CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

(Expressed in Canadian dollars)

(unaudited)

ANTIOQUIA GOLD INC.

NOTICE OF NO AUDIT REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Richard A. Thibault
President & Chief Executive Officer

JoAnne Dorval-Dronyk
Chief Financial Officer

November 17, 2011

ANTIOQUIA GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (unaudited)

Expressed in Canadian Dollars

	Notes	**September 30, 2011**	March 31, 2011
		$	$
Assets			(Note 16)
Current			
Cash and cash equivalents		**224,290**	1,036,710
Investment certificates	5	**3,050,000**	6,200,000
Accounts receivable		**101,249**	189,703
GST receivable		**85,031**	126,511
Prepaid expenses		**113,257**	6,664
		3,573,827	7,559,588
Acquisition assets	6	**1,383,133**	1,190,442
Exploration assets	6	**8,560,766**	6,243,382
Equipment	7	**397,731**	174,215
Goodwill	4(b)	**1,048,507**	1,048,507
		14,963,964	16,216,134
Liabilities			
Current			
Accounts payable and accrued liabilities		**486,271**	451,478
		486,271	451,478
Nature of business	1		
Going concern	2		
Commitments and contingency	14		
Subsequent events	15		
Shareholders' Equity			
Share capital	8(b)	**18,652,667**	18,618,167
Warrants	8(c)	**1,813,465**	1,813,465
Contributed surplus	9	**1,586,944**	1,503,480
Deficit		**(7,575,383)**	(6,170,456)
		14,477,693	15,764,656
		14,963,964	16,216,134

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Approved on behalf of the Board

Signed: "*Richard A. Thibault*"

Signed: "*R. Brian Murray*"

ANTIOQUIA GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)

Expressed in Canadian Dollars

For the six months ended September 30, 2011

	Share Capital				Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
	Shares	$	Warrants	$	$	$	$	$
Balance, April 1, 2010	**64,683,205**	**7,810,431**	**12,448,110**	**1,933,505**	**787,359**	–	**(3,678,952)**	**6,852,343**
Net loss and comprehensive loss for the period							(837,983)	(837,983)
Stock based compensation					85,192			85,192
Share issue costs		(331,212)						(331,212)
Share capital issued	12,128,101	2,425,620						2,425,620
Warrants issued			848,967	144,378				144,378
Balance, Sep 30, 2010	**64,683,205**	**9,904,839**	**13,297,077**	**2,077,883**	**872,551**	–	**(4,516,935)**	**8,338,338**
Balance, April 1, 2011	**100,626,326**	**18,618,167**	**12,980,252**	**1,813,465**	**1,503,480**	–	**(6,170,456)**	**15,764,656**
Net loss and comprehensive loss for the period							(1,404,927)	(1,404,927)
Stock based compensation					83,464			83,464
Share capital issued for mining property (Note 6(c))	150,000	34,500						34,500
Share issue costs								
Warrants expired			(11,600,035)					
Balance, Sep 30, 2011	**100,776,326**	**18,652,667**	**1,380,217**	**1,813,465**	**1,586,944**	–	**(7,575,383)**	**14,477,693**

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ANTIOQUIA GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT (unaudited)

Expressed in Canadian Dollars

For the six months ended September 30, 2011

		For the three months ended September 30		For the six months Ended September 30	
		2011	2010	**2011**	2010
	Notes			**$**	$
			(Note 16)		(Note 16)
Expenses					
Management fees	*10*	**101,422**	192,537	**202,698**	280,973
Professional fees		**120,119**	80,546	**156,378**	98,007
Office and administration		**344,775**	216,830	**747,616**	377,884
Promotion and shareholder costs		**140,258**	55,489	**190,777**	68,091
Stock based compensation	*8(d)*	**13,818**	47,412	**83,464**	85,192
Amortization	*7*	**18,072**	–	**46,702**	–
		738,464	592,814	**1,427,635**	
Other income					
Consulting fees		–	11,699	–	69,121
Interest		**18,738**	2,590	**22,708**	3,043
		18,738	14,289	**22,708**	72,164
Net loss and comprehensive loss for the period		**719,726**	578,525	**1,404,927**	837,983
Deficit, beginning of period		**6,855,657**	3,938,410	**6,170,456**	3,678,952
Deficit, end of period		**7,575,383**	4,516,935	**7,575,383**	4,516,935
Loss per share, basic and diluted		**0.01**	0.01	**0.01**	0.01
Weighted average number of shares outstanding (basic)		**100,709,113**	72,775,151	**100,667,833**	69,490,140

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ANTIOQUIA GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (unaudited)

Expressed in Canadian Dollars

For the six months ended September 30, 2011

	Sep 30, 2011	Sep 30, 2010
	$	$
		(Note 16)
Operating activities		
Net loss for the period	**(1,404,927)**	(837,983)
Items not affecting cash:		
Stock-based compensation	**83,464**	85,192
Amortization	**46,702**	–
Change in non-cash working capital		
Accounts receivable	**88,454**	891
GST receivable	**41,480**	(40,626)
Prepaid expenses	**(106,593)**	(144,683)
Accounts payable and accrued liabilities	**34,793**	154,801
Cash used in operating activities	**(1,216,627)**	(782,408)
Investing activities		
Exploration expenditures	**(2,475,575)**	(2,295,296)
Equipment acquisitions	**(270,218)**	–
Redemption of investment certificates	**3,150,000**	–
Cash from investing activities	**404,207**	
Financing activities		
Issuance of share capital	–	2,238,786
Cash from financing activities	–	
Net decrease in cash and cash equivalents during the period	**(812,420)**	(838,918)
Cash and cash equivalents position, beginning of the period	**1,036,710**	1,664,509
Cash and cash equivalents position, end of period	**224,290**	825,591
Supplemental cash flow information:		
Cash paid for interest	**nil**	nil

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

1. NATURE OF BUSINESS

The address of the registered address of the Company is 200, 625 – 4th 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".

On July 30, 2008, Antioquia Gold Inc. (formerly High American Gold Inc.) (the "Company") completed a transaction with Am-Ves Resources Inc. ("Am-Ves"), a company which 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 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 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 development stage as it is 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 unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. At September 30, 2011, the Company had a cumulative deficit of $14,477,693 (September 30, 2010 – $8,338,338) and working capital of $3,087,556 (September 30, 2010 – $945,290). 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and IFRS 1, *First-time adoption of International Financial Reporting Standards,* ("IFRS 1"). Accordingly, they do not include all of the information and disclosure required for annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended June 30, 2011 and the Company's Canadian GAAP annual financial statements for the year ended March 31, 2011.

Conversion to International Financial Reporting Standards ("IFRS")

Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The disclosures required by the provisions of IFRS 1 explaining how the transition to IFRS has affected the reported financial performance, cash flows and financial position of the Company, are presented in Note 16.

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at April 1, 2010 (Note 16) for the purposes of the transition to IFRS, as required by IFRS 1.

Principles of consolidation

The unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries Antioquia Gold Ltd. and Ingenieria Y Gestion Del Territorio S.A. ("IGTER"). 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 the subsidiaries Antioquia Gold Ltd. and IGTER S.A. is the Colombian Peso and the temporal method of foreign currency translation is applied as the subsidiaries are considered to be an integrated foreign operation. 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 rated in effect at the time of the transactions. Foreign exchange gains and losses are included in condensed consolidated interim statements of loss, comprehensive loss and deficit.

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

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 condensed interim 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.

Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure 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.

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. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome

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

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).

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 three months 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.

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.

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

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:

Financial instrument	Classification
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

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

Exploration and evaluation assets
Exploration properties are stated at cost. Exploration expenditures relating to mining 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 successful, the acquisition cost and related deferred exploration expenditures are amortized by charges against income from future mining operations. If a project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property and the related exploration expenditures are written off.

Exploration 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.

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

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

after the shares are issued. Resource property costs include initial acquisition costs and related option payments, which are recorded when paid. Exploration and development costs 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. Option payments are credited against resource property costs when received. 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.

Equipment

Recognition and measurement

On initial recognition, property, plant 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, plant 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, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant 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, plant and equipment are recognized in profit or loss as incurred.

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:

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.

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

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 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 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 properties 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.

At this time, the Company does not have any impairment of long-lived assets.

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.

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

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 include 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.

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 condensed consolidated interim 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 (earnings), comprehensive loss (earnings) 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

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

(earnings) 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 (earnings), 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.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the optionee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Revenue recognition
Revenues associated with consulting fees 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.

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.

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

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 liability 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.

Recent Accounting Pronouncements

A number of new standards and issued amendments to standards and interpretations are not yet effective for the year ending March 31, 2012, and have not been applied when preparing these unaudited condensed consolidated interim financial statements. Management does not currently expect that the implementation of these new standards and amendments will have a significant effect on the consolidated financial statements of the Company, except for IFRS 9 Financial Instruments ("IFRS 9"), which will become mandatory for the Company's 2013 consolidated financial statements and is expected to impact the classification and measurement of the Company's financial assets. The extent of the impact has not yet been determined.

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

The following new standards, amendments and interpretations, that have not been early adopted in these unaudited condensed consolidated interim financial statements, will or may have an effect on the Company's future results and financial position:

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments is part of the IASB's wider project to 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. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013. The

Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

IFRS 13 Fair Value Measurement
IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. Management has yet to assess the impact that IFRS 13 is likely to have on the Company's consolidated financial statements.

The following new standards, amendments and interpretations, that have not been early adopted in these unaudited condensed consolidated interim financial statements, will not have an effect on the Company's future results and financial position:

IFRS 1: Severe Hyperinflation (Effective for periods beginning on or after July 1, 2011)

IAS 12: Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 (effective for periods beginning on or after January 1, 2012)

Amendments to IFRS 9: Financial Instruments (effective for periods beginning on or after January 1, 2013)

IFRS 10 - Consolidated Financial Statements, establishing principles for the presentation and preparation of consolidated financial statements (effective for periods beginning on or after January 1, 2013)

IFRS 11 - Joint Arrangements, which sets out principles for the financial reporting of joint arrangements (effective for periods beginning on or after January 1, 2013)

IFRS 12 - Disclosure of Interests in Other Entities, to address an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity (effective for periods beginning on or after January 1, 2013)

4. BUSINESS ACQUISITION

(a) Am-Ves Resources Inc. ("Am-Ves")

On July 30, 2008, the Company completed a transaction which resulted in the acquisition of Am-Ves. This transaction was accounted for as a reverse takeover as the control of the Company was acquired by the shareholders of Am-Ves. The Company's common shares were listed and commenced trading on the TSX Venture Exchange on August 5, 2008. The following table summarizes the fair value of the assets and liabilities assumed in this transaction.

Cash assumed	$ (18)
Accounts receivable	8,029
Accounts payable and other liabilities assumed	(280,538)
Value assigned to common shares	$ (272,527)

(b) 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, plant & equipment	10,998
Accounts payable	(84,433)
Legal reserve	(3,016)
Value assigned to goodwill	1,048,507
Total consideration	$1,126,110

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:

April 1, 2010	–
March 31, 2011	$6,200,000
September 30, 2011	$3,050,000

6. EXPLORATION AND EVALUATION ASSETS

Colombia	Acquisition	Exploration	Total
	$	$	$
Balance at April 1, 2010	797,085	3,242,854	4,039,939
Additions	393,357	3,000,528	3,393,885
Balance at March 31, 2011	1,190,442	6,243,382	7,433,824
Additions	192,691	2,317,384	2,510,075
Balance at September 30, 2011	**1,383,133**	**8,560,766**	**9,943,899**

(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. The objective to produce a bankable feasibility study allowing for a mine development decision to be made by December 15, 2011 is in progress.

(b) Bullet Project

On April 9, 2009 the Company signed a contract (the “Contract”) with Grupo de Bullet (“GDB”) 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 provides GDB with a 10% free carried interest until December 31, 2011 (extended from December 31, 2010) or when a Feasibility Study is completed. GDB will have the option to continue in the project by providing 10% of the funds on the Santa Domingo properties going forward or convert the 10% interest into a 1% net smeltor royalty (NSR).

(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. 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)).

7. EQUIPMENT

Cost	Office Equipment $	Computer Equipment $	Vehicle $	Total $
Balance at April 1, 2010	14,991	–	–	14,991
Additions	32,386	48,172	99,900	180,458
Balance at March 31, 2011	47,377	48,172	99,900	195,449
Additions	119,160	22,908	128,150	270,218
Balance at September 30, 2011	166,537	71,080	228,050	465,667

Amortization	Office Equipment $	Computer Equipment $	Vehicle $	Total $
Balance at April 1, 2010	5,685	–	–	5,685
Depreciation for the year	2,369	4,817	8,363	15,549
Balance at March 31, 2011	8,054	4,817	8,363	21,234
Depreciation for the period	6,163	5,304	35,235	46,702
Balance at September 30, 2011	14,217	10,121	43,598	67,936

Carrying amounts	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 September 30, 2011	**152,320**	**60,959**	**184,452**	**397,371**

8. SHARE CAPITAL

(a) Authorized: Unlimited Common shares

(b) Common shares issued:

	Shares	**Amounts**
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
Balance at September 30, 2011	**100,776,326**	**$18,652,667**

8. SHARE CAPITAL (CONT'D)

(c) Warrants issued:

	Warrants	Amounts
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	(11,600,035)	–
Balance at September 30, 2011	**1,380,217**	**$1,813,465**

(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.

The following table summarizes warrants outstanding at September 30, 2011:

Date of expiry	Warrants Outstanding	Exercise price
November 12, 2011	531,250	$0.40
August 13, 2012	848,967	$0.20
	1,380,217	

8. SHARE CAPITAL (CONT'D)

(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 September 30, 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	350,000	0.40
Expired	(2,219,430)	0.30
Balance, September 30, 2011	**4,605,850**	**$0.39**

Date of grant	Number of options outstanding	Exercise price	Remaining life *(yrs)*	Date of expiry	Exercisable options
Sep 22, 2009	618,350	$0.30	1.23 years	Sep 22, 2012	618,350
Dec 23, 2009	1,400,000	$0.49	1.48 years	Dec 23, 2012	1,400,000
Apr 12, 2010	80,000	$0.34	1.79 years	Apr 12, 2013	80,000
Sep 14, 2010	150,000	$0.25	2.21 years	Sep 14, 2013	150,000
Oct 26, 2010	1,057,500	$0.35	4.32 years	Oct 26, 2015	1,057,500
Nov 11, 2010	400,000	$0.35	4.37 years	Nov 11, 2015	300,000
Feb 3, 2011	300,000	$0.32	4.60 years	Feb 3, 2016	300,000
Mar 23, 2011	250,000	$0.365	4.73 years	Mar 23, 2016	250,000
May 11, 2011	100,000	$0.40	4.86 years	May 11, 2016	25,000
Jun 8, 2011	250,000	$0.40	4.94 years	Jun 8, 2016	250,000
Total	4,605,850				4,430,850

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 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%.

8. SHARE CAPITAL (CONT'D)

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 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%.

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	83,464
Balance at September 30, 2011	**$1,586,944**

10. RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2011 the following related party transactions occurred:

(a) Included in Management fees was $202,698 (2010 - $217,781) paid to companies owned by three officers of the Company.

(b) Included in Exploration costs was $90,000 (2010 – $90,000) paid to a company owned by an officer of the Company.

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

During the six months ended September 30, 2011, 250,000 (2010 – nil) stock options were issued to a director of the Company. There were no stock options issued to officers of the Company during the six months ended September 30, 2011 (2010 – 150,000).

There were no common shares issued to officers, directors or relatives of directors during the six months ended September 30, 2011 or September 30, 2010.

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 acquisition and 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.

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 September 30, 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 September 30, 2011, and did not provide for any doubtful accounts nor was it required to write off any receivables during the three months ended September 30, 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.

13. FINANCIAL INSTRUMENTS (CONT'D)

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 September 30, 2011, consist of accounts payable and accrued liabilities.

Market risk
Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates 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. The Company currently does not manage market risk.

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 six months ended September 30, 2011 was $56,260.

The Company had no forward exchange rate contracts in place as at or during the three months ended September 30, 2011.

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.

Interest rate
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's sensitivity to interest rates is currently immaterial. The Company had no interest rate swaps in place as at or during the six months ended September 30, 2011.

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.

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.

Interest rate risk

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.

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars and US dollars and 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 $49,292 and total assets would increase by approximately $948,533. If the Colombian peso depreciated by 10%, the Company's net loss would decrease by $40,331 and total assets would decrease by approximately $776,071. The Company does not manage its foreign currency risk.

Commodity price risk

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.

14. COMMITMENTS AND CONTINGENCY

The Company has the following commitments under agreements entered into before September 30, 2011:

(a) The Company has four service contracts in place with companies providing consulting services to the Company. The total commitment with respect to these contracts is $62,000 per month. The service contracts are renewable at 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 September 30, 2011 is $97,500.

(d) In December 2010, the Company received an action started by a former consultant. As at September 30, 2011 legal counsel has determined the action is without merit and the action is being defended.

15. SUBSEQUENT EVENTS

The Company granted 4,262,500 stock options at an exercise price of $0.40 per share on November 1, 2011 and 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.

On November 12, 2011, 531,250 warrants expired.

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.

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 at September 30, 2010

	Canadian GAPP $	Effect of IFRS Transition $	IFRS $
Assets			
Current			
Cash and cash equivalents	825,591	–	825,591
Accounts receivable	54,332	–	54,332
GST receivable	97,746	–	97,746
Prepaid expenses	334,288	–	334,288
Notes receivable	198,000	–	198,000
	1,509,957	–	1,509,957
Exploration property	6,335,235	–	6,335,235
Equipment	9,306	–	9,306
Goodwill	1,048,507	–	1,048,507
	8,903,005	–	8,903,005
Liabilities			
Current			
Accounts payable and accrued liabilities	557,248	–	557,248
Customer deposits	7,419	–	7,419
	556,348	–	556,348
Commitments and contingencies			
Shareholders' Equity			
Share capital	9,904,839	–	9,904,839
Warrants	2,077,883	–	2,077,883
Contributed surplus	872,551	–	872,551
Deficit	(4,516,935)	–	(4,516,935)
	8,338,338		8,338,338
	8,903,005	–	8,903,005

(b) The statement of loss and comprehensive loss for the three and six months ended September 30, 2010 as previously reported under Canadian GAAP remained unchanged after the transition to IFRS and therefore no reconciliation has been presented.