	-	-	-	(1,187,688)	(1,187,688)
Loss attributable to non-controlling interest	(80)	-	-	-	-	(80)
De-recognition of non-controlling interest due to purchase of Samco Gold S.A. common shares	(15,443)	-	-	-	-	(15,443)
Acquisition of 5R S.A.	-	9,500,000	-	-	-	9,500,000
Proceeds from private placement	-	1,028,300	-	-	-	1,028,300
Conversion of related party credit facility	-	1,518,447	-	-	-	1,518,447
Distribution to shareholders	-	8,252,174	-	-	(8,252,174)	-
Initial Public Offering expenses	-	(225,547)	-	-	-	(225,547)
Balance as at June 30, 2011	-	20,083,374	-	-	(10,882,369)	9,201,005

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, 2012

(Unaudited)
(In United States dollars, except where otherwise stated)

	June 30, 2012	December 31, 2011
	$	$
Assets		
Non-current assets		
Plant and equipment (Note 7)	**410,543**	244,626
Mineral rights and exploration costs (Note 8)	**19,172,068**	15,126,195
Total non-current assets	**19,582,611**	15,370,821
Current assets		
Cash	**14,272,631**	19,854,460
Prepaid assets	**1,230,047**	605,346
Total current assets	**15,502,678**	20,459,806
Total assets	**35,085,289**	35,830,627
Equity and liabilities		
Capital and reserves		
Issued capital (Note 9(a))	**45,423,567**	45,423,567
Warrants (Notes 9(a) and 9(b))	**900,802**	900,802
Share based payment reserve (Note 9 (c))	**3,066,003**	1,690,374
Deficit	**(15,527,925)**	(12,809,540)
Total equity	**33,862,447**	35,205,203
Non-current liabilities		
Deferred tax liability (Note 6)	**85,836**	85,836
Total non-current liabilities	**85,836**	85,836
Current liabilities		
Accounts payable and accrued liabilities	**1,099,506**	469,391
Due to related parties (Note 5)	**37,500**	70,197
Total current liabilities	**1,137,006**	539,588
Total liabilities	**1,222,842**	625,424
Total equity and liabilities	**35,085,289**	35,830,627

Approved by the Board August 23, 2012

"Paul Richardson"

"Charles Koppel"

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, 2012

(Unaudited)
(In United States dollars, except where otherwise stated)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
	$	$	**$**	$
Operating activities				
Loss for the period	**(1,575,015)**	(812,628)	**(2,718,385)**	(1,187,608)
Interest received	**-**	-	**(5,095)**	-
Share based payment expense (Note 9 (c))	**825,282**	-	**1,375,629**	-
Depreciation	**5,508**	-	**10,347**	-
Deferred tax expense	**-**	-	**-**	5,533
Foreign exchange loss	**-**	4,939	**-**	4,939
	(744,225)	(807,689)	**(1,337,504)**	(1,177,136)
Movements in working capital				
(Increase) in prepaid assets	**(290,703)**	(29,313)	**(624,701)**	(54,856)
Increase in accounts payable and accrued liabilities, excluding interest	**204,853**	548,857	**630,115**	697,176
(Decrease) in amounts to/from related parties	**37,110**	(49,964)	**(32,697)**	275,327
	-			
Net cash used in operating activities	**(792,965)**	(338,109)	**(1,364,787)**	(259,489)
Investing activities				
Investment in mineral property rights and exploration costs (Note 8)	**(2,144,183)**	(283,251)	**(4,019,161)**	(364,563)
Cash acquired from 5R S.A. acquisition	**-**	-	**-**	238
Interest income	**-**	-	**5,095**	-
Purchase of plant and equipment (Note 7)	**(65,613)**	-	**(202,976)**	-
Net cash used in investing activities	**(2,209,796)**	(283,251)	**(4,217,042)**	(364,325)
Financing activities				
Funds received from issuance of shares in private placement (Note 9 a(ii))	**-**	1,028,300	**-**	1,028,300
Interest paid	**-**	-	**-**	26
Net cash generated by financing activities	**-**	1,028,300	**-**	1,028,326
Effect of foreign exchange rate changes on cash	**360**	3,991		3,840
Decrease in cash	**(3,002,401)**	410,931	**(5,581,829)**	408,352
Net decrease in cash	**(3,002,401)**	410,931	**(5,581,829)**	408,352
Cash at the beginning of the period	**17,275,032**	6,517	**19,854,460**	9,096
Cash at the end of the period	**14,272,631**	417,448	**14,272,631**	417,448
Supplementary information				
Common shares issued due to retirement of related party credit facility	**-**	-	**-**	1,518,446
Distribution to shareholders	**-**	-	**-**	8,252,174
Portion of 5R S.A. purchase in exchange for common shares of the Company	**-**	-	**-**	9,500,000
Portion of 5R S.A. purchase in exchange for $1,000,000 payable	**-**	-	**-**	1,000,000
Decrease in debt due to waiver of loan related to common shares issued for purchase of Samco Gold S.A. minority shareholdings	**-**	-	**-**	2,700,000

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

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 and explores mineral properties, primarily gold and silver in Argentina. The Company's material properties are the El Dorado Monserrat property and the adjacent Judite concession, all located in the Province of Santa Cruz, Argentina. All of the Company's properties are at an early stage of exploration.

The Company's common shares are traded on the TSX Venture Exchange and all filings are publicly available on SEDAR at www.sedar.com. The significant milestones that the company has reached from inception are disclosed in the Company's December 31, 2011 audited annual consolidated financial statements.

The Company has prepared condensed consolidated interim financial statements for the three month and six month periods ended June 30, 2012 and 2011.

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, 2011 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, 2011.

Basis of preparation

The Company is primarily engaged in the exploration of 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.

As the Company has not yet achieved profitable operations the Company has accumulated a deficit to June 30, 2012, of $15,527,925 since its inception 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 favourable terms or at all.

As at June 30, 2012 the Company had $14,272,631 in cash and cash equivalents. As a result, the Company believes it has sufficient funds to finance its current operating and exploration expenditures over at least the next twelve months.

(In United States dollars, except where otherwise stated)

3. Segment information

Operating segments were identified on the basis of internal reporting reviews that are performed by the chief financial officer. 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 within each segment are as follows:

		As at June 30, 2012	
	Corporate	**Argentina**	**Total**
	$	**$**	**$**
Non-current assets	**376,187**	**19,206,424**	**19,582,611**
Current assets	**13,305,795**	**2,196,883**	**15,502,678**
Non-current liabilities	**85,836**	**-**	**85,836**
Current liabilities	**159,331**	**977,675**	**1,137,006**

		As at December 31, 2011	
	Corporate	Argentina	Total
	$	$	$
Non-current assets	248,691	15,122,130	15,370,821
Current assets	18,876,462	1,583,344	20,459,806
Non-current liabilities	85,836	-	85,836
Current liabilities	157,827	381,761	539,588

		Three months ended June 30, 2012	
	Corporate	**Argentina**	**Total**
	$	**$**	**$**
Interest Income	**-**	**-**	**-**
Expenditures on plant and equipment	**3,076**	**62,537**	**65,613**
Depreciation	**2,952**	**21,702**	**24,654**
Share based payment expense	**825,282**	**-**	**825,282**
Mineral rights and exploration expense	**85,091**	**2,078,239**	**2,163,330**
Finance and interest charge	**2,860**	**12,815**	**15,675**
Income tax expense	**3,940**	**17,599**	**21,539**
Loss	**1,358,435**	**216,580**	**1,575,015**

		Three months ended June 30, 2011	
	Corporate	Argentina	Total
	$	$	$
Finance and interest charge	2,698	-	2,698
Loss	782,863	29,765	812,628

(In United States dollars, except where otherwise stated)

3. Segment information (continued)

	Six months ended June 30, 2012		
	Corporate	**Argentina**	**Total**
	$	**$**	**$**
Interest Income	**5,095**	**-**	**5,095**
Expenditures on plant and equipment	**8,313**	**194,663**	**202,976**
Depreciation	**5,574**	**31,485**	**37,059**
Share based payment expense	**1,375,629**	**-**	**1,375,629**
Mineral rights and exploration costs	**124,757**	**3,921,116**	**4,045,873**
Finance and interest charge	**5,378**	**3,334**	**8,712**
Income tax expense	**15,231**	**69,241**	**84,472**
Loss	**2,232,063**	**486,322**	**2,718,385**

	Six months ended June 30, 2011		
	Corporate	Argentina	Total
	$	$	$
Finance and interest charge	18,135	-	18,135
Loss	1,157,478	30,210	1,187,688
Share of associate’s loss	80	-	80

4. Administrative expenses

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Administrative costs	**71,563**	418,187	**143,833**	418,187
Travel and subsistence	**96,441**	97,140	**287,312**	202,573
Sundry expenses	**5,852**	107	**37,493**	107
Application fees	**21,692**	46,654	**29,904**	46,654
Management and professional fees	**283,170**	119,735	**484,556**	367,601
Salary	**204,794**	135,661	**393,542**	135,661
Depreciation	**5,508**	-	**10,347**	-
Total administrative expenses	**689,020**	817,484	**1,386,987**	1,170,783

(In United States dollars, except where otherwise stated)

5. Related party transactions

	Six months ended June 30, 2012	Year ended December 31, 2011
	$	$
Balance, beginning of period	**70,197**	1,348,473
Additions		
Amounts accrued to Samco Resources Limited	**-**	169,973
Due to other related parties	**37,890**	70,197
Deductions		
Repayments	**(70,587)**	-
Conversion of Samco Resources Limited credit facility in exchange for common shares	**-**	(1,518,446)
Balance, end of period	**37,500**	70,197
Amounts due to related parties - current	**37,500**	70,197

Subject to a credit facility agreement dated June 16, 2009, costs incurred by Samco Gold Limited were paid by Samco Resources Limited. The Company had accumulated a balance of $1,518,446 owing to Samco Resources Limited as of March 31, 2011. On March 31, 2011, the balance owing was converted to equity for consideration totaling 18,990,000 common shares of Samco Gold Limited at a fair value of CDN $0.50 per share, which resulted in the full payment of the related party credit facility and the recognition of a distribution to shareholders of $8,252,174 (Note 9(a)(i)).

As a result of the IPO, a debt of $2,700,000 due to the former minority shareholders of Samco Gold S.A. was assigned to Samco Investments Limited. During the 2011 year, Samco Investments Limited waived the loan to the Company.

The balance accumulated to March 31, 2011, related to corporate administration and exploration activities, which have been recovered by Samco Resources Limited in addition to a management fee based on the value of those recovered costs. The balance of the credit facility was subject to a 5% finance charge, which amounted to $15,437 for three months ended March 31, 2011. The credit facility was due to expire on June 30, 2011, but was annulled by an agreement dated March 31, 2011, whereby Samco Resources Limited settled the entire outstanding debt with equity and terminated the credit facility arrangement with Samco Gold Limited.

Costs recovered by Samco Resources Limited as part of the credit facility agreement include the following:

- During the year ended December 31, 2011, consulting fees, office expenses and travel reimbursements paid by Samco Resources Limited on behalf of the Company to JayTree Limited (a UK based consulting company owned and operated by the Chairman of the Company) amounted to $173,708.

(In United States dollars, except where otherwise stated)

5. Related party transactions (continued)

The amounts due to other related parties as at June 30, 2012 represent non-executive fees payable for the period ended June 30, 2012. The amounts are due within 60 days of the period end date.

Paul Fornazzari, who is the Company’s corporate secretary, is also a partner in Gowling, Lafleur, Henderson LLP, which provided legal services of $10,083 during the three month period ended June 30, 2012 ($168,641 for the three months ended June 30, 2011). The value of services billed by Gowlings in the six months ended June 30, 2012 was $37,159 ($183,363 for the six months ended June 30, 2011).

Compensation of key management personnel and employees

Salary expense (including share based payment expense) during the six month period ended June 30, 2012 was $1,769,171($135,661 for the six months ended June 30, 2011).

Salary expense (including share based payment expense) during the three month period ended June 30, 2012 was $1,030,076 ($135,661 for the three months ended June 30, 2011).

Directors’ remuneration

The directors’ remuneration for the period ended June 30, 2012 was:

	Three months ended June 30,			**Six months ended June 30,**	
	2012	2011		**2012**	2011
	$	**$**	**$**	**$**	$
Salary/fees					
Non-executive directors					
Ricardo Auriemma	**12,500**	-	-	**25,000**	-
Wayne Hubert	**12,500**	-	-	**25,000**	-
Kevin Tomlinson	**12,500**	-	-	**22,917**	
	37,500	-	-	**72,917**	-
Executive directors					
Charles Koppel	**50,000**	-	-	**100,000**	-
Paul Richardson	**50,000**	-	-	**100,000**	-
Estanislao Auriemma	**43,750**	-	-	**87,500**	-
	143,750	-	-	**287,500**	-
Total directors’ remuneration	**181,250**	-	-	**360,417**	-

(1) Pursuant to Mr. Paul Richardson's employment agreement he is entitled to receive base compensation of $200,000 per year, of which $50,000 per year is paid to Mr. Richardson and $150,000 per year is paid to Misty Meadow Farm Limited, Mr. Richardson’s consulting company.

No bonuses were awarded for the period ended June 30, 2012 and the Company does not participate in a pension plan. The non-executive directors receive $50,000 per annum, paid quarterly in arrears.

(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 0%. As a result, $2,271,284 of the consolidated net loss before tax of $2,633,913 for the six months ended June 30, 2012 is subject to tax at a rate of 0% ($1,368,992 of the consolidated net loss before tax of 1,553,476 for the three months ended June 30, 2012). The income tax disclosures in the condensed consolidated interim financial statements for the Company are derived from Samco Gold S.A. and 5R S.A. as these entities 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% (2011: 35%) and 24% (2011: 26%) to income before income taxes in Argentina and the UK, respectively.

These differences result from the following items:

	Three month period ended June 30,		Six month period ended June 30,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Net loss before income tax	**1,553,476**	812,628	**2,633,913**	1,182,155
Income tax at BVI Rates of 0% (0% June 30,2011)	**-**	-	**-**	-
Difference arising from:				
Income tax recovery	**71,863**	(10,418)	**154,982**	(10,574)
Permanent differences (exchange rate changes)	**58,636**	2	**59,366**	(135)
Alternative minimum tax	**(17,599)**	-	**(69,241)**	-
Non-recognition of income tax recovery	**(134,439)**	10,416	**(229,579)**	10,709
Deferred tax	**-**	-	**-**	5,533
Total income tax expense	**21,539**	-	**84,472**	5,533

The following table summarizes the deferred income tax:

	Three month period ended June 30,		Six month period ended June 30,	
	2012	2011	**2012**	2011
Deferred tax expense - related to tax liability	**-**	-	**-**	5,533
Total deferred tax expense	**-**	-	**-**	5,533

Tax loss carry forward as of June 30, 2012 is as follows:

	$
Tax loss carried forward as of December 31, 2011	257,812
Exchange rate changes	(10,757)
Tax loss carry forward - period ended June 30, 2012	134,439
Tax loss carry forward as of June 30, 2012	381,494
Non-recognition of tax loss carry forward	(381,494)
Net tax loss carry forward recognised	**-**

The total tax loss carry forwards described above have not been recognized in these financial statements. Management of the Company does not consider the utilization of deferred tax assets to be probable. Accordingly, deferred tax assets are valued at a $Nil balance as of June 30, 2012 and

(In United States dollars, except where otherwise stated)

6. Income taxes (continued)

December 31, 2011.

The Company has identified a deferred tax liability related to certain costs incurred by the Company. The Company has determined that the potential liability to the Company could range from a nominal amount up to $112,584. The Company has accrued a deferred tax liability of $85,836 as at June 30, 2012 (December 31, 2011 - $85,836) for this contingency based on a probable estimate of the amount that will likely be paid.

7. Plant and equipment

	Fixtures and fittings	Computer and office equipment	Vehicles	Machinery	Leashold improvements	Total
	$	$	$	$	$	$
Cost						
As at December 31, 2011	58,167	50,425	109,355	41,457	-	259,404
Additions	**57,249**	**15,439**	**35,224**	**7,074**	**87,990**	**202,976**
As at June 30, 2012	**115,416**	**65,864**	**144,579**	**48,531**	**87,990**	**462,380**
Accumulated depreciation						
As at December 31, 2011	(1,595)	(5,054)	(7,290)	(839)	-	(14,778)
Depreciation	**(4,293)**	**(9,076)**	**(12,071)**	**(2,192)**	**(9,427)**	**(37,059)**
As at June 30, 2012	**(5,888)**	**(14,130)**	**(19,361)**	**(3,031)**	**(9,427)**	**(51,837)**
Carrying amount						
As at December 31, 2011	56,572	45,371	102,065	40,618	-	244,626
As at June 30, 2012	**109,528**	**51,734**	**125,218**	**45,500**	**78,563**	**410,543**

8 Mineral rights and exploration costs

Mineral rights and exploration costs movement for the six month period ending June 30, 2012:

	Samco Gold S.A.	5R S.A.	Samco Gold Limited	Total
	$	$	$	$
Balance at December 31, 2011	4,374,678	10,535,207	216,310	15,126,195
Exploration costs incurred	**3,918,123**	**2,993**	**124,757**	**4,045,873**
Balance at June 30, 2012	**8,292,801**	**10,538,200**	**341,067**	**19,172,068**

The Company currently maintains mineral property rights for gold and silver exploration in Argentina's Santa Cruz province. There is no foreseeable limit to the period over which the mineral property rights are expected to generate net cash inflows for the Company.

(In United States dollars, except where otherwise stated)

9. Issued capital, warrants and share options

a) Issued capital

Common shares		**Six months ended June 30, 2012**		Year ended December 31, 2011
	Shares	**Amount**	Shares	Amount
		$		$
Balance, beginning of the period	**65,076,075**	**45,423,567**	10,000	10,000
Conversion of credit facility on March 31, 2011 (i)	**-**	**-**	18,990,000	9,770,621
Private placement of March 31, 2011 (ii)	**-**	**-**	2,000,000	1,028,300
Acquisition of 5R S.A. on March 31, 2011 (iii)	**-**	**-**	19,000,000	9,500,000
Issued on Initial Public Offering (iv)	**-**	**-**	22,727,272	25,927,498
Initial Public Offering expenses (iv)	**-**	**-**	-	(2,352,727)
Issued on 'over-allotment' (v)	**-**	**-**	2,348,803	2,632,257
Over-allotment expenses (v)	**-**	**-**	-	(191,580)
Reclassified to warrants (iv), (v), (b)	**-**	**-**	-	(900,802)
Balance, end of the period	**65,076,075**	**45,423,567**	65,076,075	45,423,567

(i) On March 31, 2011, the Company settled the credit facility of $1,518,446 between the Company and Samco Resources Limited through issuance of 18,990,000 common shares of the Company. The fair value of the transaction was recorded at CDN $0.50 per share, which is the fair value per share determined in the private placement that occurred on March 31, 2011, as described below. As the credit facility of $1,518,446 was between related parties, the fair value of the goods or services received cannot be reliably determined as the transaction is considered a non-arm's length transaction. Therefore, the transaction is recorded at the fair value of the equity issued. This resulted in the recognition of a distribution to shareholders of $8,252,174.

(ii) On March 31, 2011 the Company issued an additional 2,000,000 common shares valued at CDN $0.50 per share to an unrelated third party for cash consideration of CDN $1,000,000 ($1,028,300). This cash was received on April 11, 2011.

(iii) On March 31, 2011, the Company purchased 100% of the outstanding shares of 5R S.A. through a cash payment of $1,000,000 and through the issuance of 19,000,000 common shares of the Company. The fair value of the common shares issued in this transaction was estimated based on the fair value of the equity instruments issued, as the fair value of the goods or services received cannot be measured reliably. The fair value of the equity instruments issued has been estimated as $9,500,000 or $0.50 per share, which was based on the fair value per share as determined in the market transaction noted above. Dividends were not incorporated into the measurement of fair value, as there were no dividends issued. No other features were incorporated into the measurement of the fair value per share for this transaction.

(iv) On July 6, 2011 the Company closed its IPO of 22,727,272 common shares at a price of CDN $1.10 per share for gross proceeds of CDN $25,000,000, ($25,927,498 of gross proceeds and $2,352,727 of cash expenses). In connection with this transaction, 1,590,909 warrants were issued to the underwriters, each warrant exercisable for one common share of the Company at an exercise price of $1.10 expiring on July 6, 2013. The fair value of the warrants was $827,492 and re-classified into "warrants".

(In United States dollars, except where otherwise stated)

9. Issued capital, warrants and share options (continued)

a) Issued capital (continued)

(v) On August 5, 2011 the over-allotment option that was granted to the underwriters by the Company in connection with the IPO was partially exercised and 2,348,803 common shares of the Company were issued for gross proceeds to the company of CDN $2,583,683 ($2,632,257 of gross proceeds and $191,580 of cash expenses). In connection with this transaction, 164,416 warrants were issued to the underwriters, each warrant exercisable for one common share of the Company at an exercise price of $1.10 expiring on August 5, 2013. The fair value of the warrant was $73,310 and re-classified into “warrants”.

b) Share options and warrants

Warrants

The following table summarizes information of warrants outstanding at June 30, 2012 and December 31, 2011:

Number	Exercise price	Expiry date	Weighted average remaining contractual life	Fair Value
	(CDN$)			($)
1,590,909	1.10	July 6, 2013	1.02 years	827,492
164,416	1.10	August 5, 2013	1.11 years	73,310
1,755,325	1.10			900,802

A summary of the changes in warrants during the period is set out below:

	Number	Weighted average exercise price
		(CDN $)
Balance as at December 31, 2011	1,755,325	1.10
Issued	-	-
Balance as at June 30, 2012	**1,755,325**	**1.10**

The fair value of warrants issued during 2011 was determined by using the Black Scholes option-pricing model with the following assumptions:

Issue date	July 6, 2011	August 5, 2011
Expected dividend yield	-	-
Expected volatility	88%	88%
Risk free rate	1.25%	0.84%
Expected life (years)	2	2
Fair value per warrant	$0.52	$0.45

(In United States dollars, except where otherwise stated)

9. Issued capital, warrants and share options (continued)

b) Share options and warrants (continued)

Share options

The Company has in place a stock option plan (the "Option Plan"), which, under the policies of the TSX Venture Exchange, requires approval at the 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 of share options outstanding as at June 30, 2012:

Issue date	Number granted	Number forfeited	Number outstanding	Number exercisable	Exercise price (CDN $)	Expiry date
Note i	5,650,000	500,000	5,150,000	-	1.10	July 6, 2016
Note ii	100,000	-	100,000	-	1.10	August 22, 2016
Note iii	100,000	-	100,000	-	Note iii	August 22, 2016
Note iv	200,000	-	200,000	-	Note iv	August 22, 2016
Note v	200,000	-	200,000	-	Note v	August 22, 2016
Note vi	500,000	-	500,000	-	1.10	March 27, 2017
Total	6,750,000	500,000	6,250,000	-		

(i) On July 6, 2011, a total of 5,650,000 share options were granted at CDN $1.10. These options will vest if the individuals are still employed eighteen months from the grant date of the options. 500,000 of the share options granted were forfeited on January 12, 2012.

(ii) On August 22, 2011, 100,000 share options were granted to a consultant with the exercise price of CDN $1.10. These options will vest eighteen months from the grant date.

(iii) On August 22, 2011, 100,000 share options were granted to a consultant with the exercise price of the greater of CDN $1.65 and the 20 day average TSXV closing price prior to the announcement of a mineral resource estimate on the Company's properties of a minimum of 1,000,000 ounces of gold or gold equivalent, the non-market based condition which triggers the vesting of such options.

(iv) On August 22, 2011, 200,000 share options were granted to a consultant with the exercise price of the greater of CDN $2.20 and the 20 day average TSXV closing price prior to the announcement of a mineral resource estimate on the Company's properties of a minimum of 1,500,000 ounces of gold or gold equivalent, the non-market based condition which triggers the vesting of such options.

(v) On August 22, 2011, 200,000 share options were granted to a consultant with the exercise price of the greater of CDN $2.75 and the 20 day average TSXV closing price prior to the

(In United States dollars, except where otherwise stated)

9. Issued capital, warrants and share options (continued)

b) Share options and warrants (continued)

Share options (continued)

announcement of a mineral resource estimate on the Company's properties of a minimum of 2,000,000 ounces of gold or gold equivalent, the non-market based condition which triggers the vesting of such options.

(vi) On March 27, 2012, 500,000 share options were granted at CDN$1.10. These options will vest if the individual is still contracted on July 16, 2013.

A summary of the changes in share options during the period is set out below:

	Number	Weighted average exercise price
		(CDN $)
Balance as at December 31, 2011	6,250,000	1.20
Forfeited	(500,000)	(1.10)
Granted	500,000	1.10
Balance as at June 30, 2012	6,250,000	1.20

The fair value of the share options from Note (i) granted on July 6, 2011 and Note (ii) granted on August 22, 2011 was determined by using the Black-Scholes option-pricing model. Assumptions used are as follows:

Issue date	July 6, 2011	August 22, 2011
Expected dividend yield	-	-
Expected volatility	111%	111%
Risk free rate	2.00%	1.20%
Expected life (years)	5	5
Fair value per option (CDN $)	0.88	0.69

The fair value of the share options from Note (iii), Note (iv) and Note (v) granted on August 22, 2011, was determined by using the "Monte Carlo" simulation model. Assumptions used are as follows:

Issue	Note iii	Note iv	Note v
Expected dividend yield	-	-	-
Expected volatility	111%	111%	111%
Risk free rate	1.20%	1.20%	1.20%
Expected life (years)	5	5	5
Fair value per option (CDN $)	0.05	0.04	0.04

(In United States dollars, except where otherwise stated)

9. Issued capital, warrants and share options (continued)

b) Share options and warrants (continued)

<u>Share options</u> *(continued)*

The fair value of the share options from Note (vi) granted on March 27, 2012, was determined by using the Black Scholes option-pricing model with the following assumptions:

Issue date	March 27, 2012
Expected dividend yield	-
Expected volatility	97%
Risk free rate	1.59%
Expected life (years)	5
Fair value per option (CDN $)	0.64

c) Share based payment reserve

During the period ended June 30, 2012, 500,000 options were forfeited and 500,000 options were granted and the company expensed $1,375,629 ($Nil – for the six months ended June 30, 2011) in relation to the fair value of these options.

During the three months ended June 30, 2012 the company expensed $825,282 ($Nil – for the three months ended June 30, 2011) in relation to the fair value of these options.

d) Loss per share

The calculation of basic loss per share is based on the net loss of $2,718,385 for the six months ended June 30, 2012 ($1,187,608 – for the six months ended June 30, 2011) and on the total weighted average number of common shares of 65,076,075 outstanding during the six months ended June 30, 2012 (20,115,470 common shares – for the six months ended June 30, 2011).

The calculation of basic loss per share is based on the net loss of $1,575,015 for the three months ended June 30, 2012 ($812,628 – for the three months ended June 30, 2011) and on the total weighted average number of common shares of 65,076,075 outstanding during the three months ended June 30, 2012 (40,000,000 common shares – for the three months ended June 30, 2011).

<u>*Effect on diluted earnings per share*</u>

Warrants and share options have an anti-dilutive effect on the diluted loss per share disclosed in the consolidated income statement and therefore were not included in the diluted earnings per share calculation for the period.

(In United States dollars, except where otherwise stated)

10. Capital commitments

Operating commitments in force as at June 30, 2012 were as follows:

	June 30, 2012	December 31, 2011
	$	$
In respect of:		
Surface rights	**392,469**	481,292
Field facilities	**140,800**	563,200
Office lease	**75,000**	93,000
Total	**608,269**	1,137,492

There are two separate contracts for surface rights covering the EL Dorado and Monserrat properties. Both contracts have a duration period of three years with costs spread evenly over the term of the contract in line with the contract agreements.

The field facilities commitment covers the cost of accommodation, catering and cleaning for the staff based on a one year agreement with an external provider.

The term of the office lease is for thirty six months, starting August 1, 2011, and expiring on July 31, 2014.

11. Financial instruments and risk management

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.

Liquidity risk management

The following table has been drawn up 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 is not currently reliant on external funding to meet its operating liabilities.

					As at June 30, 2012
	< 1 month	**1-3 months**	**3 months to 1 year**	**> 1 year**	**Total**
	$	**$**	**$**	**$**	**$**
Due to related parties	**-**	**37,500**	**-**	**-**	**37,500**
Accounts payable and accrued liabilities	**-**	**1,099,506**	**-**	**-**	**1,099,506**
	-	**1,137,006**	**-**	**-**	**1,137,006**

					As at December 31, 2011
	< 1 month	1-3 months	3 months to 1 year	> 1 year	Total
	$	$	$	$	$
Due to related parties	-	70,197	-	-	70,197
Accounts payable and accrued liabilities	-	469,391	-	-	469,391
	-	539,588	-	-	539,588

Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; 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:

11. Financial instruments and risk management (continued)

		As at June 30, 2012		As at December 31, 2011
	Assets	**Liabilities**	Assets	Liabilities
	$	**$**	$	$
Argentine pesos	**1,077,833**	**977,675**	1,073,756	381,761
United Kingdom sterling	**216,750**	**245,167**	515,960	16,096
Canadian dollars	**444,412**	**-**	8,476,100	-
	1,738,995	**1,222,842**	10,065,816	397,857

Based on the June 30, 2012 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 $5,008 higher (lower). Had the United States dollar strengthened (weakened) against the United Kingdom sterling, the Company's equity would have been $1,421 higher (lower). Had the United States dollar strengthened (weakened) against the Canadian dollar, the Company's equity would have been $22,221 higher (lower).

The Company's cash is predominantly held in United States dollars other than as needed in the ordinary course of business.

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.

Credit risk management

The Company's main credit risk arises from its cash deposit with banks, of which there is $14,272,631 in deposits as of June 30, 2012 (December 31, 2011: $19,854,460). The Company limits its counterparty credit risk on its deposits by dealing only with financial institutions with high credit ratings.

(In United States dollars, except where otherwise stated)

11. Financial instruments and risk management (continued)

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	**As at June 30, 2012**	Year ended December 31, 2011
	$	**$**
Financial assets		
Cash	**14,272,631**	19,854,460
Financial liabilities		
Accounts payable and accrued liabilities	**1,099,506**	469,391
Due to related parties	**37,500**	70,197