Consolidated financial statements of

Samco Gold Limited

December 31, 2012 and 2011

Samco Gold Limited

December 31, 2012 and 2011

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Independent Auditor's Report

To the Shareholders of
Samco Gold Limited

We have audited the accompanying consolidated financial statements of Samco Gold Limited, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Samco Gold Limited as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2 in the consolidated financial statements which indicate that the Company incurred a loss of $5,627,077 for the year ended December 31, 2012 and have accumulated a deficit of $18,436,617 as at December 31, 2012. Samco Gold Limited is at the exploration stage of its gold and silver properties and has not determined whether these exploration properties contain mineral reserves that are economically recoverable. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about Samco Gold Limited's ability to continue as a going concern.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
March 21, 2013
Toronto, Canada

Samco Gold Limited

Consolidated statements of loss and comprehensive loss
years ended December 31, 2012 and 2011

(In United States dollars, except where otherwise stated)

	2012	2011
	$	$
Interest income	**10,593**	83,372
Administrative expenses (Note 5)	**(2,537,112)**	(2,754,145)
Finance and interest charge	**(16,069)**	(74,776)
Foreign exchange gain (loss)	**58,749**	(1,322,686)
Share based payment expense (Note 10(c))	**(3,044,274)**	(1,690,374)
Loss before tax	**(5,528,113)**	(5,758,609)
Income tax (Note 7)	**(98,964)**	(33,858)
Deferred tax expense (Note 7)	**-**	(22,391)
Total loss and comprehensive loss for the year	**(5,627,077)**	(5,814,858)
Total loss and comprehensive loss attributed to non-controlling interest	**-**	(80)
Total loss and comprehensive loss attributed to common shareholders of the company	**(5,627,077)**	(5,814,778)
Loss per share, basic and diluted (Note 10(d))	**(0.09)**	(0.14)
Weighted average number of shares outstanding, basic and diluted (Note 10(d))	**65,076,075**	42,291,277

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

Samco Gold Limited

Consolidated statements of changes in equity
years ended December 31, 2012 and 2011

(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 year attributable to owners	-	-	-	-	(5,627,077)	(5,627,077)
Share based payment expense (Notes 10(b) and 10(c))	-	-	-	3,044,274	-	3,044,274
Balance as at December 31, 2012	**-**	**45,423,567**	**900,802**	**4,734,648**	**(18,436,617)**	**32,622,400**
Opening balance as at January 1, 2011	15,523	10,000	-	-	(1,442,507)	(1,416,984)
Loss for the period attributable to owners	-	-	-	-	(5,814,858)	(5,814,858)
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. (Note 10(a))	-	9,500,000	-	-	-	9,500,000
Proceeds from private placement (Note 10(a))	-	1,028,300	-	-	-	1,028,300
Conversion of related party credit facility (Note 10(a))	-	1,518,446	-	-	-	1,518,446
Distribution to shareholders (Note 10(a))	-	8,252,175	-	-	(8,252,175)	-
Initial Public Offering funds (Note 10(a))	-	28,559,755	-	-	-	28,559,755
Initial Public Offering expenses (Note 10(a))	-	(2,544,307)	-	-	-	(2,544,307)
Warrants	-	(900,802)	900,802	-	-	-
Share based payment expense (Note 10(d))	-	-	-	1,690,374	-	1,690,374
Loan waiver (Note 6)	-	-	-	-	2,700,000	2,700,000
Balance as at December 31, 2011	-	45,423,567	900,802	1,690,374	(12,809,540)	35,205,203

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

Samco Gold Limited
Consolidated statements of financial position
as at December 31, 2012 and 2011
(In United States dollars, except where otherwise stated)

	2012	2011
	$	$
Assets		
Current assets		
Cash	**10,768,844**	19,854,460
Prepaid assets	**1,351,631**	605,346
	12,120,475	20,459,806
Plant and equipment (Note 8)	**365,149**	244,626
Mineral rights and exploration costs (Note 9)	**20,694,022**	15,126,195
	33,179,646	35,830,627
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**433,910**	469,391
Due to related parties (Note 6)	**37,500**	70,197
	471,410	539,588
Deferred tax liability (Note 7)	**85,836**	85,836
	557,246	625,424
Equity		
Capital and reserves		
Issued capital (Note 10(a))	**45,423,567**	45,423,567
Warrants (Notes 10(a) and 10(b))	**900,802**	900,802
Share based payment reserve (Note 10(c))	**4,734,648**	1,690,374
Deficit	**(18,436,617)**	(12,809,540)
	32,622,400	35,205,203
	33,179,646	35,830,627

Approved by the Board March 21, 2013

"Paul Richardson"
___________________________________ Director

"Charles Koppel"
___________________________________ Director

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

Samco Gold Limited

Consolidated statements of cash flows
years ended December 31, 2012 and 2011

(In United States dollars, except where otherwise stated)

	2012	2011
	$	$
Operating activities		
Loss for the year	**(5,627,077)**	(5,814,858)
Interest income	**(10,593)**	(83,372)
Share based payment expense (Note 10(c))	**3,044,274**	1,690,374
Depreciation	**21,675**	14,778
Deferred tax expense	**-**	22,391
Foreign exchange loss	**-**	4,939
	(2,571,721)	(4,165,748)
Movements in working capital		
(Increase) in prepaid assets	**(746,285)**	(605,345)
(Decrease)/increase in accounts payable and accrued liabilities, excluding interest	**(35,481)**	373,527
(Decrease)/increase in amounts to/from related parties	**(32,697)**	211,225
	(3,386,184)	(4,186,341)
Investing activities		
Investment in mineral property rights and exploration costs (Note 9)	**(5,567,827)**	(2,849,874)
Depreciation capitalised	**67,637**	-
Cash acquired from Samco Gold S.A. acquisition	**-**	6,279
Cash acquired from 5R S.A. acquisition	**-**	238
Interest income	**10,593**	83,372
Purchase of plant and equipment (Note 8)	**(209,835)**	(259,404)
	(5,699,432)	(3,019,389)
Financing activities		
Funds received from issuance of shares in private placement (Note 10(a)(ii))	**-**	1,028,300
Funds received from Initial Public Offering and over-allotment (net)	**-**	26,015,448
Interest paid	**-**	26
Non-controlling Interest	**-**	80
	-	27,043,854
Effect of foreign exchange rate changes on cash	**-**	7,240
Net (decrease)/increase in cash	**(9,085,616)**	19,845,364
Cash at the beginning of the year	**19,854,460**	9,096
Cash at the end of the year	**10,768,844**	19,854,460
Supplementary information		
Common shares issued due to retirement of related party credit facility	**-**	1,518,446
Distribution to shareholders	**-**	8,252,175
Portion of 5R S.A. purchase in exchange for common shares of the Company	**-**	9,500,000
Private placement for $1,000,000 payable	**-**	1,028,300
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.

On March 25, 2011, the Board of Directors approved and authorized the change of the Company’s name from Samco (Argentina) Limited to Samco Gold Limited. These statements have been prepared using the Samco Gold Limited corporate name.

On March 31, 2011, the Company acquired the remaining 18% of the outstanding shares of Samco Gold S.A. to take a 100% ownership position of that entity.

Also on March 31, 2011, the Company purchased 100% of the outstanding shares of 5R S.A., a company incorporated in Argentina.

On June 27, 2011, the Company filed its final prospectus in respect of its initial public offering (the “IPO” or “offering”) of 22,727,272 common shares at a price of CDN $1.10 per Common Share for gross proceeds of CDN $25,000,000, which closed on July 6, 2011.

On July 7, 2011, the company incorporated a new 100% owned subsidiary, Samco Gold Services (UK) Ltd., a company incorporated in England, United Kingdom.

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 $2,632,257.

The Company has prepared consolidated financial statements for the years ended December 31, 2012 and 2011.

2. Significant accounting policies

Statement of compliance

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Basis of presentation

The 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 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 December 31, 2012, of $18,436,617 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 which may cast significant doubt about the Company’s ability to continue as a going concern. There is no assurance that the necessary permits will be obtained on favorable terms, or at all.

2. Significant accounting policies (continued)

Basis of presentation (continued)

As at December 31, 2012 the Company had $10,768,844 in cash and cash equivalents. As a result, the Company believes it has sufficient funds to finance its current operating and exploration expenditures.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated interim statement of income and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial records of the subsidiary to bring their accounting policies in line with those used by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation. Where the Company's interest in a subsidiary is less than 100%, the Company recognizes non-controlling interests. Refer to Note 1 for a description of the subsidiaries of the Company.

Foreign currencies

The individual financial records of each group entity are kept in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency, as determined by management of Samco Gold Limited, Samco Gold Services (UK) Ltd., Samco Gold S.A. and 5R S.A. is United States dollars. For the purpose of the consolidated financial statements, the results and financial position are expressed in United States dollars.

For the purpose of presenting consolidated financial statements, transactions in currencies other than the entity's or foreign operations' functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences, if any, are recognized in profit and loss in the year in which they arise.

Cash

Cash is comprised of cash at banks and on hand, and call and time deposits, which are readily convertible into a known amount of cash.

Mineral rights and exploration costs

The Company's accounting policy is to capitalize costs to mineral rights for exploration relating to acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, technical feasibility studies for extracting gold and silver and other costs directly attributable to exploration projects. Mineral rights for exploration are carried at cost less accumulated impairment losses. The Company assesses the facts and circumstances and determines if there is an indication that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. One or more of the following facts and circumstances would give rise to the Company testing and evaluating exploration and evaluation assets for impairment:

a) the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed.

b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

2. Significant accounting policies (continued)

Mineral rights and exploration costs (continued)

d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

If there is an indication of impairment, the Company determines the recoverable amount of this intangible asset and compares this to the carrying amount as at the reporting date. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated income statement. The recoverable amount is determined by comparing the higher of the value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs to sell the asset(s). The best evidence of fair value is a quoted price in an active market or a binding sale agreement for the same or similar asset(s). Where neither exists, fair value is based on the best information available to estimate the amount the Company could obtain from the sale of the asset(s) in an arm's length transaction. This is often accomplished by using a discounted cash flow technique.

The Company has assessed the exploration and evaluation assets of all its operating entities and has determined that there are no indicators of impairment of its exploration and evaluation assets.

Plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives of each category of plant and equipment are as follows:

Fixtures and fittings	ten years
Computer and office equipment	three years
Vehicles	five years
Machinery	ten years
Leasehold improvements	three years

Financial assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Refer to Note 14 for analysis of categories of financial assets. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

2. Significant accounting policies (continued)

Impairment of assets

Impairment of exploration and evaluation assets is assessed in accordance with the criteria noted above under “Mineral rights and exploration costs.” For all other tangible and intangible assets, the Company reviews the carrying amounts of its tangible and intangible assets at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. Where such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. The recoverable amount is determined by comparing the higher of the value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs to sell the asset(s). The best evidence of fair value is a quoted price in an active market or a binding sale agreement for the same or similar asset(s). Where neither exists, fair value is based on the best information available to estimate the amount the Company could obtain from the sale of the asset(s) in an arm’s length transaction. This is often accomplished by using a discounted cash flow technique.

The Company has assessed the assets of all its operating entities and has determined that there is no impairment of its tangible, intangible or financial assets.

Share-based payment transactions

The Company has been involved in equity settled transactions, to acquire assets and as repayment of outstanding liabilities. The Company measured the equity transactions at the fair value of the goods or services received. If the goods or services received cannot be measured reliably, the transaction is measured at the fair value of the equity instrument issued.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’. Refer to Note 14 for analysis of categories of financial liabilities.

Other financial liabilities

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

De-recognition of financial liabilities

The Company de-recognizes financial liabilities when the obligations are discharged, cancelled or expire.

Deferred tax

Deferred tax is recognized on loss carry-forwards and tax credits and on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. Significant accounting policies (continued)

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax for the period

Deferred taxes are recognized as an expense or income in profit and loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Earnings per share

Basic earnings per share is computed by dividing net income or loss attributable to the equity holders of the Company by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings per share is determined by adjusting the net income or loss attributable to the equity holders of the Company and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Refer to Note 10 for details regarding the determination of the fair value of equity-settled share-based payment transactions.

Equity-settled share-based payment transactions related to services provided are measured at the fair value of the services received. If the services cannot be measured reasonably, the transaction is measured at the fair value of the equity instrument issued.

Segment reporting

An operating segment is a component of the Company that can be 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.

2. Significant accounting policies (continued)

New standards in issue but not yet effective

Accounting standards effective January 1, 2013

(a) Consolidation

In May 2011, the IASB issued IFRS 10 - *Consolidated Financial Statements* ("IFRS 10"), which supersedes Standing Interpretations Committee standards ("SIC") 12 and the requirements relating to consolidated financial statements in IAS 27 - *Consolidated and Separate Financial Statements* ("IAS 27"). IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. IFRS 10 establishes control as the basis for an investor to consolidate its investees; it defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee. In addition, the IASB issued IFRS 12 - *Disclosure of Interests in Other Entities* ("IFRS 12") which combines and enhances the disclosure requirements for the Company's subsidiaries, joint arrangements, associates and unconsolidated structured entities. The requirements of IFRS 12 include reporting on the nature of risks associated with the Company's interests in other entities, and the effects of those interests on the Company's consolidated financial statements. Concurrently with the issuance of IFRS 10, IAS 27 and IAS 28 - *Investments in Associates* ("IAS 28") were revised and reissued as IAS 27 - *Separate Financial Statements* and IAS 28 - *Investments in Associates and Joint Ventures* to align with the new consolidation guidance. The Company has evaluated the above standards and determined that they do not have a material impact on the consolidated financial statements.

(b) Joint arrangements

In May 2011, the IASB issued IFRS 11 - *Joint Arrangements* ("IFRS 11"), which supersedes IAS 31 - *Interests in Joint Ventures* and SIC 13 - *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognizes its investment in a joint arrangement using the equity method. The Company has evaluated IFRS 11 and determined that it does not have a material impact on the consolidated financial statements.

(c) Fair value measurement

In May 2011, as a result of the convergence project undertaken by the IASB and the U.S. Financial Accounting Standards Board, to develop common requirements for measuring fair value and for disclosing information about fair value measurements, the IASB issued IFRS 13 - *Fair Value Measurement* ("IFRS 13"). IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRS that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized. The Company has evaluated IFRS 13 and determined that it does not have a material impact on the consolidated financial statements.

2. Significant accounting policies (continued)

New standards in issue but not yet effective (continued)

Accounting standards effective January 1, 2013 (continued)

(d) Financial statement presentation

In June 2011, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* ("IAS 1") that require an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company has evaluated the amendments to IAS 1 and determined that they do not have a material impact on the consolidated financial statements.

Accounting standards anticipated to be effective January 1, 2015

Financial instruments

The IASB intends to replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety with IFRS 9 - *Financial Instruments* ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. On July 22, 2011, the IASB agreed to defer the mandatory effective date of IFRS 9 from annual periods beginning on or after January 1, 2013 (with earlier application permitted) to annual periods beginning on or after January 1, 2015 (with earlier application still permitted). The IASB proposed the deferral of IFRS 9 in an exposure draft with a 60-day comment period which ended on October 21, 2011. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 2 above, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future estimates.

Critical accounting estimates and judgments

Management applied judgment in determining the functional currency of Samco Gold Limited, Samco Gold S.A., 5R S.A. and Samco Gold Services (UK) Ltd. as United States dollars. Functional currency was determined based on the currency that mainly influences labour, material and other costs.

Additionally, management has applied judgment in the identification and estimation of deferred tax liabilities related to costs incurred by the Company. This is determined by evaluating the facts and circumstances, which caused the liability to arise, and determining the probable penalty of the eventual tax liabilities that could be assessed by taxation authorities.

(In United States dollars, except where otherwise stated)

3. Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical accounting estimates and judgments (continued)

The Company also applied judgment in the determination of the types of costs that are capitalized as mineral rights for exploration as described in the accounting policy in Note 2. The alternative to this accounting policy would be to expense all costs related to property rights and exploration costs. During the year ended December 31, 2012, any costs that were not clearly considered a qualifying expenditure were expensed. The Company reviews assets for indication of impairment and applies the impairment accounting policy as described in Note 2. During the year ended December 31, 2012, there were no facts or circumstances identified by management that would suggest that the carrying amount of the property rights and exploration costs exceeds the recoverable amount.

The Company has been involved in equity settled transactions, to acquire assets and as repayment of outstanding liabilities. The Company exercised judgment in determining that the fair value of goods or services received in relation to the acquisition of 5R S.A. could not be reliably measured, and therefore used the fair value of the 19,000,000 common shares issued at $0.50 per share in the measurement of this transaction (Note 10). The Company also exercised judgment in determining that the conversion of the related party credit facility of $1,518,446 in exchange for 18,990,000 common shares could not be reliably measured at the fair value of the goods or the services received. The fair value used to value the transaction was based on the private placement fair value of CDN $0.50 per share, which resulted in the recognition of a distribution to shareholders of $8,252,175 (Note 6 and 10).

The Company estimates the fair value of shares issued for goods or services based on either the Black Scholes option-pricing model for warrants and share options with a service condition; or, a Monte Carlo simulation model for share options with both a performance and a service condition. The Company has judged that the fair value of the services could not be determined; therefore, the fair value of the shares, share options and warrants was used in the measurement of the transactions. These methods of valuation were applied to the equity transactions during the year (Note 10).

4. Segment information

Operating segments were identified based on 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 December 31, 2012
	Corporate	**Argentina**	**Total**
	$	**$**	**$**
Non-current assets	**471,067**	**20,588,104**	**21,059,171**
Current assets	**9,769,672**	**2,350,803**	**12,120,475**
Non-current liabilities	**85,836**	**-**	**85,836**
Current liabilities	**73,367**	**398,043**	**471,410**

(In United States dollars, except where otherwise stated)

4. Segment information (continued)

			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

			Year ended December 31, 2012
	Corporate	**Argentina**	**Total**
	$	**$**	**$**
Interest income	**10,593**	**-**	**10,593**
Expenditures on plant and equipment	**8,832**	**201,003**	**209,835**
Depreciation expenses	**11,694**	**77,618**	**89,312**
Share-based payment expense	**3,044,274**	**-**	**3,044,274**
Mineral rights and exploration costs	**225,238**	**5,342,589**	**5,567,827**
Finance and interest charge	**10,706**	**5,363**	**16,069**
Income tax expense	**13,288**	**85,676**	**98,964**
Loss	**4,656,158**	**970,919**	**5,627,077**

			Year ended December 31, 2011
	Corporate	Argentina	Total
	$	$	$
Interest income	83,372	-	83,372
Expenditures on plant and equipment	36,367	223,037	259,404
Depreciation expenses	3,986	10,792	14,778
Share-based payments expense	1,690,374	-	1,690,374
Exploration costs	216,310	1,614,606	1,830,916
Finance and interest charge	23,987	50,789	74,776
Income tax expense	25,742	30,507	56,249
Loss	5,349,284	465,574	5,814,858
Share of non-controlling interest	80	-	80

(In United States dollars, except where otherwise stated)

5. Administrative expenses

	2012	2011
	$	$
Administration costs	**353,863**	256,407
Travel and subsistence	**418,490**	590,057
Application fees	**53,426**	80,162
Management and professional fees	**866,537**	1,243,942
Salaries	**823,121**	577,276
Depreciation	**21,675**	6,301
	2,537,112	2,754,145

6. Related party transactions

	2012	2011
	$	$
Opening balance	**70,197**	1,348,473
Additions		
Amounts accrued to Samco Resources Ltd	**-**	169,973
Due to other related parties	**112,890**	70,197
Deductions		
Conversion of Samco Resources Limited credit facility in exchange for common shares	**-**	(1,518,446)
Repayment to other related parties	**(145,587)**	-
Closing balance	**37,500**	70,197
Amounts due to related parties - current	**37,500**	70,197

Amounts due to other related parties as at December 31, 2012 and December 31, 2011 comprise expense reimbursements due to key management personnel and directors incurred during the normal course of operations of the company and amounts owing to non-executive directors for directors' fees. The amounts are due within 60 days of the year 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 CAD$80,772 (2011 - CAD$375,951) to the Company during the year.

Compensation of key management personnel and employees

Salary expense (including share-based payment expense) during the year ended December 31, 2012 was $3,867,395. ($2,267,650 - for the year ended December 31, 2011).

Related party transactions in 2011:

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 $8,252,175 (Note 10). The balance owing to Samco Resources Limited was fully paid in the 2011 financial year and thus there is no amount owing to Samco Resources Limited as at December 31, 2012.

(In United States dollars, except where otherwise stated)

6. Related party transactions (continued)

Related party transactions in 2011: (continued)

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 financial year, Samco Investments Limited waived the loan to the Company.

The balance accumulated to March 31, 2011 and 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.
- During the year ended December 31, 2011, Samco Resources Limited charged the Company $54,795 for expense reimbursements that were paid to Charles Koppel, Chairman of the Company.

Directors' remuneration

The directors' remuneration for the year ended December 31, 2012 comprised entirely of salaries and fees and totaled:

	2012	2011
	$	$
Non-executive directors		
Ricardo Auriemma	**50,000**	25,000
Wayne Hubert	**50,000**	25,000
Kevin Tomlinson	**47,917**	-
Robert Buchan	**-**	25,000
	147,917	75,000
Executive directors		
Charles Koppel	**200,000**	150,000
Paul Richardson	**200,000**	150,000
Estanislao Auriemma	**175,000**	102,083
	575,000	402,083
Total directors' remuneration	**722,917**	477,083

(1) Pursuant to Mr. Paul Richardson 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 2012 financial year and the Company does not participate in a pension plan. The non-executive directors, who receive remuneration, are paid $50,000 per annum, paid quarterly in arrears.

(In United States dollars, except where otherwise stated)

7. 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, $4,133,348 (2011: $5,023,346) of the consolidated net loss before tax of $5,528,113 for the year ended December 31, 2012 (2011: 5,758,609) is subject to a tax rate of 0%. The income tax recognized in the consolidated 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 (35%) (2011:35%) and 24% (2011: 20%) to income before income taxes in Argentina and the UK, respectively. In the 2011 financial year, income tax in the UK was estimated using a tax rate of 28%. During the 2012 financial year, the Company applied the small companies' tax rate, which had a cumulative effect of decreasing the previous taxation calculation for the taxation payable in the United Kingdom.

These differences result from the following items:

	2012	2011
	$	$
Net loss before income tax	**5,528,113**	5,758,609
Alternative minimum tax	**85,676**	30,508
Income tax at BVI rates of 0% (0% December 31, 2011)	**-**	-
Income tax at Argentina and UK rates	**339,821**	163,888
Income tax (expense) at UK rate 24% (2011: 28%)	**(20,622)**	(3,351)
Differences arising from		
permanent differences (exchange rate changes)	**280,939**	2,113
Alternative minimum tax	**(85,676)**	(30,507)
Non-recognition of income tax recovery	**(620,760)**	(166,001)
Disallowable expenses	**4,365**	-
Capital allowances	**(2,119)**	-
Marginal tax relief	**(1,217)**	-
Small entity tax rate benefit on 2011 UK tax	**6,305**	-
Deferred tax	**-**	(22,391)
Total income tax expense	**(98,964)**	(56,249)

The following table summarizes the deferred income tax:

	2012	2011
	$	$
Deferred tax expense - related to tax liability	**-**	(22,391)

(In United States dollars, except where otherwise stated)

7. Income taxes (continued)

Tax loss carry forward as of December 31, 2012 is as follows:

	2012	2011
	$	$
Tax loss carried forward at the beginning	**166,001**	3,618
Exchange rate changes	**(60,177)**	(3,302)
Tax loss carry forward - incurred during the year	**620,760**	166,001
Tax loss carry forward at the end of the year	**726,584**	166,317
Valuation allowance	**(726,584)**	(166,317)
Net	**-**	-

The total tax loss carried forward described above has not been recognized in these financial statements. Management of the Company does not consider the utilization of future tax assets to be likely in the short term. Accordingly, future income tax assets are appropriately valued at a $Nil balance as of December 31, 2012 and 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 at December 31, 2012 (December 31, 2011 - $112,584). The Company has accrued a deferred tax liability of $85,836 as at December 31, 2012 (December 31, 2011 - $85,836) for this contingency based on a probable estimate of the amount that will likely be paid.

8. Plant and equipment

	Fixtures and fittings	Computer and office equipment	Vehicles	Machinery	Leasehold Improvements	Total
	$	$	$	$	$	$
Cost						
As at December 31, 2010	-	-	-	-	-	-
Additions	58,167	50,425	109,355	41,457	-	259,404
As at December 31, 2011	58,167	50,425	109,355	41,457	-	259,404
Additions	59,604	16,935	35,224	7,287	90,785	209,835
As at December 31, 2012	**117,771**	**67,360**	**144,579**	**48,744**	**90,785**	**469,239**
Accumulated depreciation						
As at December 31, 2010	-	-	-	-	-	-
As at December 31, 2011	(1,595)	(5,054)	(7,290)	(839)	-	(14,778)
Depreciation expense	(10,190)	(19,193)	(26,529)	(4,619)	(28,781)	(89,312)
As at December 31, 2012	**(11,785)**	**(24,247)**	**(33,819)**	**(5,458)**	**(28,781)**	**(104,090)**
Carrying amount						
As at December 31, 2010	-	-	-	-	-	-
As at December 31, 2011	56,572	45,371	102,065	40,618	-	244,626
As at December 31, 2012	**105,986**	**43,113**	**110,760**	**43,286**	**62,004**	**365,149**

(In United States dollars, except where otherwise stated)

9. Mineral rights and exploration costs

Mineral rights and exploration costs movement:

	Samco Gold S.A.	5R S.A.	Other	Total
	$	$	$	$
Balance, December 31, 2010	82,600	-	-	82,600
Mineral rights and exploration costs acquired	2,684,551	10,528,128	-	13,212,679
Exploration costs incurred	1,607,527	7,079	216,310	1,830,916
Balance, December 31, 2011	4,374,678	10,535,207	216,310	15,126,195
Exploration costs incurred	5,337,771	4,818	225,238	5,567,827
Balance, December 31, 2012	**9,712,449**	**10,540,025**	**441,548**	**20,694,022**

The Company currently maintains mineral property rights for gold and silver exploration in Argentina's Santa Cruz province. The mineral property rights have been assessed as having an indefinite life as there is no foreseeable limit to the period over which the mineral property rights are expected to generate net cash inflows for the Company.

10. Issued capital, warrants and share options

a) Issued capital comprised of

		2012		2011
Common shares	**Shares**	**Amount**	Shares	Amount
		$		$
Balance, beginning of the year	**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 at 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 year	**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 $8,252,175.

(In United States dollars, except where otherwise stated)

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

a) Issued capital comprised of (continued)

(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”.

(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 December 31, 2012:

Number	Exercise price (CDN$)	Expiry date	Weighted average remaining contractual life	Fair value (USD$)
1,590,909	1.10	July 6, 2013	0.5 years	827,492
164,416	1.10	August 5, 2013	0.5 years	73,310
1,755,325	1.10			900,802

With the closing of the IPO on July 6, 2011, a total of 1,590,909 warrants were issued to Stifel Nicolaus Canada Inc., GMP Securities L.P. and Canaccord Genuity Corp. (collectively, the “Underwriters”), each warrant exercisable for one common share of the Company at an exercise price of CDN $1.10. The Company has paid the Underwriters a cash commission of CDN $1,750,000 which is equal to 7% of the gross proceeds of the Offering, being $0.077 per Common Share (the “Underwriters’ Commission”).

(In United States dollars, except where otherwise stated)

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

b) Share options and warrants (continued)

With the closing of the over-allotment option on August 5, 2011, a total of 164,416 warrants were issued to the Underwriters, each warrant exercisable for one common share of the Company at an exercise price of CDN $1.10. The Company has paid the Underwriters a cash commission of CDN $180,858 equal to 7% of the gross proceeds of the Offering, being $0.077 per Common Share (the "Underwriters' Commission").

A summary of the changes in warrants during the years are set out below:

	Number	Weighted average exercise price
		(CDN$)
Balance, December 31, 2010	-	-
Issued	1,755,325	1.10
Balance, December 31, 2011	1,755,325	1.10
Issued	-	-
Balance, December 31, 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 (CDN$)	$0.52	$0.45

Share options

The Company has in place a "rolling" stock option plan (the "Option Plan"), which, under the policies of the TSX Venture Exchange, requires annual 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 by key individuals 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.

(In United States dollars, except where otherwise stated)

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

b) Share options and warrants (continued)

The following table summarizes information of share options outstanding at December 31, 2012:

Issue date	Number granted	Number forfeited/ cancelled	Number exercisable	Exercise price (CDN $)	Expiry date	Weighted average remaining contractual life	Vesting date
Note (i)	5,650,000	500,000	-	1.10	July 2, 2016	3.51 years	January 6, 2013
Note (ii)	100,000	-	-	1.10	August 22, 2016	3.61 years	February 22, 2013
Note (iii)	100,000	-	-	Note (iii)	August 22, 2016	3.61 years	February 22, 2013
Note (iv)	200,000	-	-	Note (iv)	August 22, 2016	3.61 years	February 22, 2013
Note (v)	200,000	200,000	-	Note (v)	August 22, 2016	3.61 years	February 22, 2013
Note (vi)	500,000	-	-	1.10	March 27, 2017	4.25 years	
Note (vii)	200,000	-	-	0.35	October 4, 2017	4.75 years	
Total	6,950,000	700,000	-				

(i) On July 6, 2011, 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. During the 2012 financial year the exercise price was amended to CDN$1.10 and they will vest eighteen months from modification date and there are no longer performance criteria attached to the options vesting criteria. The options were revalued at the date of modification being October 4, 2012 and the incremental fair value will be taken into income over the remaining vesting period.

(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. During the 2012 financial year the exercise price was amended to CDN$1.10 and they will vest thirty months from modification date and there are no longer performance criteria attached to the options vesting criteria. The options were revalued at the date of modification being October 4, 2012 and the incremental fair value will be taken into income over the remaining vesting period.

(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 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. As a result of the changes in the exercise price as described in note (iii) and note (iv), these options were cancelled.

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

(vii) On October 4, 2012, 200,000 share options were granted at CDN$0.35. These options will vest if the individuals are still employed on April 4, 2014.

(In United States dollars, except where otherwise stated)

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

b) Share options and warrants (continued)

A summary of the changes in share options during the year are set out below:

	Number outstanding	Weighted average exercise price
		(CDN$)
Balance, December 31, 2010	-	-
Granted on July 6, 2011	5,650,000	1.10
Granted on August 22, 2011	100,000	1.10
Granted on August 22, 2011, modified October 4, 2012	100,000	1.10
Granted on August 22, 2011, modified October 4, 2012	200,000	1.10
Granted on August 22, 2011	200,000	2.75
Balance, December 31, 2011	6,250,000	1.15
Forfeited	(500,000)	(1.10)
Cancelled	(200,000)	(2.75)
Granted	700,000	0.88
Balance, December 31, 2012	**6,250,000**	**1.07**

The fair value of the share options from Note (i) granted on July 6, 2011 and Note (ii) granted on August 22 was determined by using the Black-Scholes option-pricing model with the following assumptions:

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

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

(In United States dollars, except where otherwise stated)

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

b) Share options and warrants (continued)

The fair value of the share options from Note (iii), Note (iv) and Note (v) granted on August 22, 2011, was determined by using a "Monte Carlo" simulation model with the following assumptions:

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

The fair value of the share options from Note (iii) and Note (iv) that were modified on October 4, 2012, was determined by using the Black-Scholes option-pricing model with the following assumptions:

Issue	Note (iii)	Note (iv)
Expected dividend yield	-	-
Expected volatility	87.7%	87.7%
Risk free rate	1.23%	1.23%
Expected life (years)	4	4
Fair value per option (CDN$)	$0.07	$0.07

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	Note (vi)
Expected dividend yield	-
Expected volatility	97%
Risk free rate	1.59%
Expected life (years)	5
Fair value per option (CDN$)	$0.64

The fair value of the share options from Note (vii) that were granted on October 4, 2012, was determined by using the Black-Scholes option-pricing model with the following assumptions:

Issue	Note (vii)
Expected dividend yield	-
Expected volatility	96.0%
Risk free rate	1.33%
Expected life (years)	5
Fair value per option (CDN$)	$0.14

c) Share based payments reserve

During the year ended December 31, 2012, the company expensed $3,044,274 (year ended December 31, 2011 - $1,690,374) in relation to the fair value of these options.

(In United States dollars, except where otherwise stated)

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

d) Loss per share

The calculation of basic loss per share is based on the net loss of $5,627,077 before non-controlling interest for the year ended December 31, 2012 (year ended December 31, 2011 - $5,814,858) and on the total weighted average common shares of 65,076,075 outstanding during the year ended December 31, 2012 (December 31, 2011 - 42,291,277 common shares).

Effect on diluted earnings per share

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.

11. Investments

Samco Gold S.A.

On June 17, 2009, Samco Gold Limited acquired 37.5% of the outstanding shares of Samco Gold S.A. for $10,035. Due to the nature of the entity, this was accounted for as an acquisition of assets, not a business. These shares were held in trust for the Company by the Chairman of the Board of Directors. Thus, for the period from June 16, 2009 (date of incorporation) to December 31, 2009, the investment in Samco Gold S.A. was accounted for using the equity method of accounting.

On December 10, 2010 (the “acquisition date”), Samco Gold Limited increased its ownership of Samco Gold S.A. to 82% through the purchase of an additional 250,000 shares. These additional shares were held in trust for the Company by Samco Resources Limited. These additional Samco Gold S.A. shares were purchased for $63,026.

On March 31, 2011, Samco Gold Limited purchased the remaining 62,500 (18%) outstanding shares of Samco Gold S.A. for consideration of $2,700,000 payable in the Company’s common shares. The total acquisition of Samco Gold S.A. shares was accounted for as an asset acquisition. The fair values of the Samco Gold S.A. shares as at March 31, 2011 and as at December 31, 2010 have not been disclosed given that the shares were privately held and that there was neither a reliably measurable fair value nor an active market from which to obtain a quoted price. The carrying value of the investment as at December 31, 2011, is $2,770,351 ($70,716 - December 31, 2010). The Company intends on using this investment in shares to exercise control over Samco Gold S.A.’s mineral rights for exploration.

The investment in Samco Gold S.A. carrying value has been calculated as follows:

	$
Balance, December 10, 2010	70,829
82% of Samco Gold S.A.’s operating loss from December 11, 2010 to June 30, 2011	(478)
Value of consideration for non-controlling interest’s shareholdings - March 31, 2011	2,700,000
Balance acquired as at December 31, 2011	2,770,351

(In United States dollars, except where otherwise stated)

11. Investments (continued)

Samco Gold S.A. (continued)

The allocation of the consideration paid by the Company on the investment is as follows:

	$
Total consideration for 100% ownership at March 31, 2011	2,770,351
Cash	6,279
Mineral rights and exploration costs	2,770,325
Accounts payable and accrued liabilities	(6,253)
Net assets acquired	2,770,351

5R S.A.

On March 31, 2011, Samco Gold Limited fully acquired all 10,000 outstanding shares of 5R S.A. for total consideration of $10,500,000. Due to the nature of the entity, this was accounted for as an acquisition of an asset, not a business. The consideration consisted of 19,000,000 common shares of Samco Gold Limited (valued at $0.50 per share - $9,500,000 total value) and a further $1,000,000 in cash.

The total acquisition of 5R S.A. shares is accounted for as an asset acquisition under IFRS 3 as 5R S.A. did not have an integrated set of activities and assets. The fair values of the 5R S.A. shares as at March 31, 2011 have not been disclosed given that the shares are privately held and that there is neither a reliably measurable fair value nor an active market from which to obtain a quoted price. The Company intends on using this investment in shares to exercise control over 5R S.A.'s mineral rights for exploration.

The investment in 5R S.A. carrying value has been calculated as follows:

	$
Total consideration for 100% ownership at March 31, 2011	10,500,000
Cash	238
Accounts receivable - current	298
Mineral rights and exploration costs	10,528,128
Accounts payable and accrued liabilities	(8,729)
Amounts due to related parties	(19,935)
Total consideration for 100% ownership as at December 31, 2011	10,500,000

(In United States dollars, except where otherwise stated)

12. Capital commitments

Operating commitments in force at year end were as follows:

	2012	2011
	$	$
In respect of		
Surface rights	**174,000**	481,292
Drilling costs	**312,040**	3,940,847
Field facilities	**22,500**	563,200
	508,540	4,985,339

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

The drilling contracts stipulate a minimum committed amount of drilling with a cost per meter drilled. These meters of drilling are expected to be reached in the 2013 financial year.

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.

13. Operating lease commitments

The Company leases offices in the UK and in Argentina. The office in the UK is leased under a long-term lease of five years. The lease can be terminated at the expiry of the third year of the five year term or any time thereafter. The term of the lease of the office in Argentina is for three years, starting August 1, 2011 and expiring July 31, 2014.

The future minimum lease payments under the non-cancellable portion of the operating lease are as follows:

	2012	2011
	$	$
No later than 1 year	**89,305**	36,000
Later than 1 year and no later than 5 years	**130,958**	51,000
Later than 5 years	**-**	-
Total	**220,263**	87,000

14. 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 periodic basis.

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

14. Financial instruments and risk management (continued)

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 of December 31, 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	**-**	**433,910**	**-**	**-**	**433,910**
	-	**471,410**	**-**	**-**	**471,410**

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

		2012		2011
	Assets	**Liabilities**	Assets	Liabilities
	$	**$**	$	$
Argentine pesos	**1,088,774**	**398,043**	1,073,756	381,761
United Kingdom sterling	**217,821**	**121,703**	515,960	16,096
Canadian dollars	**336,376**	**-**	8,476,100	-
	1,642,971	**519,746**	10,065,816	397,857

Based on the above balances, had the United States dollar strengthened (weakened) by 5% against the Argentine pesos, the Company's equity would have been $34,537 higher (lower). Had the United States dollar strengthened (weakened) against the United Kingdom sterling, the Company's equity would have been $4,806 lower (higher). Had the United States dollar strengthened (weakened) against the Canadian dollar, the Company's equity would have been $16,819 lower (higher).

(In United States dollars, except where otherwise stated)

14. Financial instruments and risk management (continued)

Title risk

Title to mineral properties and exploration rights involves certain inherent risks due to the potential for problems arising from the ambiguous conveyancing 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 there can be no guarantee 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 are $10,768,844 in deposits as at December 31, 2012 and $19,854,460 as at December 31, 2011). The Company limits its counterparty credit risk on its deposits by dealing only with financial institutions with extremely high credit ratings.

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 (i.e. as prices) or indirectly (i.e. 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	**2012**	2011
		$	$
Financial assets			
Cash	FVTPL	**10,768,844**	19,854,460
Financial liabilities			
Accounts payable and accrued liabilities	Other liability	**433,910**	469,391
Due to related parties	Other liability	**37,500**	70,197
		10,297,434	19,314,872