



# ANTIOQUIA

## GOLD INC

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2011 AND MARCH 31, 2011**

**(Expressed in Canadian dollars)**

**(audited)**

**ANTIOQUIA GOLD INC.**  
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**  
*December 31, 2011*

The accompanying financial statements of Antioquia Gold Inc. (the "Company") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the audited consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the audited annual consolidated financial statements together with other financial information. An Audit Committee, whose members include two of three members who are not officers of the Company, assists the Board of Directors in fulfilling this responsibility. The Audit Committee, on behalf of the Board of Directors, meets with management to review the internal controls over the financial reporting process, the audited consolidated financial statements together with other financial information of the Company, and the auditor's report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

**Signed: "Richard A. Thibault"**

President & CEO

**Signed: "JoAnne Dorval-Dronyk"**

Chief Financial Officer

April 20, 2012

# SIEVERT & SAWRANTSCHUK LLP CHARTERED ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

### **To the Shareholders of Antioquia Gold Inc.:**

We have audited the accompanying consolidated financial statements of Antioquia Gold Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, March 31, 2011, and April 1, 2010, and the consolidated statements of loss, comprehensive loss and deficit and the consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the period nine months ended December 31, 2011 and for the year ended March 31, 2011, 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 misstatements, 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 audits 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.

SIEVERT & SAWRANTSCHUK LLP

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 Antioquia Gold Inc. and its subsidiaries as at December 31, 2011, March 31, 2011, and April 1, 2010, and their financial performance and their cash flows for the periods then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements, which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Antioquia Gold Inc.'s ability to continue as a going concern.



April 19, 2012  
Toronto, Canada

Sievert & Sawrantschuk LLP  
Chartered Accountants, Licensed Public  
Accountants

**ANTIOQUIA GOLD INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (audited)**  
Expressed in Canadian Dollars

		December 31, 2011	March 31, 2011	April 1, 2010
	Notes	\$	\$	\$
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents		1,687,572	1,036,710	1,664,509
Investment certificates	5	8,663	6,200,000	–
Accounts receivable		41,668	189,703	55,223
GST receivable		71,585	126,511	57,120
Prepaid expenses		27,621	6,664	189,605
Notes receivable		–	–	198,000
		<b>1,837,109</b>	<b>7,559,588</b>	<b>2,164,457</b>
Exploration assets	6	<b>2,768,318</b>	1,057,582	797,085
Evaluation assets	6,10	<b>8,630,446</b>	6,376,242	3,242,854
Property and equipment	7	<b>243,436</b>	174,215	9,306
Goodwill	4(b)	<b>1,048,507</b>	1,048,507	1,048,507
		<b>14,527,816</b>	<b>16,216,134</b>	<b>7,262,209</b>
<b>Liabilities</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	10	<b>472,973</b>	451,478	399,807
Customer deposits		–	–	10,059
		<b>472,973</b>	<b>451,478</b>	<b>409,866</b>
Going concern	2			
Commitments and contingency	14			
<b>Shareholders' Equity</b>				
Share capital	8(b)	<b>18,652,667</b>	18,618,167	7,810,431
Warrants	8(c)	<b>1,813,465</b>	1,813,465	1,933,505
Contributed surplus	9	<b>2,042,558</b>	1,503,480	787,359
Deficit		<b>(8,453,847)</b>	(6,170,456)	(3,678,952)
		<b>14,054,843</b>	<b>15,764,656</b>	<b>6,852,343</b>
		<b>14,527,816</b>	<b>16,216,134</b>	<b>7,262,209</b>

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

Approved on behalf of the Board  
Signed: "Richard A. Thibault"

Signed: "R. Brian Murray"

**ANTIOQUIA GOLD INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (audited)**  
Expressed in Canadian Dollars  
**For nine months ended December 31, 2011 and year ended March 31, 2011**

	Share Capital		Warrants		Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
	Shares	\$						
<b>Balance, April 1, 2010</b>	<b>64,683,205</b>	<b>7,810,431</b>	<b>12,448,110</b>	<b>1,933,505</b>	<b>787,359</b>	<b>—</b>	<b>(3,678,952)</b>	<b>6,852,343</b>
Net loss and comprehensive loss for the period							(2,491,504)	(2,491,504)
Stock based compensation					596,082			596,082
Share issue costs		(303,670)						(303,670)
Share capital issued	31,583,596	10,207,818						10,207,818
Warrants issued			4,891,667	(144,378)	144,378			—
Warrants exercised	4,359,525	903,588	(4,359,525)	24,338	(24,339)			903,587
<b>Balance, Mar 31, 2011</b>	<b>100,626,326</b>	<b>18,618,167</b>	<b>12,980,252</b>	<b>1,813,465</b>	<b>1,503,480</b>	<b>—</b>	<b>(6,170,456)</b>	<b>15,764,656</b>
<b>Balance, April 1, 2011</b>	<b>100,626,326</b>	<b>18,618,167</b>	<b>12,980,252</b>	<b>1,813,465</b>	<b>1,503,480</b>	<b>—</b>	<b>(6,170,456)</b>	<b>15,764,656</b>
Net loss and comprehensive loss for the period							(2,283,391)	(2,283,391)
Stock based compensation					539,078			539,078
Share capital issued for mining property (Note 6(c))	150,000	34,500						34,500
Warrants expired			(12,131,285)					
<b>Balance, Dec 31, 2011</b>	<b>100,776,326</b>	<b>18,652,667</b>	<b>848,967</b>	<b>1,813,465</b>	<b>2,042,558</b>	<b>—</b>	<b>(8,453,847)</b>	<b>14,054,843</b>

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

**ANTIOQUIA GOLD INC.**  
**CONSOLIDATED STATEMENTS OF LOSS,**  
**COMPREHENSIVE LOSS AND DEFICIT (audited)**  
Expressed in Canadian Dollars  
**For the**

	<i>Notes</i>	Nine months ended December 31 2011 \$	Year ended March 31 2011 \$
<b>Expenses:</b>			
Management fees	10	313,702	449,842
Professional fees	10	346,045	264,798
Office and administration	10	676,923	1,062,041
Promotion and shareholder costs		277,697	238,475
Stock based compensation	8(d), 10	539,078	596,082
Impairment: Exploration assets	6	125,795	—
Depreciation	7	36,900	15,549
		<b>2,316,140</b>	<b>2,626,787</b>
<b>Other income</b>			
Consulting		2,669	123,164
Interest		30,080	12,119
		<b>32,749</b>	<b>135,283</b>
<b>Net loss and comprehensive loss for the period</b>		<b>2,283,391</b>	<b>2,491,504</b>
<b>Deficit, beginning of period</b>		<b>6,170,456</b>	<b>3,678,952</b>
<b>Deficit, end of period</b>		<b>8,453,847</b>	<b>6,170,456</b>
<b>Loss per share, basic and diluted</b>		<b>\$0.02</b>	<b>\$0.03</b>
<b>Weighted average number of shares outstanding (basic)</b>		<b>100,705,230</b>	<b>86,626,524</b>

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

**ANTIOQUIA GOLD INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (audited)**

Expressed in Canadian Dollars

**For the**

	Nine months ended December 31 2011 \$	Year ended March 31 2011 \$ (Note 16)
<b>Operating activities</b>		
Net loss for the period	(2,283,391)	(2,491,504)
Items not affecting cash:		
Stock-based compensation	539,078	596,082
Impairment: Exploration assets	125,795	—
Depreciation	36,900	15,549
<b>Change in non-cash working capital</b>		
Accounts receivable	148,035	(134,480)
GST receivable	54,926	(69,391)
Prepaid expenses	(20,957)	182,941
Accounts payable and accrued liabilities	21,495	41,611
<b>Cash used in operating activities</b>	<b>(1,378,119)</b>	<b>(1,859,192)</b>
<b>Investing activities</b>		
Exploration expenditures	(1,802,031)	—
Evaluation expenditures	(2,254,204)	(3,393,885)
Property and equipment purchases	(106,121)	(180,458)
Redemption (purchase) of investment certificates	6,191,337	(6,200,000)
<b>Cash from investing activities</b>	<b>2,028,981</b>	<b>(9,774,343)</b>
<b>Financing activities</b>		
Issuance of share capital	—	10,712,688
Exercise of warrants	—	95,048
Settlement of notes receivable	—	198,000
<b>Cash from financing activities</b>	<b>—</b>	<b>11,005,736</b>
<b>Net increase in cash and cash equivalents during the period</b>	<b>650,862</b>	<b>627,799</b>
<b>Cash and cash equivalents position, beginning of the period</b>	<b>1,036,710</b>	<b>1,664,509</b>
<b>Cash and cash equivalents position, end of period</b>	<b>1,687,572</b>	<b>1,036,710</b>
Supplemental cash flow information:		
Cash paid for interest	—	—
Cash paid for taxes	—	—

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

## ANTIOQUIA GOLD INC.

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

*December 31, 2011 and March 31, 2011*

#### **1. NATURE OF BUSINESS**

The registered address of Antioquia Gold Inc. is 200, 625 – 4<sup>th</sup> Avenue SW, Calgary, Alberta, Canada, T2P 0K2. The Company is listed on the Toronto Venture Exchange (“TSX-V” under the symbol “AGD”. The Company commenced trading on the OTCQX, the U.S. Over-The-Counter (“OTC”) market’s highest tier on September 8, 2011 under the symbol “AGDXF”.

Antioquia Gold Inc. (formerly High American Gold Inc.) completed a transaction with Am-Ves Resources Inc. (“Am-Ves”) on July 20, 2008. Am-Ves was incorporated under the laws of Alberta on January 19, 2006. The transaction to acquire 100% of the outstanding shares of Am-Ves was accounted for as a reverse takeover as the control of Antioquia Gold Inc. was acquired by the shareholders of Am-Ves. On March 31, 2009 Antioquia Gold Inc. and Am-Ves were amalgamated under the laws of Alberta, and the Company began operating under the name Antioquia Gold Inc. (the “Company”). The Company owns 100% of Antioquia Gold Ltd., a Barbados company, which in turn has a branch registered to conduct business in Colombia, South America. All mineral exploration and evaluation activities of the Company are carried out in Colombia. On December 2, 2009 the Company completed the 100% acquisition of Ingenieria Y Gestion Del Territorio S.A. (“IGTER”) a management company incorporated under the laws of Colombia.

The Company is engaged in the acquisition, exploration and development of mineral resource properties internationally, with a current focus in Colombia. The Company considers itself to be in the process of exploring its mineral properties and has not yet determined whether they contain reserves that are economically recoverable. The success of the Company’s exploration and development of its mineral properties will be influenced by significant financial risks, legal and political risks, fluctuations in commodity prices and currency exchange rates, varying levels of taxation and the ability of the Company to discover recoverable reserves and to bring such reserves into production on an economic basis. The Company will be required to obtain additional financing to develop its resource properties. While the Company seeks to manage these risks, many of these factors are beyond its control.

#### **2. GOING CONCERN**

These audited consolidated financial statements have been prepared using International Financial Reporting Standard (“IFRS”) applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from December 31, 2011. At December 31, 2011, the Company had a cumulative deficit of \$8,453,847 (March 31, 2011 – \$6,170,456) and working capital of \$1,364,136 (March 31, 2011 – \$7,108,110). The Company’s ability to continue as a going concern is dependent upon its ability to achieve profitable operations, generate sufficient funds and continue to obtain sufficient capital from investors to meet its current and future obligations. The recoverability of amounts shown for exploration properties is dependent on several factors. These factors include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable operations or proceeds from disposition of mineral interests.

**ANTIOQUIA GOLD INC.**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
*December 31, 2011 and March 31, 2011*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies used in the preparation of these financial statements:

The Company received approval and has changed its year-end from March 31 to December 31.

Management believes that the new year-end better enables the Company to fulfill its reporting responsibilities with its subsidiaries whose year-end dates are December 31.

**Basis of presentation**

*Statement of Compliance*

These audited consolidated financial statements have been prepared in accordance with IFRS 1, *First-time adoption of International Financial Reporting Standards*, (“IFRS 1”). The policies applied in these financial statements are based on IFRS issued and outstanding as of April 20, 2012, the date of approval by the Company’s Board of Directors. Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are disclosed in note 16. The Company’s IFRS accounting policies have been applied consistently in all periods in preparing the consolidated financial statements for the nine months ended December 31, 2011, and for the year ended March 31, 2011, and the preparation of an opening IFRS consolidated statement of financial position on the April 1, 2010 Transition Date (“**Transition Date**”). These audited consolidated financial statements should be read in conjunction with the Company’s Canadian GAAP annual financial statements for the year ended March 31, 2011. In the financial statements, the term “Canadian GAAP” refers to Canadian GAAP before adoption of IFRS.

**Principles of consolidation**

The audited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Antioquia Gold Ltd., a Barbados company (“AGD Barbados”) and Ingenieria Y Gestion Del Territorio S.A. (“IGTER”). AGD Barbados operates in Colombia as Antioquia Gold Ltd. (“AGD Colombia”). Intercompany transactions and balances are eliminated on consolidation.

**Foreign currency translation**

The reporting and functional currency of the Company is the Canadian dollar. The functional currency of AGD Colombia and IGTER is the Colombian Peso. Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rate in effect at the balance sheet date and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in consolidated statements of loss, comprehensive loss and deficit.

**Financial instruments**

*Cash and cash equivalents*

Cash and cash equivalents consists of cash on hand, cash held in a financial institution or investments having a maturity of ninety days or less at acquisition, that are readily convertible to the contracted amounts of cash.

*Investment certificates*

Cash invested with a maturity greater than three months and less than one year are recognized and disclosed as investment certificates.

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Held for trading*

Financial assets that are held with the intention of generating profits in the near term and derivative contracts that are financial assets, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial assets can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income or expense during the period.

*Held to maturity*

Financial assets that have a fixed maturity date and which the Company has a positive intention and the ability to hold to maturity are classified as held to maturity, which are subsequently re-measured at amortized cost using the effective interest rate method.

*Loans and receivables*

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets in return for a promise to repay on a specified date, or on demand usually with interest. Loans and receivables are subsequently re-measured at amortized cost using the effective interest rate method.

*Available for sale*

Available for sale assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets classified as available for sale are subsequently re-measured if they have quoted market value in an active market. Otherwise, these investments are carried at cost and are written down when impairment is considered that is other than temporary. Any change in fair value is recognized in other comprehensive income.

**Financial liabilities**

*Held for trading*

Financial liabilities that are held with the intention of generating profits in the near term and derivative contracts that are financial liabilities, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial liabilities can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

*Other financial liabilities*

Non-derivative financial liabilities that have not been designated as held for trading are classified as other liabilities, which are subsequently re-measured at amortized cost using the effective interest rate method.

The Corporation has classified its financial instruments as follows:

<u>Financial instrument</u>	<u>Classification</u>
Cash and cash equivalents	Held for trading
Investment certificates	Held for trading
Account receivable	Loans and receivables
GST receivable	Loans and receivables
Notes Receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Customer deposits	Other financial liabilities

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Pre-exploration costs**

Pre-exploration costs are expensed in the period in which they are incurred.

**Exploration assets**

Exploration expenditures relating to resource properties in which a legal right to explore has been obtained and an interest is retained, are deferred and are carried as an asset until the results of the projects are known. If a project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property is written off. The fair value of resource properties acquired in exchange for the issuance of the Company's shares is determined by the trading price of the Company's shares on a three day average trading price before and after the shares are issued.

Option payments paid are capitalized against resource property costs when received/paid. No gain or loss on disposition of a partial interest is recorded until all carrying costs of the interest have been offset by proceeds of sale or option payments received/paid.

**Evaluation assets**

Evaluation expenditures relating to the evaluation of resource properties are capitalized until properties are brought into production, when costs are amortized on a unit-of-production basis over economically recoverable reserves, abandoned or the interest is sold.

If a project is successful and production has occurred, the exploration expenditures and related deferred evaluation expenditures are amortized by charges against income from future mining operations.

Exploration and evaluation expenditures, which are general in nature and cannot be associated with a specific group of mining claims, and general administrative expenses, are expensed in the year in which they are incurred.

**Property and Equipment**

*Recognition and measurement*

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

*Subsequent costs*

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

## ANTIOQUIA GOLD INC.

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and March 31, 2011

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### *Major maintenance and repairs*

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

##### *Depreciation*

Depreciation is recognized in profit or loss and is calculated as follows:

Buildings	5% declining balance
Office equipment and furniture	10% declining balance
Computer equipment	20% declining balance
Vehicle	20% declining balance

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

##### **Leased Assets**

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the statement of loss and comprehensive loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of loss and comprehensive loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

##### **Impairment of long-lived assets**

The Company assesses the impairment of long-lived assets, which consists primarily of exploration expenditures, evaluation expenditures, property and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used are measured by a comparison of the carrying value of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Impairment of goodwill**

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the tangible and identifiable intangible assets acquired, less liabilities assumed, based on their fair values. When the Company enters into a business combination, the purchase method of accounting is used. Goodwill is assigned, as of the date of the business combination, to reporting units that are expected to benefit from the business combination. Goodwill is not amortized but instead is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit, including goodwill, is compared with its fair value. When the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any.

At this time, the Company does not have any impairment of goodwill.

**Provisions**

*Rehabilitation provision*

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

At this time, the Company does not have any rehabilitation provision.

*Other provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

**Share Capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares, stock options or warrants are shown in equity as a deduction, net of tax, from the proceeds.

**ANTIOQUIA GOLD INC.**

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Stock based payments**

Where equity-settled stock options are awarded to employees, the fair value of the stock options at the date of grant is charged to the consolidated statement of loss, comprehensive loss and deficit over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of loss, comprehensive loss and deficit over the remaining vesting period. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the stock based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. All equity-settled stock based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

**Income recognition**

Income associated with consulting are realized when all significant acts have been completed and when collection is reasonably assured. Interest income is accrued as earned.

**Comprehensive income**

Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize into net earnings.

The Company had no comprehensive income or loss transactions, other than its net loss, presented in the Consolidated Statements of Loss and Comprehensive Loss and Deficit, nor has the Company accumulated other comprehensive income during the periods that have been presented.

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Income (loss) per share**

Basic income (loss) per share is calculated by dividing net income (loss) and comprehensive income (loss) by the weighted average number of common shares outstanding for the period. The computation of diluted income (loss) assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted income (loss) per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. In years when the Company reports a comprehensive loss, the effect of potential issuances of shares under options and warrants would be anti-dilute, and therefore, basic and diluted loss per share are the same.

**Income taxes**

Income taxes are accounted for using the deferred income tax method. Under this method income taxes are recognized for the estimated income taxes payable for the current year. Deferred income taxes are recognized for temporary differences between tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are likely to be realized. Deferred income tax assets and liabilities are measured using tax rates expected to be recovered or settled. Tax benefits have not been recorded due to uncertainty regarding their utilization. The amount of deferred income tax assets recognized is limited to the amount of the benefit that is more likely than not to be recognized.

**Flow-through Shares**

Companies will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax expense for the amount of tax reduction renounced to the shareholders. The premium is recognised as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

The Company has not issued any flow-through shares.

**Related party transactions**

All transactions with related parties are in the normal course of business and are measured at the exchange amount.

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Recent Accounting Pronouncements**

The Company is currently evaluating the impact on its consolidated financial statements of recent accounting pronouncements, as follows:

*IFRS 9 Financial Instruments*

IFRS 9, Financial Instruments was issued by the IASB and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

*IFRS 10 Consolidated Financial Statements*

IFRS 10, Consolidated Financial Statements was issued by the IASB to replace IAS 27, Consolidated and Separate Financial Statement and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.

*IFRS 11 Joint Arrangements*

IFRS 11, Joint Arrangements supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities -Non-monetary Contributions by joint venture partners. IFRS 11 requires a joint venture partner to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the joint venture partners will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

*IFRS 12 Disclosures of Interests in Other Entities*

IFRS 12 Disclosures of Interests in Other Entities was issued by the IASB to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

*IFRS 13 Fair Value Measurement*

IFRS 13, Fair Value Measurement is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*IAS 19 Employee Benefits*

In June 2011, the IASB issued amendments to IAS 19 - Employee Benefits that introduced changes to the accounting for defined benefit plans and other employee benefits. The amendments include elimination of the option to defer, or recognize in full in earnings, actuarial gains and losses and instead mandates the immediate recognition of all actuarial gains and losses in other comprehensive income and requires use of the same discount rate for both the defined benefit obligation and expected asset return when calculating interest cost. Other changes include modification of the accounting for termination benefits and classification of other employee benefits. The Company does not anticipate the application of the amended IAS 19 to have a material impact on its consolidated financial statements.

**Use of estimates**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

*Rehabilitation provisions*

Rehabilitation provisions are based on internal estimates. Assumptions, based on the current economic environment, are made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the recognized rehabilitation provisions may be higher or lower than currently provided for.

As at December 31, 2011 there were no rehabilitation provisions.

*Exploration and evaluation assets*

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

## ANTIOQUIA GOLD INC.

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and March 31, 2011

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### *Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

##### *Income taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

##### *Share-based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8(d).

#### 4. BUSINESS ACQUISITION

##### **Ingenieria Y Gestion Del Territorio S.A. ("IGTER")**

During the year ended March 31, 2010 the Company completed a transaction which resulted in the acquisition of IGTER, a company incorporated under the laws of Colombia, for US\$300,000 (CDN\$316,110) and 2,000,000 common shares with a value of \$810,000.

The following summarizes the fair value of the assets and liabilities acquired in this transaction:

Cash assumed	\$ 8,620
Accounts receivable	55,223
Exploration property	90,211
Property and equipment	10,998
Accounts payable	(84,433)
Legal reserve	(3,016)
Value assigned to goodwill	1,048,507
Total consideration	<u>\$1,126,110</u>

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**5. INVESTMENT CERTIFICATES**

Investments certificates are held at a Canadian Chartered bank are redeemable on demand and earn a fixed percentage of interest per annum. The following amounts were held in investment certificates:

December 31, 2011	\$8,663
March 31, 2011	\$6,200,000

**6. EXPLORATION AND EVALUATION ASSETS**

<b>Colombia</b>	<b>Exploration Assets</b>	<b>Evaluation Assets</b>	<b>Total</b>
	\$	\$	\$
Balance at April 1, 2010	797,085	2,982,357	4,039,939
Additions	—	3,393,885	3,393,885
Disposals	—	—	—
Impairment	—	—	—
Balance at March 31, 2011	1,057,582	6,376,242	7,433,824
Additions	1,836,530	2,254,204	4,090,734
Disposals	—	—	—
Impairment	(125,794)	—	(125,794)
<b>Balance at December 31, 2011</b>	<b>2,768,318</b>	<b>8,630,446</b>	<b>11,398,764</b>

**(a) Guayabito Project**

On October 18, 2007, the Company entered into a purchase option agreement ("Purchase Agreement") to acquire 100% interest of the Guayabito Project located in the Antioquia Department of Colombia. The payment terms of the Purchase Agreement totalled \$1,600,000 USD plus 500,000 Am-Ves common shares and the retention of a 1% royalty. The \$1,600,000 was paid in a series of payments beginning on October 18, 2007 with the final payment made in August 2010 when 100% ownership of the property was registered with the Colombian National Mining Registry in the name of the Company. The 500,000 Am-Ves common shares were issued on October 17, 2007. The Purchase Agreement also required the Company to incur \$2,000,000 USD on a comprehensive exploration and development program. This commitment was met.

**(b) Bullet Project**

On April 9, 2009 the Company signed a contract (the "Contract") with Bullet Holding Corp. ("BHC") for the purchase of a 90% interest in certain mining titles in Colombia adjacent to the core Cisneros Project. The terms of the amended Contract required the Company to issue 1,062,500 common shares and 531,250 warrants (each warrant entitled the holder to purchase 1 additional common share for \$0.40 per share prior to expiry on November 12, 2011). All common shares and warrants were issued on November 12, 2009. The Contract also required the Company to incur \$2,000,000 USD in exploration expenditures by October 9, 2010 on any of the Company's Cisneros Project. This commitment was met.

The Contract provided BHC with a 10% free carried interest until December 30, 2011 (extended from December 31, 2010). BHC was given an extension to February 15, 2012 to evaluate the geology report and data collected during 2011. BHC converted the 10% interest into a 1% net smelter return (NSR) on January 31, 2012.

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**6. EXPLORATION AND EVALUATION ASSETS (CONT'D)**

**(c) Pacho Luis Property**

On May 19, 2010 the Company entered into a purchase contract for a mining title known as the Pacho Luis lands, a part of the Cisneros Project in Colombia. The acquisition cost was comprised of a cash deposit of \$50,000 USD and 150,000 common shares to be issued upon title registration. The common shares were issued on June 22, 2011 upon registration of 100% of the mining title at the Colombia National Mining Registry (note 8(b)). The value of the shares was determined to be \$34,500, based on the trading price of the Company's shares three days before and three days after the shares were issued.

Impairment of \$125,794 for the period ended December 31, 2011 represents impairment of other minor properties.

**7. PROPERTY AND EQUIPMENT**

<b>Cost</b>	Office Equipment \$	Computer Equipment \$	Vehicle \$	Total \$
Balance at April 1, 2010	14,991	—	—	14,991
Additions	59,713	48,712	99,900	208,325
Balance at March 31, 2011	74,704	48,712	99,900	223,316
Additions	47,396	27,545	31,180	106,121
Balance at December 31, 2011	122,100	76,257	131,080	329,437

<b>Depreciation</b>	Office Equipment \$	Computer Equipment \$	Vehicle \$	Total \$
Balance at April 1, 2010	5,685	—	—	5,685
Depreciation for the period	12,985	13,805	16,627	43,416
Balance at March 31, 2011	18,670	13,805	16,627	49,101
Depreciation for the period	7,750	9,544	19,606	36,900
Balance at December 31, 2011	26,420	23,348	36,233	86,001

<b>Carrying amounts</b>	Office Equipment \$	Computer Equipment \$	Vehicle \$	Total \$
Balance at April 1, 2010	9,306	—	—	9,306
Balance at March 31, 2011	39,323	43,355	91,537	174,215
Balance at December 31, 2011	95,680	52,909	94,847	243,436

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**8. SHARE CAPITAL**

- (a) Authorized: Unlimited Common shares  
 (b) Common shares issued:

	<b>Shares</b>	<b>Amounts</b>
Balance at April 1, 2010	64,683,205	\$ 7,810,431
Private placement (i)	12,128,101	2,425,620
Private placement (ii)	19,455,495	7,782,198
Exercise of Special warrant (i)	4,042,700	808,540
Exercise of warrants	316,825	95,048
Share issue costs	-	(303,670)
Balance at March 31, 2011	100,626,326	\$18,618,167
Acquisition of mining title (note 6(c))	150,000	34,500
<b>Balance at December 31, 2011</b>	<b>100,776,326</b>	<b>\$18,652,667</b>

- (c) Warrants issued:

	<b>Warrants</b>	<b>Amounts</b>
Balance at April 1, 2010	12,448,110	\$1,933,505
Issuance of agents warrants (i)	848,967	(144,378)
Exercise of warrants	(316,825)	24,339
Issuance of Special Warrant (i)	4,042,700	808,540
Exercise of Special Warrant (i)	(4,042,700)	(808,540)
Balance at March 31, 2011	12,980,252	\$1,813,465
Expiry of warrants	(12,131,285)	-
<b>Balance at December 31, 2011</b>	<b>848,967</b>	<b>\$1,813,465</b>

- (i) On August 13, 2010 the Company issued 12,128,101 common shares at \$0.20 per share for cash consideration of \$2,425,620. The Company also issued a Special Warrant that was convertible into 4,042,700 common shares at a price of \$0.20 per common share for proceeds of \$808,540. The proceeds from the Special Warrant were held in escrow until shareholders approved Desafio Minero S.A.C. becoming a "control person". Approval from shareholders was received at the annual general meeting of shareholders on September 30, 2010 and approval from the TSX-V was received on October 28, 2010. The Special Warrant was excised on October 28, 2010 and proceeds of \$808,540 were released from escrow. In connection with the private placement, the Company granted 848,967 agents warrants exercisable at \$0.20 expiring on August 13, 2012.

The fair value of the warrants issued was determined using the Black-Scholes options pricing model with the following assumptions: dividend yield – NIL, expected volatility – 129%, risk free rate of return – 1.03% and a life of two years.

- (ii) On February 4, 2011 the Company issued 19,455,495 common shares at \$0.40 per share for cash consideration of \$7,782,198 pursuant to a non-brokered private placement subscribed by Desafio Minero S.A.C.

**ANTIOQUIA GOLD INC.**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
*December 31, 2011 and March 31, 2011*

**8. SHARE CAPITAL (CONT'D)**

The following table summarizes warrants outstanding at December 31, 2011:

Date of expiry	Warrants Outstanding	Exercise price
August 13, 2012	848,967	\$0.20
	848,967	

**(d) Stock Options**

The Company has a stock option plan that provides for the issuance to its directors, officers, employees and consultants options to purchase from treasury a number of common shares not exceeding 10% of the common shares that are outstanding from time to time which is the number of shares reserved for issuance under the plan. Options granted under the plan vest at the time of the grant. The options are non-transferable if not exercised. The following tables summarize information regarding stock options for the period ended December 31, 2011:

	Number	Weighted average exercise price
Balance, April 1, 2010	5,489,780	\$0.36
Granted	2,568,000	0.33
Expired	(1,582,500)	0.33
Balance, March 31, 2011	6,475,280	0.36
Granted	4,612,500	0.40
Expired/Forfeited	(2,256,930)	0.30
<b>Balance, December 31, 2011</b>	<b>8,830,850</b>	<b>\$0.39</b>

Date of grant	Number of options outstanding	Exercise price	Remaining life (yrs)	Date of expiry	Exercisable options
Sep 22, 2009	618,350	\$0.30	0.73 years	Sep 22, 2012	618,350
Dec 23, 2009	1,400,000	\$0.49	0.98 years	Dec 23, 2012	1,400,000
Apr 12, 2010	60,000	\$0.34	1.28 years	Apr 12, 2013	60,000
Sep 14, 2010	150,000	\$0.25	1.71 years	Sep 14, 2013	150,000
Oct 26, 2010	1,040,000	\$0.35	3.82 years	Oct 26, 2015	1,040,000
Nov 11, 2010	400,000	\$0.35	3.86 years	Nov 11, 2015	400,000
Feb 3, 2011	300,000	\$0.32	4.09 years	Feb 3, 2016	300,000
Mar 23, 2011	250,000	\$0.365	4.23 years	Mar 23, 2016	250,000
May 11, 2011	100,000	\$0.40	4.36 years	May 11, 2016	50,000
Jun 8, 2011	250,000	\$0.40	4.44 years	Jun 8, 2016	250,000
Nov 1, 2011	4,262,500	\$0.40	4.84 years	Nov 1, 2016	4,012,500
Total	8,830,850	\$0.39	3.64 years		8,530,850

**ANTIOQUIA GOLD INC.**

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**8. SHARE CAPITAL (CONT'D)**

- (i) On May 11, 2011, the Company granted 100,000 stock options to consultants conducting investor relations activities for the Company. These stock options vest as to 25% every three months after the date of grant such that that the consultant will be able to exercise 100% of the option upon the conclusion of twelve months from the date of grant. These stock options expire in five years from the date of grant. The following assumptions were used to estimate the fair value (\$17,562) of these stock options: dividend yield – nil; expected volatility – 129%; risk free rate of return 2.0%; weighted average life – 5 years; forfeiture rate – 12.7%.
- (ii) On June 8, 2011, the Company granted 250,000 stock options to a director of the Company. These stock options vest immediately and expire in five years from the date of grant. The following assumptions were used to estimate the fair value (\$40,445) of these stock options: dividend yield – nil; expected volatility – 129%; risk free rate of return 1.5%; weighted average life – 5 years; forfeiture rate – 13.5%.
- (iii) On November 1, 2011, the Company granted 4,262,500 stock options at an exercise price of \$0.40 per share. The stock options expire five years from the date of grant. The options were granted to various individuals as follows:

Officers and directors	3,225,000
Employees	487,500
Consultants	300,000
Investor relations consultants	250,000
Total	4,262,500

Options granted to investor relations consultants vest in accordance with the terms of the Company's stock option plan (25% at the end of each quarter after the date of grant). All other options vest immediately. All options expire in five years from the date of grant. The following assumptions were used to estimate the fair value (\$472,397) of these stock options: dividend yield – nil; expected volatility – 122-160%; risk free rate of return 1-1.1%; weighted average life – 5 years; forfeiture rate – 10.4%.

**9. CONTRIBUTED SURPLUS**

The following table presents changes in contributed surplus:

	2011
Balance at April 1, 2010	\$787,359
Stock based compensation	596,082
Black-Scholes on stock options granted	144,378
Black-Scholes on warrants exercised	(24,339)
Balance at March 31, 2011	\$1,503,480
Stock based compensation	539,078
<b>Balance at December 31, 2011</b>	<b>\$2,042,558</b>

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**10. RELATED PARTY TRANSACTIONS**

The following table summarizes the Company's related party transactions during the period:

	<u>December 31, 2011</u>	<u>March 31, 2011</u>
Management fees <sup>1</sup>	\$313,702	\$217,781
Exploration costs <sup>2</sup>	\$162,000	\$90,000
Professional fees <sup>3</sup>	\$44,000	\$44,902
Stock options issued to officers and directors	3,475,000	—
Common shares issued to officers and directors	—	—

<sup>1</sup> Paid to companies owned by three officers of the Company. There was \$39,674 in accounts payable and accrued liabilities at December 31, 2011 (\$35,436 at March 31, 2011).

<sup>2</sup> Paid to a company owned by an officer of the Company. There was \$19,000 in accounts payable and accrued liabilities at December 31, 2011 (\$15,000 at March 31, 2011).

<sup>3</sup> Paid to the relative of an employee of the General Manager of AGD Colombia. There was \$3,712 in accounts payable and accrued liabilities at December 31, 2011 (\$1,968 at March 31, 2011).

These amounts incurred are in the normal course of business and are measured at the exchange amount.

**11. SEGMENTAL REPORTING**

The Company operates in one geographic centre and is organized into business units based on mineral properties. It has one reportable operating segment, being that of exploration and evaluation activities in Colombia.

**12. CAPITAL MANAGEMENT**

The Company's policy is to maintain a strong capital base with the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company ensures as much as possible that it will have sufficient liquidity to meet liabilities when due. The Company considers its capital structure to include working capital, and common share capital. In order to maintain or adjust the capital structure, the Company may from time to time issue common shares or other securities, sell assets or adjust its capital spending to manage current and projected working capital levels.

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**12. CAPITAL MANAGEMENT (CONT'D)**

Due to long lead times on several of the Company's exploration and development projects, from time to time the Company secures capital to fund its investments in mineral projects in advance which results in a net working capital balance. As exploration projects progress the Company expects the net working capital balance to significantly decrease from current levels, and additional capital will be required to fund additional projects. If the

Company is unsuccessful in raising additional capital, the Company may have to sell, farm out or forfeit rights to some or all of its mineral properties. The Company is not subject to externally imposed capital requirements.

**13. FINANCIAL INSTRUMENTS**

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, foreign currency risk, commodity price risk, interest rate risk and fair value.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework and monitors risk management activities. Management identifies and analyzes the risks faced by the Company and may utilize financial instruments to mitigate these risks.

*Credit risk*

Cash and cash equivalent consist of bank balances and short term deposits maturing in less than one year. The Company manages the credit exposure related to short term investments by selecting counterparties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper. At December 31, 2011 cash deposits were concentrated at one major Canadian Chartered bank.

The carrying amount of accounts receivable and cash and cash equivalent represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at December 31, 2011, and did not provide for any doubtful accounts nor was it required to write off any receivables during the nine months ended December 31, 2011.

*Market risk*

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates, and liquidity will affect the Company's net income or the value of financial instruments. The objective of market risk management is to mitigate risk exposures within acceptable limits, while maximizing returns.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency fluctuations as certain transactions are denominated in Colombian Pesos and United States of America dollars. Foreign exchange expense for the nine months ended December 31, 2011 was \$2,676.

## ANTIOQUIA GOLD INC.

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and March 31, 2011

#### 13. FINANCIAL INSTRUMENTS (CONT'D)

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars and US dollars. The Company funds major exploration expenses in Colombia pesos. If the Colombian peso appreciated by 10%, the Company's net loss would increase by approximately \$76,722, and total assets would increase by approximately \$894,074. If the Colombian peso depreciated by 10%, the Company's net loss would decrease by \$69,747 and total assets would decrease by approximately \$812,795. The Company does not manage its foreign currency risk.

The Company had no forward exchange rate contracts in place as at or during the nine months ended December 31, 2011.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions without incurring unacceptable losses, relinquishment of properties or risking harm to the Company's reputation.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary to provide current cash flow estimates. The Company also utilizes authorizations for expenditures on projects to further manage capital expenditures. To facilitate the capital expenditure program, the Company has raised capital through the issuance of common shares. Additional financing will be required to complete planned capital programs. The Company's financial liabilities as at December 31, 2011, consist of accounts payable and accrued liabilities.

##### *Commodity price risk*

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can materially impact the Company's financial results. Lower commodity prices can reduce the Company's ability to raise capital. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand.

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

##### *Interest rate*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk is minimal as there are no interest-bearing outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

##### *Fair value*

Fair value is determined using the following methods and assumptions:

The carrying value of cash and cash equivalents, accounts receivable, GST receivable, accounts payable and accrued liabilities, and customer deposits approximate their fair value due to the relatively short periods to maturity of these instruments.

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**13. FINANCIAL INSTRUMENTS (CONT'D)**

All financial instruments that are measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the comparable asset or liability, either directly or indirectly.

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments

The Corporation's only instrument that is carried at fair value is cash and cash equivalents and is considered Level 1 in the hierarchy.

*Sensitivity analysis*

*Instruments held for trading*

The Company believes that the movements in investments held for trading that are reasonably possible over the next twelve-month period will not have a significant impact on the Company. The Company believes that its cash position and short-term investments provide adequate liquidity to meet all of the Company's near-term obligations.

**14. COMMITMENTS AND CONTINGENCY**

The Company has the following commitments under agreements entered into before December 31, 2011:

- (a) The Company has four service contracts in place with companies owned by three officers of the Company providing consulting services to the Company and one consultant providing consulting services to the Company. The total commitment with respect to these contracts is \$42,000 CAD and \$20,000 USD per month. The service contracts were continued on a month to month basis after December 31, 2011.
- (b) On July 19, 2010, the Company entered into an office lease agreement for approximately \$6,500 per month for a period of five years commencing September 1, 2010 and ending August 31, 2015. The Company sublet the office space effective February 1, 2011 for the duration of the lease at a net loss of \$212 per month.
- (c) Effective March 1, 2010 the Company adopted a resolution whereby each non-contracted Director be paid a \$1,500 per month fee to be earned at the time that any stock options or warrants are exercised by the director. The Director will be required to pay for the stock options or warrants exercised in full at the time of exercise. Upon exercise and payment of the stock options or warrants, the Director will then receive payment for contingent Directors' fees to date, which amount shall not exceed the amount of the exercise of stock options or warrants. This amount represents a contingent liability and will only be paid to a Director under the following conditions; 1) they continue to be a Director, 2) they pay for the options and warrants exercised in full at the time of exercise, and 3) they exercise their options and warrants. The potential commitment at December 31, 2011 is \$121,500.
- (d) In December 2010, the Company was served an action started by a former consultant. As at December 31, 2011 legal counsel has determined the action is without merit and the action is being defended.

**ANTIOQUIA GOLD INC.**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
*December 31, 2011 and March 31, 2011*

**15. INCOME TAX**

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the net loss and comprehensive loss due to the following:

	<b>December 31 2011</b>	<b>March 31 2011</b>
Statutory Rate	25.0%	28.5%
Loss before income taxes	\$ (436,566)	\$ (508,117)
Non-deductible portion of meals and entertainment	1,623	327
Stock based compensation	134,770	169,883
Share issue costs	—	154,968
Valuation allowance	300,174	182,939
Income tax (recovery) expense	—	—

The tax effect of temporary differences that would give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2011 were as follows:

	<b>December 31 2011</b>	<b>March 31 2011</b>
Statutory Rate	25%	25%
Non-capital losses available	\$ 1,157,449	\$ 869,845
Share issue costs	198,038	198,038
Future income tax assets	1,355,487	1,280,444
Future income tax liabilities	(1,286,931)	(1,286,931)
Less: Valuation allowance	(68,557)	(6,487)
Net future income tax assets and liabilities	—	—

The Company has placed a full valuation allowance on its excess tax assets due to a lack of past taxable profits. It does not believe significant income tax obligations will occur in the near future. At December 31, 2011, the Company has the following unused tax losses available for tax carry-forward purposes in Canada:

Expiry	Amount
2014	\$ 24,000
2015	24,000
2026	24,000
2028	215,542
2029	475,459
2030	1,776,536
2031	1,790,085
2032	300,174
	<u>\$4,629,796</u>

ANTIOQUIA GOLD INC.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*December 31, 2011 and March 31, 2011*

**15. INCOME TAX (CONT'D)**

As at December 31, 2011 the unused tax losses available for tax carry forward purposes was \$4,629,796 (March 31, 2011 - \$3,479,379). The estimated taxable income for the year ended December 31, 2011 is \$Nil (March 31, 2011: \$Nil). It cannot be reasonably estimated at this time if it is more likely than not that the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities. Consequently, the future recovery or loss arising from differences in tax values and accounting values has been reduced by an equivalent estimated taxable temporary difference valuation adjustment. The estimated taxable temporary valuation allowance will be adjusted in the period in which it is determined that it is more likely than not that some portion or all of the future tax assets or future tax liabilities will be realized.

**16. EXPLANATION OF TRANSITION TO IFRS**

**Overview**

The interim consolidated financial statements for the period ended June 30, 2011 were the Company's first interim financial statements prepared under IFRS. For all accounting periods prior to this, the Company prepared its financial statements under Canadian GAAP. In accordance with IFRS 1, certain disclosures relating to the transition to IFRS are given in this note.

**First time adoption of IFRS**

IFRS 1 allows entities adopting IFRS for the first time to apply a number of voluntary exemptions from the general principle of retrospective restatement. The Company has applied the following exemptions:

*IFRS 2 – Share-based payments*

This standard has not been applied to equity settled share-based payment transactions where equity instruments were granted after November 7, 2002 but vested before April 1, 2010, the Company's transition date.

*IFRS 3 – Business Combinations*

The Company had elected under IFRS 1, not to apply IFRS 3 retrospectively to business combinations that occurred prior to April 1, 2010, the Company's transition date. Accordingly, the Company has continued with the same accounting treatment of the business combinations under pre-transition Canadian GAAP.

*IFRS 6 – Exploration for and Evaluation of Mineral Resources*

The Company has elected to apply the exemption from full retrospective application of IFRS 6. As such, the Company has at April 1, 2010, measured the exploration and evaluation assets at the amount determined under Canadian GAAP.

*IFRS 1 - Cumulative translation differences*

IFRS 1 permits cumulative translation differences to be reset to zero at the transition date. This provides relief for determining cumulative currency translation differences in accordance with IAS 21: The effects of changes in foreign exchange rates, from the date a subsidiary was formed or acquired. The Company elected to reset all cumulative translation differences to zero and adjusted opening deficit at April 1, 2010, the Company's transition date.

*Goodwill*

Under IFRS, goodwill is assigned at the time of acquisition. Goodwill is determined as the excess of the purchase price over the fair value of net assets acquired. Since goodwill results from purchase accounting it is inherently imprecise and requires judgment in the determination of the fair value of assets and liabilities. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. As such at April 1, 2010 and as at March 31, 2011, the Company conducted an impairment test for the goodwill and determined that the recoverable amounts exceeded the carrying value.

**ANTIOQUIA GOLD INC.**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
*December 31, 2011 and March 31, 2011*

**16. EXPLANATION OF TRANSITION TO IFRS (CONT'D)**

An explanation of how the transition from the previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables:

(a) Reconciliation of Consolidated Statement of Financial Position as March 31, 2011

	Canadian GAAP \$	Effect of IFRS Transition \$	IFRS \$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	1,036,710	—	1,036,710
Investment certificates	6,200,000	—	6,200,000
Accounts receivable	189,703	—	189,703
GST receivable	126,511	—	126,511
Prepaid expenses	6,664	—	6,664
	7,559,588	—	7,559,588
Exploration assets	1,190,442	—	1,190,442
Evaluation assets	6,243,382	—	6,243,382
Property and equipment	174,215	—	174,215
Goodwill	1,048,507	—	1,048,507
	16,216,134	—	16,216,134
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	451,478	—	451,478
<b>Shareholders' Equity</b>			
Share capital	18,618,167	—	18,618,167
Warrants	1,813,465	—	1,813,465
Contributed surplus	1,503,480	—	1,503,480
Deficit	(6,170,456)	—	(6,170,456)
	15,764,656	—	15,764,656
	16,216,134	—	16,216,134

- (b) The consolidated statement of loss and comprehensive loss for the year ended March 31, 2011 as previously reported under Canadian GAAP remained unchanged after the transition to IFRS and therefore no reconciliation has been presented.
- (c) The consolidated statement of cash flows for the year ended March 31, 2011 as previously reported under Canadian GAAP remained unchanged after the transition to IFRS and therefore no reconciliation has been presented.

**ANTIOQUIA GOLD INC.**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
*December 31, 2011 and March 31, 2011*

**16. EXPLANATION OF TRANSITION TO IFRS (CONT'D)**

(d) Reconciliation of Consolidated Statement of Financial Position as April 1, 2010 (restated)

	Canadian GAAP \$	Effect of IFRS Transition \$	IFRS \$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	1,664,509	—	1,664,509
Accounts receivable	55,223	—	55,223
GST receivable	57,120	—	57,120
Prepaid expenses	189,605	—	189,605
Notes receivable	198,000	—	198,000
	2,164,457	—	2,164,457
Exploration assets	797,085	—	797,085
Evaluation assets	3,242,854	—	3,242,854
Property and equipment	9,306	—	9,306
Goodwill	1,048,507	—	1,048,507
	7,262,209	—	7,262,209
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	399,807	—	399,807
Customer deposits	10,059	—	10,059
	409,866	—	409,866
Commitments and contingencies			
<b>Shareholders' Equity</b>			
Share capital	7,810,431	—	7,810,431
Warrants	1,933,505	—	1,933,505
Contributed surplus	787,359	—	787,359
Deficit	(3,678,952)	—	(3,678,952)
	6,852,343	—	6,852,343
	7,262,209	—	7,262,209

(e) The statement of loss and comprehensive loss for year ended April 1, 2010 as previously reported under Canadian GAAP remained unchanged after the transition to IFRS and therefore no reconciliation has been presented.

(f) The consolidated statement of cash flows for the year ended April 1, 2010 as previously reported under Canadian GAAP remained unchanged after the transition to IFRS and therefore no reconciliation has been presented.