RED EAGLE MINING CORPORATION

Consolidated Financial Statements

Year ended December 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Red Eagle Mining Corporation

We have audited the accompanying consolidated financial statements of **Red Eagle Mining Corporation**, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year ended December 31, 2011 and the period from inception on January 4, 2010 to December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Red Eagle Mining Corporation** as at December 31, 2011 and 2010, and its financial performance and its cash flows for the year ended December 31, 2011 and the period from inception on January 4, 2010 to December 31, 2010, in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Vancouver, Canada,
April 26, 2012.

Chartered Accountants

RED EAGLE MINING CORPORATION
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at		**December 31, 2011**		December 31, 2010
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**5,161,767**	$	1,537,583
Other financial assets (note 9)		**4,400,000**		4,400,000
Amounts receivable		**130,054**		36,612
Prepaid expenses		**376,850**		16,796
		10,068,671		5,990,991
Non-current assets				
Equipment (note 7)	**$**	**545,386**	$	107,508
Mineral properties (note 8)		**3,441,594**		483,717
		3,986,980		591,225
TOTAL ASSETS	**$**	**14,055,651**	$	6,582,216
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities (note 11)	**$**	**930,037**	$	157,032
TOTAL LIABILITIES		**930,037**		157,032
SHAREHOLDERS' EQUITY				
Share capital (note 10)	**$**	**20,829,110**	$	7,967,847
Warrants (note 10)		**1,909,316**		122,153
Share option reserve (note 10)		**2,117,043**		-
Foreign exchange reserve		**5,080**		(11,021)
Deficit		**(10,871,529)**		(1,430,327)
		13,989,020		6,648,652
Non-controlling interests		**(863,406)**		(223,468)
TOTAL EQUITY		**13,125,614**		6,425,184
TOTAL LIABILITIES AND EQUITY	**$**	**14,055,651**	$	6,582,216

Commitments (notes 8 and 14)
Segmented information (note 12)
Subsequent event (note 15)

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

RED EAGLE MINING CORPORATION
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

		For the year ended December 31, 2011		For The Period From Inception January 4, 2010 to December 31, 2010
EXPENSES				
Evaluation of projects	$	**24,667**	$	**128,731**
Filing fees		**107,876**		-
Investor relations and promotion		**331,066**		11,338
Impairment of assets (note 8)		**73,141**		-
Office and administration (note 10)		**1,257,969**		163,488
Mineral property exploration costs (notes 8)		**6,647,112**		1,036,788
Professional fees		**413,440**		114,000
Salaries and benefits (note 10)		**1,213,917**		153,208
Travel		**79,680**		48,138
	$	**10,148,868**	$	1,655,691
OTHER EXPENSES (INCOME)				
Foreign exchange loss (gain)		**111**		(4,943)
Interest and miscellaneous income		**(67,264)**		(57)
NET LOSS FOR PERIOD	$	**10,081,715**	$	1,650,691
OTHER COMPREHENSIVE (INCOME) LOSS				
Foreign currency translation differences for foreign operations		**(16,676)**		14,125
TOTAL COMPREHENSIVE LOSS FOR PERIOD	$	**10,065,039**	$	1,664,816
Net loss attributable to:				
Equity holders of the parent	$	**9,441,202**	$	1,430,327
Non-controlling interests		**640,513**		220,364
	$	**10,081,715**	$	1,650,691
Total comprehensive loss attributable to:				-
Equity holders of the parent	$	**9,425,101**	$	1,441,348
Non-controlling interests		**639,938**		223,468
	$	**10,065,039**	$	1,664,816
Basic and diluted loss per share attributable to ordinary equity holders of the parent	$	**0.31**	$	0.13
Weighted average number of common shares outstanding		**30,406,400**		10,917,759

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

RED EAGLE MINING CORPORATION
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Note	Number of shares issued	Share capital	Warrants	Share option reserve	Foreign exchange reserve	Deficit	Attributable to equity holders of the parent	Non-controlling interests	Total
Share issued upon inception on January 4, 2010		**1**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Private placements		22,191,333	7,877,847	122,153	-	-	-	**8,000,000**	-	**8,000,000**
Shares issued for mineral properties	8, 10	200,000	100,000	-	-	-	-	**100,000**	-	**100,000**
Share issue costs	10	320,759	(10,000)	-	-	-	-	**(10,000)**	-	**(10,000)**
Total comprehensive loss for the period from inception (January 4, 2010) to December 31, 2010		-	-	-	-	(11,021)	(1,430,327)	**(1,441,348)**	**(223,468)**	**(1,664,816)**
Balance, December 31, 2010		**22,712,093**	**$ 7,967,847**	**$ 122,153**	**$ -**	**$ (11,021)**	**$(1,430,327)**	**$ 6,648,652**	**$ (223,468)**	**$ 6,425,184**

	Note	Number of shares issued	Share capital	Warrants	Share option reserve	Foreign exchange reserve	Deficit	Attributable to equity holders of the parent	Non-controlling interests	Total
Balance, January 1, 2011		**22,712,093**	**$ 7,967,847**	**$ 122,153**	**$ -**	**$ (11,021)**	**$(1,430,327)**	**$ 6,648,652**	**$ (223,468)**	**$ 6,425,184**
Private placements	10	1,666,666	1,000,000	250,000	-	-	-	**1,250,000**	-	**1,250,000**
Shares issued for mineral properties	8, 10	170,000	165,400	-	-	-	-	**165,400**	-	**165,400**
Units issued on initial purchase offering	10	11,497,100	12,934,237	1,437,138	-	-	-	**14,371,375**	-	**14,371,375**
Share issue costs	10	50,000	(1,238,374)	100,025	-	-	-	**(1,138,349)**	-	**(1,138,349)**
Share option based payments	10	-	-	-	2,117,043	-	-	**2,117,043**	-	**2,117,043**
Total comprehensive loss for the year		-	-	-	-	16,101	(9,441,202)	**(9,425,101)**	**(639,938)**	**(10,065,039)**
Balance as at December 31, 2011		**36,095,859**	**$ 20,829,110**	**$ 1,909,316**	**$ 2,117,043**	**$ 5,080**	**$ (10,871,529)**	**$ 13,989,020**	**$ (863,406)**	**$ 13,125,614**

RED EAGLE MINING CORPORATION
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended December 31, 2011	For The Period From Inception January 4, 2010 to December 31, 2010
Cash flows provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	**$ (10,081,715)**	$ (1,650,691)
Adjustments for items not affecting cash:		
Depreciation	**124,357**	22,397
Share option based payments	**2,117,043**	-
Impairment of assets	**73,141**	-
	$ (7,767,174)	$ (1,628,294)
Net changes in non-cash working capital items:		
Amounts receivable	**(93,843)**	(36,612)
Prepaid expenses	**(365,230)**	(16,796)
Accounts payable and accrued liabilities	**786,045**	153,680
Net cash flows used in operating activities	**$ (7,440,202)**	$ (1,528,022)
FINANCING ACTIVITIES		
Issuance of common shares for cash, net of share issue costs	**14,483,025**	7,990,000
Net cash flows from financing activities	**$ 14,483,025**	$ 7,990,000
INVESTING ACTIVITIES		
Expenditures on mineral properties	**(2,864,374)**	(383,717)
Purchase of short-term investments	**-**	(4,400,000)
Purchase of equipment	**(568,693)**	(137,532)
Net cash flows used in investing activities	**$ (3,433,067)**	$ (4,921,249)
Net foreign exchange differences	**14,428**	(3,146)
Net increase in cash and cash equivalents	**3,624,184**	1,537,583
Cash and cash equivalents, beginning of period	**1,537,583**	-
Cash and cash equivalents, end of period	**$ 5,161,767**	$ 1,537,583
Cash and cash equivalents consist of :		
Cash	**$ 561,767**	$ 1,537,583
Short term deposits (excluding $4,400,000 short term investments maturing in January 2012 (note 9))	**4,600,000**	-
	$ 5,161,767	$ 1,537,583
Cash paid during the period for interest	**$ -**	$ -
Cash paid during the period for income taxes	**$ -**	$ -
Supplemental cash flow information		
Shares issued for Mineral Properties	**$ 165,400**	$ 100,000

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

The consolidated financial statements of Red Eagle Mining Corporation and all of its subsidiaries (the "Company") for the year ended December 31, 2011 were authorised for issue in accordance with a resolution of the board of directors on April 26, 2012.

Red Eagle Mining Corporation was incorporated under the *Business Corporations Act* in British Columbia on January 4, 2010.

The address and domicile of the Company's registered office and its principal place of business is Suite 920 - 1030 West Georgia Street, Vancouver, British Columbia, Canada, V6E 2Y3.

The Company is engaged in the identification, acquisition, exploration and development of mineral resources in Colombia. The Company is considered to be in the exploration stage as it has not placed any of its mineral properties into production.

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

The Company has entered into mineral property acquisition agreements that will require future outlays of cash in order to maintain the properties in good standing or in order to fulfill contractual obligations. The Company's continuing operations are dependent upon management's ability to raise required funding through the issuance of equity or debt, asset sales or a combination thereof.

2. BASIS OF PRESENTATION

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

The consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. Certain minor comparative balances have been reclassified to conform with the current presentation.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company as at December 31, 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-Company balances, transactions, unrealised gains and losses resulting from intra-Company transactions and dividends are eliminated in full.

Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

These consolidated financial statements comprise the accounts of the Company and the following subsidiaries of the Company:

- Red Eagle Mining de Colombia Ltd., a company incorporated in Canada (100% ownership);
- Rovira Mining Ltd., a company incorporated in Canada (70% ownership); and
- Miranda Gold Colombia IV Ltd., a company incorporated in Canada (70% ownership).

Each of these subsidiaries has a branch located in Colombia.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below.

a) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company and its subsidiaries is the Canadian dollar. The functional currency of the subsidiaries' branches is the Colombian peso. The consolidated financial statements are presented in Canadian dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in net loss.

Statements of comprehensive loss and cash flows for entities whose functional currency is different to the presentation currency are translated into the Company's presentation currency at average exchange rates for the year while their statements of financial position are translated at the year-end exchange rates. Exchange differences arising from the translation are taken to the foreign exchange reserve within equity and recorded as a component of other comprehensive income (loss). On disposal of a foreign entity, such exchange differences are transferred out of this reserve and are recognised in net loss as part of the gain or loss on sale.

b) Equipment

Items of equipment are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment to write off the carrying value of items over their expected useful economic lives. It is applied using the declining balance method at the following rates:

- Computers – 30% per annum
- Software – 100% per annum
- Field Equipment – 30% per annum
- Office Furniture – 20% per annum
- Vehicles – 30% per annum

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

c) Mineral properties

All direct costs including the option payments related to the acquisition of mineral property interests are capitalized into intangible assets on a property by property basis. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into "mineral properties". On the commencement of commercial production, depletion of each mining property will be provided on a unit-of production basis using estimated reserves as the depletion base.

Costs incurred prior to the acquisition of a mineral property are charged to the statement of comprehensive loss as incurred under the heading evaluation of projects.

d) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of inventories, are recognised in comprehensive loss in those expense categories consistent with the function of the impaired asset.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. Cash and cash equivalents normally have a term to maturity of three months or less from the date of acquisition.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

f) Financial instruments

Financial assets

Initial recognition and measurement

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or fair value through profit or loss (“FVTPL”). All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

- Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.
- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments or fixed maturities that the Company has the positive intention and ability to hold them to maturity.
- Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

f) Financial instruments (continued)

Financial liabilities

Initial recognition and measurement

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially recognized at fair value, plus, in the case of loans and borrowings, directly attributable transaction costs.

Subsequent measurement

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive loss.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in comprehensive loss in the period in which they arise. The net gain or loss recognized in comprehensive loss excludes any interest paid on the financial liabilities.

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in comprehensive loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in comprehensive loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Available for sale

If an available for sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in comprehensive loss, is transferred from equity to comprehensive loss. In the case of equity investments, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Reversals in respect of equity instruments classified as available-for-sale are not recognized in comprehensive loss.

De-recognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive loss.

f) Taxation

Tax expense recognized in comprehensive loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization or settlement, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

f) Taxation (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right to set off current tax assets and liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in comprehensive loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

g) Share-based payments

The Company grants share purchase options to employees, directors and consultants and accounts for them using the fair value method in accordance with IFRS 2. Under this method, the compensation cost of options is estimated at fair value at the grant date and charged to earnings over the vesting period, with the offsetting credit recorded as an increase recorded in equity. If the share options are exercised, the proceeds are credited to share capital and the fair value at the date of grant is reclassified from the share option reserve to share capital. When options granted have graded vesting, each tranche is separately valued and amortized over its vesting period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

h) Loss per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year or period. The Company uses the treasury share method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year or period.

i) Management judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Information about significant judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Impairment

The Company assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date.

Fair value of share based awards

Management uses valuation techniques in measuring the fair value of share options granted. The fair value is determined using the Black Scholes option pricing model and is subject to a number of variables. These are disclosed in note 10. Changes to these assumptions could have a material impact on the Company's financial statements.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following accounting standards, interpretations and amendments to existing standards have been issued but are not yet effective:

IFRS 9 Financial instruments - classification and measurement

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding the instrument to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is recorded at fair value through profit or loss. . The effective date for the amendment is January 1, 2015 and is applied retrospectively. Early application is permitted. The Company has not yet determined the impact of this amendment on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements

The standard replaces IAS 27, consolidated and separate financials statements, and requires all controlled entities to be consolidated based on a single control model, where by control is defined as the exposure to, or having rights to, returns from its involvement with its investee, and the ability to affect those returns through its power over the investee. The standard has an effective date of January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact that this standard is expected to have on its consolidated financial statements.

IFRS 11 Joint Arrangements

IFRS 11 requires joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor in classifying the arrangement as a joint operation or a joint venture. The option to account for joint ventures using proportionate consolidation has been removed, and instead equity accounting will be a requirement. The standard has an effective date of January 1, 2013, with early adoption permitted. The Company is currently evaluating the impact that this standard is expected to have on its consolidated financial statements.

IFRS 12 Disclosure Of Interests In Other Entities

IFRS 12 provides certain disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. The key features are the requirement to disclose judgements and assumptions made when deciding how to classify involvement with another entity, interest that non-controlling entities have in consolidated entities and the nature of the risks associated with interests in other entities. The standard has an effective date of January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact that this standard is expected to have on its consolidated financial statements.

IFRS 13 Fair Value Measurements

IFRS 13 generally converges the IFRS and US GAAP requirements for how to measure fair value and the related disclosures. IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is permitted by IFRS. The standard will not affect when fair value is used, it just describes how to measure fair value. The standard provides a single framework for measuring fair value, while requiring enhanced disclosures when fair value is applied, establishes the definition of fair value as the “exit price”, and the clarifies that the concepts of highest and best use and valuation premise are relevant only for non-financial assets and liabilities. The standard has an effective date of January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact that this standard is expected to have on its consolidated financial statements.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 27 Separate Financial Statements

Since IFRS 10 will address the accounting for consolidated financial statements, IAS 27 has been reissued to address accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The standard has an effective date of January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact that this standard is expected to have on its consolidated financial statements.

IAS 28 Investments In Associates And Joint Ventures

As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting and disclosure guidance for investments in associates and joint ventures. The standard has an effective date of January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact that this standard is expected to have on its consolidated financial statements.

5. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may pay dividends to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

6. FINANCIAL INSTRUMENTS

The Company has designated its cash and receivables as loans and receivables; short-term investments as held-for-trading and accounts payable as other financial liabilities at amortized cost.

a) Fair value

The fair value of these financial instruments approximates their carrying value, due to the short-term nature of these instruments.

The fair value of financial instruments at December 31, 2011 is summarized as follows:

		December 31, 2011	
		Carrying amount	Fair value
Financial Assets			
Cash and cash equivalents	*Loans and receivables*	$ 5,161,767	$ 5,161,767
Other financial assets	*Held-for-trading*	4,400,000	4,400,000
Amounts receivable	*Loans and receivables*	130,054	130,054
Financial Liabilities			
Accounts payable	*Amortized Cost*	930,037	930,037

a) Fair value (continued)

The IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

The fair value of all the financial instruments is measured by using the unadjusted quoted price in active markets for identical assets and liabilities (Level 1).

6. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management

Credit risk

The Company is exposed to credit risk with respect to its cash, cash equivalents and other financial assets. Other financial assets are short term investments that have been placed on deposit with major Canadian financial institutions. All cash and cash equivalents are on deposit with major Canadian or Colombian financial institutions.

The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major Canadian financial institutions.

Concentration of credit risk with respect to the Company's cash, cash equivalents and short term investments is mitigated since the amounts are held at several major Canadian financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

		December 31, 2011		December 31, 2010
Held at major Canadian financial institutions:				
Cash and cash equivalents	**$**	**4,827,746**	$	1,424,502
Short-term investments		**4,400,000**		4,400,000
	$	**9,227,746**	$	5,824,502
Held at major Colombian financial institutions:				
Cash and cash equivalents		**334,021**		113,081
Total cash and short-term investments	**$**	**9,561,767**	$	5,937,583

The credit risk associated with cash, cash equivalents and short term investments is minimized by ensuring the majority of these Canadian financial assets are held with major Canadian financial institutions with strong investment-grade ratings by a primary rating agency. The amounts held in Colombia are with a major Colombian financial institution.

Interest rate risk

The Company has cash balances, investment-grade short-term deposit certificates issued by banking institutions and non-interest-bearing debt. Interest income is not material to the Company. The Company is not exposed to significant interest rate risk.

6. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

Foreign currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

Certain of the Company's cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities are held in Colombian Peso ("COP"); therefore, COP amounts are subject to fluctuation against the Canadian dollar (CAD).

The Company had the following balances in foreign currency as at December 31, 2011:

		COP		CAD Equivalent
Cash	$	631,754,500	$	334,021
Amounts receivable		31,008,229		16,395
Accounts payable and accrued liabilities		(1,459,137,980)		(771,476)
	$	(796,375,251)	$	(421,060)

Assuming that all other variables remain constant, a 10% appreciation or depreciation of the COP against the CAD would have a negligible impact on net loss since translation of the COP functional currency to the presentation currency results in translation differences being recorded within other comprehensive income.

The Company also has transactional currency exposures. Such exposures arise from purchases in currencies other than the respective functional currencies, typically the US dollar. The Company manages this risk by matching receipts and payments in the same currency and monitoring.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to significant other price risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company anticipates that there is sufficient capital and liquidity to meet liabilities when due.

The Company maintained sufficient cash and cash equivalents and short-term investments at December 31, 2011 in the amount of $5,161,767 and $4,400,000, respectively, in order to meet short-term business requirements. At December 31, 2011, the Company had accounts payable of $930,037, which will be repaid within three months.

7. EQUIPMENT

	Computer hardware	Field equipment	Office equipment	Software	Vehicles	Total
Cost						
As at January 4, 2010	$ -	$ -	$ -	$ -	$ -	$ -
Additions	2,096	13,618	25,070	8,131	88,617	137,532
Effect of movement in exchange rates	(56)	-	(2,681)	(102)	(5,876)	(8,715)
As at December 31, 2010	2,040	13,618	22,389	8,029	82,741	128,817
Additions	50,394	156,690	32,461	52,245	276,903	568,693
Effect of movement in exchange rates	(1,200)	(3,604)	(129)	(806)	(4,025)	(9,764)
Balance as at December 31, 2011	**51,234**	**166,704**	**54,721**	**59,468**	**355,619**	**687,746**
Depreciation						
As at January 4, 2010	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation charged for the period	(305)	(2,043)	(2,398)	(4,066)	(13,585)	(22,397)
Effect of movement in exchange rates	-	-	159	50	879	1,088
As at December 31, 2010	(305)	(2,043)	(2,239)	(4,016)	(12,706)	**(21,309)**
Depreciation charged for the period	(7,946)	(19,409)	(7,486)	(25,696)	(63,820)	(124,357)
Effect of movement in exchange rates	176	361	108	320	2,341	3,306
Balance as at December 31, 2011	**(8,075)**	**(21,091)**	**(9,617)**	**(29,392)**	**(75,097)**	**(142,360)**
Net book value						
As at December 31, 2010	$ 1,735	$ 11,575	$ 20,150	$ 4,013	$ 70,035	$ 107,508
As at December 31, 2011	**$ 43,159**	**$ 145,613**	**$ 45,104**	**$ 30,076**	**$ 280,522**	**$ 545,386**

8. MINERAL PROPERTIES

Following is a continuity of the acquisition costs of the mineral properties:

	Pavo Real	Santa Rosa	Cajamarca	Total
Balance at inception (January 4, 2010)	**$ -**	**$ -**	**$ -**	**$ -**
Acquistion costs	177,331	306,386	-	483,717
Balance as at December 31, 2010	**$ 177,331**	**$ 306,386**	**$ -**	**$ 483,717**
Acquisition costs	158,633	2,745,270	125,871	3,029,774
Impairment of asset	-	-	(73,141)	(73,141)
Effect of movement in exchange rates	762	-	482	1,244
Balance as at December 31, 2011	**$ 336,726**	**$ 3,051,656**	**$ 53,212**	**$ 3,441,594**

Following is a summary of the mineral property exploration costs which were expensed when incurred for the year ended December 31, 2011 and the period from inception (January 4, 2010) to December 31, 2010:

For the year ended December 31, 2011

	Pavo Real	Santa Rosa	Cajamarca	Total
Mineral property exploration costs:				
Assays and sampling	$ 99,868	$ 189,226	$ 1,938	**$ 291,032**
Concession fees	19,249	12,004	93,677	**124,930**
Depreciation	28,168	96,189	-	**124,357**
Drilling	200,448	1,461,653	-	**1,662,101**
Field and camp expenses	269,270	936,239	4,872	**1,210,381**
Legal, office and administration	231,777	173,768	36,247	**441,791**
Geological and geochemical	44,803	148,171	13,054	**206,028**
Geophysics	28,916	87,779	-	**116,695**
Salaries and consulting fees	902,294	1,246,014	33,838	**2,182,146**
Travel	83,401	201,985	2,264	**287,651**
Total exploration costs for the year ended December 31, 2011	**$ 1,908,194**	**$ 4,553,028**	**$ 185,890**	**$ 6,647,112**

For the period from inception (January 4, 2010) to December 31, 2010

	Pavo Real	Santa Rosa	Cajamarca	Total
Mineral property exploration costs:				
Assays and sampling	$ 14,639	$ 13,176	$ -	**$ 27,815**
Depreciation	9,677	12,720	-	**22,397**
Field and camp expenses	56,567	78,858	-	**135,425**
Legal, office and administration	42,862	36,429	-	**79,291**
Geophysics	140,461	92,171	-	**232,632**
Salaries and consulting fees	336,232	99,684	-	**435,916**
Travel	59,290	44,022	-	**103,312**
Total exploration costs for the period ended December 31, 2010	**$ 659,728**	**$ 377,060**	**$ -**	**$ 1,036,788**
Cumulative exploration costs as at December 31, 2011	**$ 2,567,922**	**$ 4,930,088**	**$ 185,890**	**$ 7,683,900**

8. MINERAL PROPERTIES (continued)

Pavo Real Project (Colombia)

On June 25, 2010 the Company entered into a share purchase agreement ("SPA") and shareholder agreement ("SA") with Miranda Gold Corp. ("Miranda"). Pursuant to the SPA, Miranda assigned 70% of the shares of Miranda Gold Colombia III Ltd., a wholly-owned subsidiary of Miranda, to the Company. On January 5, 2011 Miranda Gold Colombia III Ltd. changed its name to Rovira Mining Limited ("Rovira"). The activities of Rovira will be governed by the SA. To maintain its 70% shareholding in Rovira, effectively representing a 70% interest in the Pavo Option and the Pavo Real mining interest, the Company must make an aggregate US$4,000,000 contribution ("First Contribution") to Rovira within the next four years as follows:

Exploration expenditures:	
On or before June 25, 2011 (contributed)	$ 500,000
On or before June 25, 2012 (contributed)	750,000
On or before June 25, 2013	1,000,000
On or before June 25, 2014	1,750,000
	$ 4,000,000

These funds will be used to fund exploration work at the Pavo Real project. If the Company fails to make any of the capital contributions within the stated time periods, Red Eagle will forfeit its shares of Rovira to Miranda.

After making the First contribution, the Company shall make further contributions to Rovira as follows ("Second Contribution"):

a) A contribution of at least $1,000,000 per year in the event that Rovira elects to undertake a feasibility program to prepare a positive feasibility study in a form acceptable for the purpose of financing mine construction, which annual minimum contribution shall be made by the Company until the completion of such feasibility study, which feasibility study must be completed within eight years from June 25, 2010; or
b) If Rovira does not undertake a feasibility program, or if Rovira commences a feasibility program but does not complete a feasibility study, the Company shall contribute a minimum of $10,000,000 in excess of the First Contribution at a rate of not less than $1,000,000 per year, all of which shall be expended on exploration operations, development operations, concession fees and payments made to acquire and maintain applications, concessions and land (excluding payments in the Company's shares issued pursuant to the Pavo Real Option Agreement) and must be expended within 10 years from June 30, 2010. Expenditures made by the Company on an uncompleted feasibility study may be applied to these additional expenditure requirements.

After making the Second Contribution, if the board of directors of Rovira has approved a feasibility study and a mine construction program, the Company will have the option, but not the obligation, to elect to acquire an additional 10% interest in Rovira by committing to sole fund all costs associated with achieving the commencement of commercial production. The Company may exercise this option (the "Additional 10% Option") by providing notice in writing to Rovira and MAD I within 30 days of the date of such board of directors of Rovira approval. If the Company exercises the Additional 10% Option, Rovira will issue additional shares from treasury without payment to increase the Company's ownership percentage to 80%.

In addition, Rovira will pay the Company a fee of 10% of the costs incurred by Rovira in carrying out approved exploration programs and implementing a production decision.

8. MINERAL PROPERTIES (continued)

Pavo Real Project (Colombia) (continued)

Cash payments:		
On or before June 24, 2010 (paid)	$	20,000
On or before December 24, 2010 (paid)		20,000
On or before June 24, 2011 (paid)		50,000
On or before June 24, 2012		60,000
On or before June 24, 2013		70,000
On or before June 24, 2014		80,000
On or before June 24, 2015		100,000
	$	**400,000**

Common shares to be issued:	**Number of common shares**
On or before June 24, 2010 (issued)	100,000
On or before December 24, 2010 (issued)	100,000
On or before June 24, 2011 (issued)	100,000
On or before June 24, 2012	100,000
On or before June 24, 2013	100,000
On or before June 24, 2014	100,000
On or before June 24, 2015	100,000
	700,000

In addition, commencing on June 25, 2016, and payable on each succeeding anniversary, Rovira must pay US$100,000 and deliver 100,000 common shares of Miranda to Expogold until the date on which there is a defined measured and indicated mineral resource within a defined area of interest on the Pavo Real property of greater than 250,000 total ounces of gold or gold equivalent, which complies with an independent NI 43-101 compliant technical report (the "Pavo Real Defined Resource"). Once there is a Pavo Real Defined Resource, Rovira will be required to make one of the following additional payments to Expogold:

a) If the Pavo Real Defined Resource is greater than 250,000 ounces, but less than 500,000 ounces, Rovira shall pay US$100,000; or
b) If the Pavo Real Defined Resource is equal to or greater than 500,000 ounces, Rovira shall pay US$250,000.

In addition, Rovira shall pay to Expogold:

a) US$250,000 upon completion of a feasibility study;
b) US$500,000 upon achieving commercial production;
c) US$500,000 upon producing 250,000 ounces of gold or gold equivalent ounces;
d) US$750,000 upon producing 500,000 ounces of gold or gold equivalent ounces; and
e) US$1,000,000 upon producing 1 million ounces of gold or gold equivalent ounces.

Each of the above payments may be in cash or common shares of Miranda. Thereafter, Rovira shall pay US$1 million for each 1 million ounces of gold or gold equivalent ounces produced.

8. MINERAL PROPERTIES (continued)

Santa Rosa Project (Colombia)

On April 15, 2011 the Company signed the final purchase and sale agreement by which the Company can acquire 100% of the Santa Rosa Project, which is comprised of various concession contracts in Colombia, through payment of the following (all US dollars):

Cash payments:	
Paid	$ 3,100,000
Due upon title transfer of concession contract LDM-08061	600,000
Due on or before November 30, 2013	4,500,000
	$ 8,200,000

The Company also has to pay to the original owners the greater of US$2,000,000 or US$15 per gold equivalent ounce multiplied by the quantity of Measured and Indicated gold equivalent ounces (as defined in National Instrument Policy 43-101 and calculated by an independent qualified person) on a predefined 20 hectare area of the project.

Cajamarca project (Colombia)

On August 12, 2011 the Company entered into a share purchase agreement (“Cajamarca SPA”) and shareholder agreement (“Cajamarca SA”) with Miranda Gold Corp. (“Miranda”). Pursuant to the Cajamarca SPA, Miranda assigned 70% of the shares of Miranda Gold Colombia IV Ltd. (“MAD IV”), a wholly-owned subsidiary of Miranda, to the Company. The Colombian branch of MAD IV is the holder of option to purchase agreements for a group of properties in Colombia collectively called the Cajamarca project. Individually the properties are known as Cajamarca, Fresno and Ibague. The activities of MAD IV will be governed by the Cajamarca SA.

The 70% of the shares of MAD IV transferred to Red Eagle are subject to forfeiture or transfer provisions back to Miranda should Red Eagle fail to spend US$4,000,000 over the first five years of the Cajamarca SA as follows:

Exploration expenditures:		
On or before August 12, 2012	$	500,000
On or before August 12, 2013		750,000
On or before August 12, 2014		750,000
On or before August 12, 2015		1,000,000
On or before August 12, 2016		1,000,000
	$	**4,000,000**

Upon Red Eagle's sole funding to an aggregate US$4,000,000 then 51 of the 70 shares will not be subject to forfeiture or transfer provisions back to Miranda. These funds will be used to fund exploration programs at the Cajamarca project. Within 180 days of earning a 51% vested interest, Red Eagle can elect to further sole fund MAD IV at a minimum of US$1,000,000 per year and either complete a bankable feasibility study on any of the MAD IV projects within eight years or contribute a minimum of US$10,000,000 within 10 years. Upon completion of the funding the remaining 19 of the 70 shares will not be subject to forfeiture or transfer provisions back to Miranda

8. MINERAL PROPERTIES (continued)

Cajamarca project (Colombia) (continued)

On December 10, 2010 Miranda entered into an option agreement with Expogold to acquire the Cajamarca , Ibague and Fresno properties (collectively the "Cajamarca Option"). The commitments under the Cajamarca Option will be the responsibility of the Company pursuant to the Cajamarca SA. The cash payments will be made directly by Mad IV, and for every share issued by Miranda to Expogold, the Company will issue one common share to Miranda. The schedules of shares to be issued and cash payments to be made are as follows (all cash amounts US dollars):

Cash payments:	**Cajamarca**	**Fresno**	**Ibague**
Upon execution of Cajamarca Option (paid)	$ 10,000	$ 10,000	$ 10,000
On or before December 10, 2011 (Cajamarca and Fresno amounts paid)	20,000	20,000	20,000
On or before December 10, 2012	30,000	30,000	30,000
On or before December 10, 2013	40,000	40,000	40,000
On or before December 10, 2014	50,000	50,000	50,000
On or before December 10, 2015	60,000	60,000	60,000
	$ 210,000	**$ 210,000**	**$ 210,000**

Share issuances	**Cajamarca**	**Fresno**	**Ibague**
Upon execution of Cajamarca Option (issued)	10,000	10,000	10,000
On or before December 10, 2011 (Cajamarca and Fresno shares issued)	20,000	20,000	20,000
On or before December 10, 2012	30,000	30,000	30,000
On or before December 10, 2013	60,000	60,000	60,000
On or before December 10, 2014	80,000	80,000	80,000
On or before December 10, 2015	100,000	100,000	100,000
	300,000	**300,000**	**300,000**

In addition, commencing on December 10, 2016, and payable on each succeeding anniversary, MAD IV must pay $100,000 per property and deliver 100,000 common shares of Miranda to Expogold per property until the date on which there is a defined measured and indicated mineral resource within a defined area of interest on each of the three properties of greater than 250,000 total ounces of gold or gold equivalent, which complies with an independent NI 43-101 compliant technical report (the "Cajamarca Defined Resource"). Once there is a Cajamarca Real Defined Resource, MAD IV will be required to make one of the following additional payments to Expogold:

- If the Cajamarca Defined Resource is greater than 250,000 ounces, but less than 500,000 ounces, MAD IV shall pay US$100,000; or
- If the Cajamarca Defined Resource is equal to or greater than 500,000 ounces, MAD IV shall pay US$250,000.

8. MINERAL PROPERTIES (continued)

In addition, MAD IV shall pay to Expogold for each property:

- US$250,000 upon completion of a feasibility study;
- US$500,000 upon achieving commercial production;
- US$500,000 upon producing 250,000 ounces of gold or gold equivalent ounces;
- US$750,000 upon producing 500,000 ounces of gold or gold equivalent ounces; and
- US$1,000,000 upon producing 1 million ounces of gold or gold equivalent ounces.

Each of the above payments may be in cash or common shares of Miranda. Thereafter, Rovira shall pay US$1 million for each 1 million ounces of gold or gold equivalent ounces produced.

On October 21, 2011 the Company dropped the Ibague project and the acquisition costs of cash $10,104 (US $10,000) and 10,000 shares valued at $9,400 relating to that project were recorded as an impairment charge. The payments and share issuances due in December 2011 and thereafter relating to that property were not made.

On December 10, 2011 the Company dropped the Fresno project. and consequently the acquisition costs of cash $30,637 (US $30,000) and 30,000 shares valued at $23,000 relating to that project were recorded as an impairment charge.

9. OTHER FINANCIAL ASSETS

Other financial assets are short term investments with a maturity in excess of three months. As at December 31, 2011 the balance consisted of the following three Guaranteed Investment Certificates:

	Interest rate	Maturity date		Amount
December 31, 2011				
Guaranteed Investment Certificate	1.00%	January 09, 2012	$	3,000,000
Guaranteed Investment Certificate	0.85%	January 09, 2012		900,000
Guaranteed Investment Certificate	0.85%	January 09, 2012		500,000
			$	**4,400,000**

10. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued during the period ended December 31, 2010 and the year ended December 31, 2011

Details of common shares issued in 2010 are as follows:

- On January 8, 2010, the Company issued 1,550,000 common shares for gross proceeds of $15,500.
- On January 25, 2010, the Company issued 1,350,000 common shares for gross proceeds of $67,500.
- On February 12, 2010, the Company issued 4,500,000 units for gross proceeds of $292,500. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.25 per share until February 12, 2015.

  For accounting purposes, the Company calculated the fair value of warrants issued, using the Black-Scholes option pricing model with the following assumption: risk free interest rate of 2.24%, expected annual volatility of 125%, expected life of 5 years and expected dividend yield of 0%, which totalled $122,153, and recorded these values as reserves. The value attributed to the warrants was based on their fair value with the residual balance of $170,347 being allocated to common shares.
- On August 16, 2010, the Company issued 100,000 common shares with a fair value of $25,000 for the mineral properties (see Note 8).
- The Company issued 6,938,000 common shares for aggregate gross proceeds of $1,734,500, in five different tranches dated April 30th, June 14th, July 8th, October 25th and November 25th.
- On December 16, 2010, the Company issued 7,853,333 common shares for gross proceeds of $5,890,000. In connection with the financing, the Company also issued 320,759 common shares with a value of $240,569 as finders' fees and included in share issue costs.
- On December 23, 2010, the Company issued 100,000 common shares with a fair value of $75,000 for the mineral properties (see Note 8).
- In connection with the above transactions, the Company also incurred $10,000 of legal fees that have been recorded as share issue costs.
- On January 6, 2011, the Company issued 1,666,666 units at a price of $0.75 per unit for gross proceeds of $1,250,000 to a strategic investor. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company for $1.25 per share until June 28, 2013. For accounting purposes, the Company calculated the fair value of the 833,333 warrants issued, using the Black-Scholes option pricing model with the following assumption: risk free interest rate of 1.74%, expected annual volatility of 100%, expected life of 2 years and expected dividend yield of 0%, which totalled $250,000, and recorded these values as reserves. The value attributed to the warrants was based on their fair value with the residual balance of $1,000,000 being allocated to common shares. The Company also reserved 50,000 common shares for issuance as finders' fees. These 50,000 shares were issued on September 27, 2011 and have been recorded as a share issue cost at a value of $0.75 per share, representing the value on the date of issuance.

10. SHARE CAPITAL (continued)

- On June 24, 2011 the Company issued 100,000 common shares to Miranda in accordance with the terms of the Pavo Option (see note 8). The fair value of the shares issued has been estimated as $110,000.
- On June 24, 2011 the Company completed its initial public offering ("IPO") and issued 11,497,100 units at $1.25 per until for gross proceeds of $14,371,375. Each unit consists of one common and one half of one purchase warrant. Each whole purchase warrant entitles the holder to purchase one common share for $1.50 for a period of up to two years subsequent to the date of the IPO. For accounting purposes, the Company calculated the fair value of the 5,748,550 warrants issued by reference to the closing price on the day the warrants were listed, July 5, 2011. The closing price on that day was $0.25 for a full warrant and a total of $1,437,138 has been recorded in warrant reserve. The value attributed to the warrants was based on their fair value with the residual balance of $12,934,237 being allocated to common shares. Pursuant to an Agency Agreement between the Company and Raymond James Ltd. (the "Agent"), the Agent received a cash commission equal to 6% of the gross proceeds, and 3% Agent's warrants to acquire common shares at $1.25 per share exercisable for a period of 18 months from the date the common shares of the Company commence trading on the TSX-V. These warrants were valued using the Black-Scholes option valuation model with a 46% volatility, 1.5 year expected life and risk free interest rate of 1.45%, giving a value of $0.29 per warrant, and a total value of $100,025. Total costs relating to the IPO were $1,316,545 of which $1,216,520 were cash costs and $100,025 related to the fair value of the agents' warrants. The Company has recorded an amount of $82,671 within professional fees as a listing expense and $1,133,849 within equity as share issue costs.
- On November 18, 2011 and December 16, 2011 the Company issued 30,000 and 40,000 common shares respectively in accordance with the terms of the Cajamarca Option (see note 8). The fair value of these shares has been estimated at $28,200 and $27,200 respectively.

c) Warrants

On February 12, 2010 the Company issued 4,500,000 warrants as part of the private placement (see note 10(b) above). During 2011, 833,333 warrants were issued as part of the private placement (See note 10 (b)), 5,748,550 as part of the units in the IPO (See note 10 (b)) and 344,913 Agent's warrants as part of the IPO (See note 10 (b)). There were no warrants exercised or expired during the year ended December 31, 2011 or the period ended December 31, 2010. As at December 31, 2011 and December 31, 2010, there were 11,426,796 and 4,500,000 warrants outstanding respectively.

The following summarizes the movements in outstanding warrants since inception on January 4, 2010 to December 31, 2011.

	Number Outstanding		Weighted Average Exercise Price
Balance January 4, 2010	-	$	-
Issued	4,500,000	$	0.25
Balance December 31, 2010	**4,500,000**	**$**	**0.25**
Issued	6,926,796	$	1.46
Balance, December 31, 2011	**11,426,796**	**$**	**0.98**

10. SHARE CAPITAL (continued)

The following summarizes the share purchase warrants outstanding at December 31, 2011:

Expiry Date	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)
December 28, 2012	344,913	$ 1.25	0.99
June 28, 2013	5,748,550	1.50	1.49
June 28, 2013	833,333	1.25	1.49
February 12, 2015	4,500,000	0.25	3.12
	11,426,796	**$ 0.98**	**2.12**

d) Options

On April 27, 2011, the Board of Directors adopted an incentive share purchase option plan (the "Option Plan") which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with TSX-V regulations, grant to directors, officers, employees and service providers to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

- On June 28, 2011, the Company granted 3,035,000 options to directors, employees and a consultant of the Company. The options are exercisable at the IPO unit price of $1.25 and have a term of 5 years. Options granted to directors vest immediately and options granted to employees and the consultant vest in tranches over a period of 18 months.
- On July 28, 2011 the Company granted 200,000 options to a consultant for on-going investor relations services. The options are exercisable at a price of $1.25 and vest in tranches over nine months.
- On December 6, 2011 the Company granted 310,000 options to employees. These options are exercisable at $1.00 and vest in tranches over 18 months.

A summary of the status of options granted under the option plan as at December 31, 2011, and the changes for the periods then ended are as follows:

	Number Outstanding	Weighted Average Exercise Price	Weighted Average Measurement Date Fair Value
Outstanding, January 4, 2010 and January 1, 2011	-	$ -	$ -
Granted,	3,545,000	1.23	0.71
Expired	(103,750)	1.25	0.65
Forfeited	(311,250)	1.25	0.65
Outstanding, December 31, 2011	**3,130,000**	**$ 1.23**	**$ 0.71**

10. SHARE CAPITAL (continued)

The following summarizes information about share options outstanding and exercisable at December 31, 2011:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Weighted Average Remaining Contractual Life (in Years)
June 28, 2016	2,620,000	2,397,500	$ 1.25	4.50
July 28, 2016	200,000	100,000	1.25	4.58
December 6, 2016	310,000	77,500	1.00	4.94
	3,130,000	**2,575,000**	**$ 1.23**	**4.54**

The Company has calculated the fair value of options using the Black-Scholes option valuation model with the following variables:

Grant Date	June 28, 2011	July 28, 2011	December 6, 2011
Share price on grant date	$1.10	$0.75 - $1.16	$0.65
Exercise price	$1.25	$1.25	$1.00
Risk-free interest rate	1.60% - 2.15%	0.97% - 1.57%	0.97% - 1.06%
Expected annual volatility	100%	100%	100%
Expected life	2.5 - 5.0	2.5 - 2.83	2.5 - 3.25
Expected dividend yield	0%	0%	0%
Fair value at measurement date	$0.61 - $0.81	$0.34 - $0.65	$0.31 - $0.36

Initially the Company applied a forfeiture rate of 1% on grant of options. This rate was an estimate due to a lack of prior history to use as a basis. During the year ended December 31, 2011 some of the employees left the Company and all their unvested options were forfeited. As a result the Company reassessed the forfeiture rate for remaining options to employees and concluded that a rate of 5% is more appropriate.

The cumulative expense as at December 31, 2011 is $2,117,043 (2010: $nil) and has been recorded in the statement of comprehensive income as follows:

	Canada	Santa Rosa	Pavo Real	Total
Investor relations	$ 73,678	$ -	$ -	$ 73,678
Mineral property exploration costs	-	278,795	274,242	553,037
Office and administration - directors	544,817			544,817
Office and administration - non directors	119,405	-	-	119,405
Professional fees	18,969	-	-	18,969
Salaries and benefits	807,137	-	-	807,137
	$ 1,564,006	**$ 278,795**	**$ 274,242**	**$ 2,117,043**

Amounts recorded as mineral property expenditures are all sub-categorized as salaries and consulting fees.

11. RELATED PARTY TRANSACTIONS

Name	Country of incorporation	Principal activities	% of ordinary shares held & voting rights
Principal subsidiaries			
Red Eagle Mining de Colombia Limited	Canada	Exploration company	100%
Rovira Mining Limited	Canada	Exploration company	70%
Miranda Gold Colombia IV Ltd.	Canada	Exploration company	70%

The aggregate value of Management compensation is as follows:

		Year ended December 31, 2011		Period from inception January 4, 2010 to December 31, 2010
Short-term employee benefits	$	431,634	$	153,208
Share option based payments		1,272,540		-
	$	**1,704,174**	**$**	**153,208**

The following table provides the total amount of transactions which have been entered into by the Group with related parties during the year ended December 31, 2011 and the period from inception January 4, 2010 to December 31, 2010, and the balances with related parties at December 31, 2011 and December 31, 2010

			Purchases from		Amounts due to
Consulting fees from a partnership in which the former CFO of the	2011	$	63,620	$	-
Company is a partner;	2010	$	31,200	$	-
Office, rent and related costs from a company controlled	2011	$	450,000	$	-
by certain directors in common to the Company;	2010	$	24,000	$	-
Legal fees to a partnership in which one of the directors	2011	$	148,109	$	24,202
of the Company is a partner	2010	$	20,000	$	20,000
Consulting fees to a company which is controlled by one of the	2011	$	150,000	$	-
directors of the Company	2010	$	-	$	-

The Company's CEO is a director common to both the Company and Miranda Gold Corp., which entered into share purchase and shareholder agreements on the Pavo Real and Cajamarca Projects as described in Note 8.

12. SEGMENTED INFORMATION

The Company has one operating segment, which is the exploration and development of mineral properties. The Company's net assets are distributed in two geographic regions: Canada and Colombia, as follows:

		Canada		Colombia		Total
As at December 31, 2011						
Cash and cash equivalents	$	4,827,746	$	334,021	**$**	**5,161,767**
Other financial assets		4,400,000		-		**4,400,000**
Amounts receivable		113,660		16,394		**130,054**
Prepaid expenses		134,535		242,315		**376,850**
Equipment		-		545,386		**545,386**
Mineral properties		-		3,441,594		**3,441,594**
	$	**9,475,941**	**$**	**4,579,710**	**$**	**14,055,651**
Accounts payable and accrued liabilities		(158,565)		(771,472)		**(930,037)**
	$	**9,317,376**	**$**	**3,808,238**	**$**	**13,125,614**

		Canada		Colombia		Total
As at December 31, 2010						
Cash and cash equivalents	$	1,414,653	$	122,930	**$**	**1,537,583**
Other financial assets		4,400,000		-		**4,400,000**
Amounts receivable		35,715		897		**36,612**
Prepaid expenses		3,713		13,083		**16,796**
Equipment		-		107,508		**107,508**
Mineral properties		-		483,717		**483,717**
		5,854,081		728,135		**6,582,216**
Accounts payable and accrued liabilities		(44,171)		(112,861)		**(157,032)**
	$	5,809,910	$	615,274	**$**	**6,425,184**

Net loss for the year ended December 31, 2011	$	3,891,148	$	6,190,567	**$**	**10,081,715**
Net loss for the period from January 4, 2010 to December 31, 2010	$	1,097,221	$	553,470	**$**	**1,650,691**

13. TAXES

The Companies in Canada are subject to Canadian federal and provincial tax for the estimated assessable profit for the year ended December 31, 2011 at a rate of 26.5%. The Company had no assessable profit in Canada for the year ended December 31, 2011.

The Company's branches in Colombia are subject to tax for the period ended December 31, 2010 and the year ended December 31, 2011 at a rate of 33%. No Colombian tax was provided for as the Company had no assessable profit arising in or derived from Colombia in the period ended December 31, 2010 or the year ended December 31, 2011.

The tax expense for the Company can be reconciled to the net loss for the period per the Consolidated Statement of Comprehensive Loss as follows:

		Year ended December 31, 2011		Period ended December 31, 2010
Net loss for the period	**$**	**10,081,715**	$	1,650,691
Statutory tax rate		**26.5%**		28.5%
Recovery of income taxes based on combined Canadian federal and provincial statutory rates	**$**	**2,671,654**	$	470,447
Net impact of changes in tax rates		**(107,989)**		(48,971)
Tax effect of tax losses and temporary differences not recognized		**(1,891,186)**		(393,716)
Non-deductible expenses		**(672,479)**		(27,760)
Tax recovery for the period	**$**	**-**	$	-

The Company's unrecognized deferred income tax assets are as follows:

		As at December 31, 2011		As at December 31, 2010
Mineral properties	**$**	**1,520,911**	$	181,922
Property, plant and equipment		**38,331**		8,557
Share issue costs		**272,755**		57,130
Tax loss carry-forwards		**691,405**		163,316
Others		**1,420**		-
Total unrecognized deferred income tax assets	**$**	**2,524,822**	$	410,925

At December 31, 2011, the Company have unrecognized non-capital losses for Canadian income tax purposes of approximately $2,766,000 that may be used to offset future taxable income and expire as follows:

Year of expiry		
2029	$	16,000
2030		609,000
2031		2,141,000
	$	2,766,000

14. COMMITMENTS AND CONTINGENCIES

The Company has to make certain cash and share payments, as well as exploration expenditures in order to meet the terms of the mineral property option agreements as discussed in Note 8

In addition the Company has a number of short term operating leases relating to the Colombian offices and camps. The terms of these leases all expire within one year and the total minimum lease payments are approximately $52,500

The Company has no contingencies or off balance sheet arrangements as at December 31, 2011.

15. SUBSEQUENT EVENTS

On March 20, 2012 the Company signed an Option Agreement pursuant to which the Company has an option to acquire 100% of the Mina Vieja brownfield copper/gold project within the Company's Pavo Real project. Option payments of USD $535,000 are payable over thirty months from the date of title transfer. The Company may exercise the option to acquire 100% of the project within 90 days of publication of the initial 43-101 resource report for cash consideration of $11 per ounce of gold equivalent ounces included in a measured resource in the report.