

# **RED EAGLE MINING CORPORATION**

Suite 920 – 1030 West Georgia Street  
Vancouver, British Columbia, V6E 2Y3

## **ANNUAL INFORMATION FORM**

FOR THE YEAR ENDED December 31, 2012

Dated: April 5, 2013

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## GLOSSARY OF GENERAL TERMS

In this Annual Information Form, unless there is something in the subject matter or context inconsistent therewith, the following capitalized words and terms have the following meanings:

- Affiliate** A company is an "Affiliate" of another company if:
- (a) one of them is the subsidiary of the other; or
  - (b) each of them is controlled by the same Person;
- Associate** means, when used to indicate a relationship with a Person,
- (a) a partner, other than a limited partner, of that Person;
  - (b) a trust or estate in which that Person has a substantial beneficial interest or for which that Person serves as trustee or in a similar capacity;
  - (c) an issuer in respect of which that Person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the issuer, or
  - (d) a relative, including the spouse, of that Person or a relative of that Person's spouse, if the relative has the same home as that Person;
- Common Shares:** means the common shares of the Corporation;
- company:** means unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;
- Control Person:** means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;
- Corporation:** means Red Eagle Mining Corporation, a company incorporated under the laws of British Columbia;
- Exchange:** means TSX Venture Exchange Inc.;
- Insider:** if used in relation to an issuer, means:
- (a) a director or senior officer of the issuer;

- (b) a director or senior officer of another issuer that is an insider or subsidiary of the issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities;

**NI 43-101 or National Instrument 43-101:** means National Instrument 43-101 "Standards of Disclosure for Mineral Projects" adopted by the Canadian Securities Administrators;

**Non-Arm's Length Party:** means a): in relation to a company: (i) a promoter, officer, director, other Insider or Control Person of that company and any Associates or Affiliates of any of such Persons; (ii) another entity or an Affiliate of that entity, if that entity or its Affiliate have the same promoter, officer, director, Insider or Control Person; and (b) in relation to an individual, any Associate of the individual or any company of which the individual is a promoter, officer, director, Insider or Control Person;

**Person:** means a company or individual;

**Santa Rosa Gold Project:** means concession contracts B7560005, B7171005, H5791005, H5790005, LDM08061, LKA08004, JC3-08091, JC3-08092X, KIG-11151, JIT-08461, JI8-08071, KGM-14153X, KGM-14151, KGM-14152X, KGM-14241, LIN-11551, ICQ-0800642X and ICQ-0800643X which are the subject of the Santa Rosa Purchase Agreement and Bullet Purchase Agreement;

**Shareholder:** means a holder of Common Shares of the Corporation; and

## **PRELIMINARY NOTES**

### *Financial Statements and MD&A*

The Corporation's audited financial statements and management's discussion and analysis ("MD&A") have been filed with Canadian securities regulatory authorities and are available electronically under the Corporation's profile at [www.sedar.com](http://www.sedar.com). The Corporation's financial statements are prepared in accordance with and all financial information in this Annual Information Form is prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS") The Corporation's fiscal year end is December 31.

### *Effective Date of Information*

All information in this Annual Information Form is as of December 31, 2012 unless otherwise indicated.

### *Forward-Looking Statements*

This Annual Information Form contains or incorporates by reference "forward-looking information" which means disclosure regarding possible events, conditions, acquisitions, or results of operations that is based on assumptions about future conditions and courses of action and may include future oriented financial information with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection, and may include, but is not limited to, statements with respect to the future financial and operating performance of the Corporation, its current and proposed subsidiaries and its current and proposed mineral projects, the future price of gold, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, working capital requirements, capital and exploration expenditures, costs and timing of mine development, processing facility construction and the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "proposes", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its current and proposed subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; the outcome of negotiations, conclusions of economic evaluations and studies; changes in project parameters and returns as plans continue to be refined; future prices of uranium; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability; insurrection or war; political uncertainty; arbitrary changes in law; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. As a result, actual actions, events or results may differ materially from those described in forward-looking statements and there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of the Annual Information Form and the Corporation disclaims any obligation to update any forward-looking statements, whether as a result of new information, future

events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.

### *Currency*

All dollar amounts in this Annual Information Form are expressed in Canadian dollars, unless otherwise indicated.

### *Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources*

This Annual Information Form (including the documents incorporated by reference therein) uses the terms "measured", "indicated" and "inferred" mineral resources. United States investors are advised that while such terms are recognized and required under Canadian securities legislation, the United States Securities and Exchange Commission does not recognize them. "Inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility.

It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into mineral reserves. United States investors are also cautioned not to assume that all or part of an inferred mineral reserve exists or is economically or technically mineable.



## **ARTICLE 1 CORPORATE STRUCTURE**

### **1.1 NAME, ADDRESSES AND INCORPORATION**

The full corporate name of the Corporation is "Red Eagle Mining Corporation". The head office of the Corporation is located at Suite 920 – 1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3 and the records office of the Corporation is located at Suite 1600 – 609 Granville Street, Vancouver, British Columbia, V7Y 1C3.

The Corporation was initially incorporated pursuant to the *Business Corporations Act* (British Columbia) on January 4, 2010. The Corporation is a reporting issuer in British Columbia, Alberta and Ontario.

### **1.2 INTERCORPORATE RELATIONSHIPS**

The Corporation currently has three subsidiaries, Red Eagle Mining de Colombia Limited, (a wholly owned British Columbia subsidiary), Rovira Mining Limited ("Rovira") (a 70% owned British Columbia subsidiary) and Miranda Gold Colombia IV Ltd. ("MAD IV") (a 70% owned British Columbia subsidiary).

## **ARTICLE 2 GENERAL DEVELOPMENT OF THE BUSINESS OF THE CORPORATION**

### **2.1 THREE YEAR HISTORY AND SIGNIFICANT ACQUISITIONS**

#### **General**

The Corporation is a growth-oriented, Canadian-based gold company, focused on exploring and developing gold properties in Colombia. The Corporation currently has interests in several exploration and development projects, of which the Santa Rosa Gold Project is currently the Corporation's focus. The properties of the Corporation are in the exploration stage. The Corporation completed its initial public offering on June 24, 2011 and the Corporation's shares were listed on the TSX Venture Exchange under symbol "RD" on June 28, 2011.

## **ARTICLE 3 BUSINESS OF THE CORPORATION**

### **3.1 GENERAL**

#### **Business**

The Corporation is in the business of the acquisition and exploration of properties in the gold industry. The Corporation currently has interests in those mineral properties referred to in "General Development of the Business of the Corporation – Three Year History and Significant Acquisitions" above and in "Mineral Projects" below. Its current focus is on the Santa Rosa Property more particularly described under "Mineral Projects" below.

## **Stage of Development**

The Corporation is in the exploration stage and does not produce, develop or sell any products at this time. The progress on, and results of, work programs on the Corporation's material mineral properties is set out below in the "Mineral Projects" section of this Annual Information Form.

## **Specialized Skill and Knowledge**

All aspects of the Corporation's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, drilling, logistical planning and implementation of exploration programs, mining, metallurgy and accounting. While recent increased activity in the resource mining industry has made it more difficult to locate competent employees and consultants in such fields, the Corporation has found that it can locate and retain such consultants and believes it will continue to be able to do so.

## **Competitive Conditions**

Competition in the mineral exploration industry is intense. The Corporation competes with other mining companies, many of which have greater financial resources and technical facilities for the acquisition and development of, and production from, mineral concessions, claims, leases and other interests, as well as for the recruitment and retention of qualified employees and consultants.

## **Components**

All of the raw materials the Corporation requires to carry on its business are readily available through normal supply or business contracting channels in Colombia. The Corporation has secured personnel to conduct its contemplated programs.

## **Cycles**

The mining business is subject to mineral price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles.

## **Economic Dependence**

The Corporation's business is not substantially dependent on any contract such as a contract to sell the major part of its products or services or to purchase the major part of its requirements for goods, services or raw materials, or on any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends.

## **Changes to Contracts**

It is not expected that the Corporation's business will be affected in the current financial year by the renegotiation or termination of contracts or sub-contracts.

## **Environmental Protection**

Environmental requirements are being adhered to and monitored on an ongoing basis. It is not expected that the financial and operational effects of environmental protection requirements will have a significant impact on capital expenditures, profit or loss or the competitive position of the Corporation in the near future.

## **Employees**

As at December 31, 2012, the Corporation had 42 full-time employees and no part-time employees. The Corporation also relies upon consultants to carry on many of its activities.

## **Reorganizations**

There were no material reorganizations of the Corporation for the year ended December 31, 2012, nor are any planned for its current financial year.

## **Social or Environmental Policies**

The Corporation has not implemented any social or environmental policies that are fundamental to its operations.

### **3.2 RISK FACTORS**

The Corporation has identified below certain significant risks relating to the Corporation, but it has not identified all of the risks associated with the Corporation. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Corporation is currently unaware actually occur, the Corporation's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be material and adversely affected. Readers should carefully consider the following risks described below.

#### **Exploration, Development and Operations**

Exploration and development of mineral deposits involves a high degree of risk which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing properties. Any potential determination as to whether a mineral deposit will be commercially viable can be affected by such factors as: deposit size, grade, unusual or unexpected geological formations and metallurgy; proximity to infrastructure; metal prices which are highly cyclical; environmental factors; unforeseen technical difficulties; work interruptions; and government regulations, including regulations relating to permitting, prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted.

The long term profitability of the Corporation's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that any such deposit will be commercially viable or that the funds required for development can be obtained on a timely basis.

Mining operations generally involve a high degree of risk. The Corporation's operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of gold and copper, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, the mine and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although appropriate precautions to mitigate these risks are taken, operations are subject to hazards such as equipment failure or failure of structures which

may result in environmental pollution and consequent liability. Even though the Corporation intends to obtain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Corporation might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition.

### **Risks with Title to Mineral Properties**

The Corporation's interest in the Santa Rosa Gold Project is subject to the Santa Rosa Purchase Agreement pursuant to which the Corporation must make one final cash payment of US\$5,500,000 on or before November 30, 2013 in order to retain its interest in the property. If the Corporation fails to make this payment, it may lose its interest in the property. Any failure by the Corporation to retain title to properties which comprise its projects could have a material adverse effect on the Corporation and the value of the Common Shares.

The Corporation does not maintain insurance against title. Title on mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mining properties. The Corporation has diligently investigated and continues to diligently investigate and validate title to its mineral claims; however, this should not be construed as a guarantee of title. The Corporation is continuously in the process of establishing the certainty of the title of mineral concessions which it holds either directly or through its equity interest in its subsidiaries or will be seeking to consolidate those titles through a government-sanctioned process. The Corporation cannot give any assurance that title to properties it acquired individually or through historical share acquisitions will not be challenged or impugned and cannot guarantee that the Corporation will have or acquire valid title to these mining properties.

### **The Corporation Has No Mineral Properties in Production or Under Development**

The Corporation does not currently have mineral properties under development. The future development of properties found to be economically feasible, and the development of which is approved by the Board, will require the construction and operation of mines, processing plants and related infrastructure. As a result, the Corporation is and will continue to be subject to all of the risks associated with establishing new mining operations, including:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities;
- the availability and cost of skilled labour and mining equipment;
- the need to obtain necessary environmental and other governmental approvals and permits and the
- timing of the receipt of those approvals and permits;
- the availability of funds to finance construction and development activities;
- potential opposition from non-governmental organizations, environmental groups or locals;
- groups which may delay or prevent development activities; and

- potential increases in construction and operating costs due to changes in the cost of fuel, power, materials and supplies.

The costs, timing and complexities of developing the Corporation's projects may be greater than anticipated because the majority of such property interests are not located in developed areas, and, as a result, the Corporation's property interests may not be served by appropriate road access, water and power supply and other support infrastructure. Cost estimates may increase as more detailed engineering work is completed on a project. It is common in new mining operations to experience unexpected costs, problems and delays during construction, development and mine start-up. In addition, delays in the early stages of mineral production often occur. Accordingly, the Corporation cannot provide assurance that its activities will result in profitable mining operations at its mineral properties.

### **Metal Price Volatility**

The Corporation's business is strongly affected by the world market price of gold. If the world market price of gold were to drop and the prices realized by the Corporation on gold sales were to decrease significantly and remain at such a level for any substantial period, the Corporation's profitability and cash flow would be negatively affected.

Gold prices can be subject to volatile price movements, which can be material and can occur over short periods of time and are affected by numerous factors, all of which are beyond the Corporation's control. Industry factors that may affect the price of gold include: industrial and jewellery demand; the level of demand for gold as an investment; central bank lending, sales and purchases of gold; speculative trading; and costs of and levels of global gold production by producers of gold. Gold prices may also be affected by macroeconomic factors, including: expectations of the future rate of inflation; the strength of, and confidence in, the U.S. dollar, the currency in which the price of gold is generally quoted, and other currencies; interest rates; and global or regional, political or economic uncertainties.

Depending on the market price of gold, the Corporation may determine that it is not economically feasible to continue some or all of its operations or the development of some or all of the its projects, as applicable, which could have an adverse impact on the Corporation's financial performance and results of operations. In such a circumstance, the Corporation may also curtail or suspend some or all of its exploration activities.

### **History of Losses and No Immediate Foreseeable Earnings**

The Corporation has a history of losses and there can be no assurance that it will ever be profitable. The Corporation expects to continue to incur losses unless and until such time as it develops its properties and commences mining operations on its properties. The development of the properties will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, some of which are beyond the Corporation's control, including the progress of ongoing exploration, studies and development, the results of consultant analysis and recommendations, the rate at which operating losses are incurred and the execution of any joint venture agreements with any strategic partners, if any. There can be no assurance that the Corporation will ever achieve profitability.

### **Mining Risks and Insurance Risks**

The mining industry is subject to significant risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological conditions, labour force disruptions, civil strife, unavailability of materials and equipment, weather conditions, pit wall failures, rock bursts, cave-ins, flooding, seismic activity, water conditions and gold bullion losses, most of which are beyond the

Corporation's control. These risks and hazards could result in: (i) damage to, or destruction of, mineral properties or producing facilities; personal injury or death; environmental damage; (ii) delays in mining; and (iii) monetary losses and possible legal liability. As a result, production may fall below historic or estimated levels and the Corporation may incur significant costs or experience significant delays that could have a material adverse effect on the Corporation's financial performance, liquidity and results of operation.

The Corporation does not maintain insurance to cover these risks and hazards. The lack of, or insufficiency of, insurance coverage could adversely affect the Corporation's cash flow and overall profitability.

### **Permitting Approvals**

The operations of the Corporation and the exploration agreements into which it has entered require approvals, licenses and permits from various regulatory authorities, governmental and otherwise (including project specific governmental decrees) that are by no means guaranteed. The Corporation believes that it holds or will obtain all necessary approvals, licenses and permits under applicable laws and regulations in respect of its main projects and, to the extent that they have already been granted, believes it is presently complying in all material respects with the terms of such approvals, licenses and permits. However, such approvals, licenses and permits are subject to change in various circumstances and further project-specific governmental decrees and/or legislative enactments may be required. There can be no guarantee that the Corporation will be able to obtain or maintain all necessary approvals, licenses and permits that may be required and/or that all project-specific governmental decrees and/or required legislative enactments will be forthcoming to explore and develop the properties on which it has exploration rights, commence construction or operation of mining facilities or to maintain continued operations that economically justify the costs involved.

### **Changes in Legislation**

The mining industry in Colombia is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record and the Corporation will be unable to predict what additional legislation or amendments may be enacted. Amendments to current laws, regulations and permits governing operations and activities of mining companies, including environmental laws and regulations which are evolving in Colombia, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in expenditures and costs, affect the Corporation's ability to expand or transfer existing operations or require the Corporation to abandon or delay the development of new properties.

### **Economic and Political Factors in Colombia**

Although Colombia has a long-standing tradition respecting the rule of law, which has been bolstered in recent years by the present and former government's policies and programs, no assurances can be given that the Corporation's plans and operations will not be adversely affected by future developments in Colombia. The Corporation's property interests and proposed exploration activities in Colombia are subject to political, economic and other uncertainties, including the risk of expropriation, nationalization, renegotiation or nullification of existing contracts, mining licenses and permits or other agreements, changes in laws or taxation policies, currency exchange restrictions, and changing political conditions and international monetary fluctuations. Future government actions concerning the economy, taxation, or the operation and regulation of nationally important facilities such as mines, could have a significant effect on the Corporation. Colombia is home to South America's largest and longest running insurgency. While the situation has improved dramatically in recent years, there can be no guarantee that the situation will

not again deteriorate. Any increase in kidnapping, gang warfare, homicide and/or terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with the Corporation's operations.

Additionally, the perception that matters have not improved in Colombia may hinder the Corporation's ability to access capital in a timely or cost effective manner. Any changes in regulations or shifts in political attitudes are beyond the Corporation's control and may adversely affect the Corporation's business.

Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income and/or mining taxes, expropriation of property, environmental legislation and mine and/or site safety.

### **Competition**

The mineral exploration and mining business is competitive in all of its phases. The Corporation competes with numerous other parties with greater financial, technical and other resources than the Corporation, in the search for and acquisition of exploration and development rights on attractive mineral properties. The Corporation's ability to acquire exploration and development rights on properties in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on suitable properties for exploration and development. There is no assurance that the Corporation will continue to be able to compete successfully in acquiring exploration and development rights on such properties.

### **Changes to Environmental Laws**

The Corporation's operations are subject to the extensive environmental risks inherent in the gold mining industry. The current or future operations of the Corporation, including development activities, commencement of production on its properties, potential mining and processing operations and exploration activities require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Existing and possible future environmental legislation, regulations and actions could cause significant additional expense, capital expenditures, restrictions and delays in the activities of the Corporation. Although the Corporation believes that it is in substantial compliance in all material respects with applicable material environmental laws and regulations, there are certain risks inherent in its activities such as accidental spills, leakages or other unforeseen circumstances, which could subject the Corporation to extensive liability. In addition, the Corporation cannot assure that the illegal miners operating on its properties are in compliance with applicable environmental laws and regulations.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have

civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### **Shortage of Experienced Personnel and Equipment**

The ability to identify, negotiate and consummate transactions that will benefit the Corporation is dependent upon the efforts of the Corporation's management team. The loss of the services of any member of management could have a material adverse effect on the Corporation. The Corporation's future drilling activities may require significant investment in additional personnel and capital equipment. Given the current level of demand for equipment and experienced personnel within the mining industry, there can be no assurance that the Corporation will be able to acquire the necessary resources to successfully implement its business plan.

Furthermore, certain of the directors and officers of the Corporation are directors and officers of other reporting issuers and, as such, will devote only a portion of their time to the affairs of the Corporation.

### **Conflicts of Interest**

Certain of the Corporation's directors and officers serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies participate in ventures in which the Corporation may participate, the directors of the Corporation will have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises, a director or officer who has such a conflict will disclose that conflict and will abstain from voting for or against the approval of such participation or such terms. In determining whether or not the Corporation will participate in a particular program and the interest therein to be acquired by it, the directors will consider, among other things, the degree of risk to which the Corporation may be exposed and its financial position at that time.

### **Possible Volatility of Stock Price**

The market price of the Common Shares can be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Corporation's results of operations, changes in financial estimates by securities analysts, general market conditions, the issuance of Common Shares in connection with acquisitions made by the Corporation or otherwise, and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the Common Shares.

### **Repatriation of Earnings Risk**

There are currently no restrictions on the repatriation from Colombia of earnings to foreign entities. However, there can be no assurance that restrictions on repatriations of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia (including minerals) be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for the purpose of payments to foreign suppliers, repayment of foreign debt, payments of dividends to foreign stockholders and other foreign expenses.



## **Financing Risks**

Additional funding may be required to complete the proposed or future exploration and other programs on the properties. There is no assurance that any such funds will be available. Failure to obtain additional financing, if required, on a timely basis, could cause the Corporation to reduce or delay its proposed operations.

The majority of sources of funds currently available to the Corporation for its acquisition and development projects are in large portion derived from the issuance of equity. While the Corporation has been successful in the past in obtaining equity financing to undertake its currently planned exploration and development programs, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Corporation.

## **Enforcement of Civil Liabilities**

Substantially all of the Corporation's assets are located outside of Canada and certain of the directors and officers of the Corporation are resident outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Corporation or any of the Corporation's directors and officers residing outside of Canada.

## **Dividends**

Any payments of dividends on the Common Shares will be dependent upon the financial requirements of the Corporation to finance future growth, the financial condition of the Corporation and other factors which the Board may consider appropriate in the circumstance. It is unlikely that the Corporation will pay dividends in the immediate or foreseeable future.

## **Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which effect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, community, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Corporation's operations, financial condition and results of operations.

## **Joint Ventures**

The Corporation is party to the Pavo Real Shareholder Agreement and may enter into other joint ventures in the future. Any failure of a joint venture partner to meet its obligations to the Corporation or third parties, or any disputes with respect to the parties' respective rights and obligations could have a material adverse effect on such joint ventures. In addition, the Corporation may be unable to exert influence over strategic decisions made in respect of properties that are the subject of such joint ventures and could suffer dilution of its interest in the properties if it is not able to meet its funding obligations under the terms of the joint venture.

## **Currency Risk**

The Corporation maintains its accounts in Canadian dollars and the market for gold is principally denominated in U.S. dollars. The Corporation's operations in Colombia make it subject to foreign currency fluctuations and such fluctuations may materially affect the Corporation's financial position and results. Colombia has a free and unrestricted supply and demand market. The Corporation is exposed to

foreign exchange risk from the exchange rate of Colombian pesos relative to the Canadian and U.S. dollars. Foreign exchange risk is mainly derived from assets and liabilities stated in Colombian pesos. The Corporation limits its foreign exchange risk by the acquisition of short-term financial instruments and, when possible, minimizes its Colombian peso monetary asset positions.

### **Price Volatility of Publicly Traded Securities**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. The market for the Common Shares will be subject to market trends generally, notwithstanding any potential business of the Corporation. The value of the Shares will be affected by such volatility.

### **Conflicts of Interest**

Some of the directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other corporations, and situations may arise where these directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the *Business Corporations Act* (British Columbia).

### **Stress in the Global Economy**

Reduction in credit, combined with reduced economic activity and the fluctuations in the United States dollar, may adversely affect businesses and industries that purchase commodities, affecting commodity prices in more significant and unpredictable ways than the normal risks associated with commodity prices. The availability of services such as drilling contractors and geological service companies and/or the terms on which these services are provided may be adversely affected by the economic impact on the service providers. The adverse effects on the capital markets generally make the raising of capital by equity or debt financing much more difficult and the Corporation is dependent upon the capital markets to raise financing. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Corporation's business, operating results, and financial condition.

## **3.3 MINERAL PROJECTS**

### **Santa Rosa Project**

On April 15, 2011 the Corporation signed the final purchase and sale agreement (the "Santa Rosa Purchase Agreement" by which the Corporation can acquire 100% of the Santa Rosa Gold Project, which is comprised of various concession contracts in Colombia, through payment of US \$8,380,000 cash and a final payment ("Final Payment") equal to the greater of US\$2,000,000 and 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 as calculated by an independent qualified person) on a predefined 20 hectare area of the project. On July 18, 2012 the Corporation signed an amendment to the final purchase and sale agreement whereby the Final Payment was set at US \$2,000,000 payable in two installments of US \$1,000,000 each on or before December 15, 2012 (paid) and November 30, 2013, and the contingent element was removed.

The following table sets out the payments, including the amended Final Payment (all US dollars):

<b>Cash payments:</b>	
Paid	\$ 4,140,000
Due upon title transfer of concession contracts LDM-08061 and LKA-08004	740,000
Due on or before November 30, 2013	5,500,000
	<b>\$ 10,380,000</b>

### Sale of Royalty

On October 22, 2012, concurrent with a private placement financing, the Corporation completed the sale of a 2% NSR royalty over the Santa Rosa Gold Project to Liberty Metals and Mining Holdings LLC ("Liberty") for gross proceeds of \$8,333,333. The Company has the option to sell an additional 1% NSR for \$4,666,667 at any time until December 31, 2013 or repurchase 1% NSR for \$8,333,333 at any time until two years after the first gold production. The 2% NSR Royalty covers the Santa Rosa Gold Project as described above, including concession contracts LDM-08061 and LKA-08004. Under the terms of the royalty sale agreement the Corporation is obliged to make the remaining payments for the property and the optionality has been removed.

### Acquisition of additional concessions to the Santa Rosa Gold Project

On October 24, 2012 the Corporation executed an agreement with Bullet Holdings Corp. to acquire certain mineral property exploration rights totaling 35,910 hectares adjacent to the Corporation's Santa Rosa Gold Project. The consideration for the concessions was the issuance of 905,000 common shares valued at \$461,550, reimbursement of current year concession fees of \$324,872 and the granting of a 1.5% NSR Royalty over the concessions acquired. The 2% NSR Royalty sold to Liberty does not cover these new concessions.

The information below is based on the technical report titled "San Ramon Deposit, Santa Rosa Project, Colombia" dated January 22, 2013 and prepared for the Corporation by Mine Development Associates, Inc. ("MDA") (the "**Santa Rosa Report**"). Reference should be made to the full text of the Santa Rosa Report which is available for review on [www.SEDAR.com](http://www.SEDAR.com).

## **PROPERTY DESCRIPTION AND LOCATION**

The author of the Santa Rosa Report is not an expert in land, legal, environmental, and permitting matters. This section is based on information provided to the author of the Santa Rosa Report by the Corporation. The author of the Santa Rosa Report presents this information to fulfill reporting requirements of NI 43-101 and expresses no opinion regarding the legal or environmental status of the Santa Rosa project.

### **Location**

The Santa Rosa Gold Project is located approximately 5km southeast of the town of Santa Rosa de Osos, in the municipality of the same name, in the Department of Antioquia, 70km north of the department capital Medellín in northern Colombia (Figure 4.1 of the Santa Rosa Report). The center of the resource is located at approximately latitude 6° 36' 57 N and longitude 75° 22' 20 W. The San Ramon deposit lies in the southeastern part of concession B7560005, held by The Corporation and described in more detail in Section 4.3 of the Santa Rosa Report.

## **Colombian Mining Law Regarding Concession Contracts**

The following information is taken from the 2011 Technical Report (Jemielita, 2011b), with updates provided by the Corporation. MDA has no expertise in Colombian law and has done no work to confirm this information.

All mineral resources belong to the state and can be explored and exploited by means of concession contracts granted by the state. Under Colombian mining law, a concession contract consists of exploration, construction, and exploitation terms. Once the contract is registered, the exploration term is three years, renewable for an additional eight years in increments of two years. The concession contract is then convertible to the construction term, which is two years, renewable for an additional year. Finally the concession contract is convertible to an exploitation term.

The total period for the concession contract (exploration and exploitation) is 30 years renewable for a further 20 years.

Producing mines are subject to a federal royalty of 4% of the gross value of gold and silver production at 80% of the current London gold price so the royalty becomes in effect 3.2% (under a modification of mining law 685 of 2001).

Legal surveys are conducted by the Mining Authority prior to granting the concession contract. This defines the co-ordinates of the tenement.

### **Land Area**

The Santa Rosa Gold Project comprises a total area of 3,169.9 hectares in four concession contracts numbered B7560005, B7171005, H5791005, and H5790005 registered in the name of the Corporation, and two concession contract applications numbered LDM-08061 and LKA-08004 for which areas have been granted that are awaiting transfer of title (Table 4.1 and Figure 4.2 of the Santa Rosa Report). Four of the concessions are contiguous (H5790005, H5791005, B7171005 and LKA-08004). The remaining concessions (B7560005 and LDM-08061) are located nearby to the east but are surrounded by ground belonging to others (Figure 4.2 of the Santa Rosa Report).

The Corporation does not currently control any surface rights on the Santa Rosa Gold Project, which are held by various land owners. The Corporation pays a monthly fee for surface access to the surface-land-rights owner during occupation while conducting exploration activities. A preliminary footprint for potential mining operations has been determined, and discussions with the respective surface-rights owners are progressing.

The annual holding costs for the concessions are equal to the daily Colombian minimum wage for each hectare, approximately \$12 per hectare.

### **Agreements and Encumbrances**

Five of the Santa Rosa Gold Project concessions are held by the Corporation under a Sale and Purchase Agreement with the owners: Miguel Angel Perez Villa, Luis Carlos Perez Villa, and Carlos Augusto Escobar Cardona. This agreement is to acquire 100% of five of the concession contracts shown in Table 4.1 of the Santa Rosa Report; one other concession contract (LKA-08004) was acquired from Renata Segura under a separate purchase agreement.

The Corporation can acquire 100% interest in the five concessions, excluding LKA-08004, by making the payments shown on Table 4.2 of the Santa Rosa Report.

The Corporation can acquire LKA-08004 for a total cost of \$180,000. The first payment of \$40,000 has been made. An additional payment of \$70,000 is due ten days after the concession contract is registered in the name of Renata Segura. The final payment of \$70,000 is due ten days after the Secretary of Mines of Antioquia confirms with a resolution the transfer from Renata Segura to the Corporation.

An artisanal gold mining operation in a 20-hectare area located within concession title B7560005 was shut down in 2011 under an agreement between the vendors and the Corporation. This operation had consisted of a single shaft into a narrow high-grade gold-bearing vein. Under this agreement, the Corporation must pay the owners US\$2,000,000 in two installments – US\$1,000,000 was paid by November 15, 2012, and US\$1,000,000 is due by November 30, 2013.

### **Royalties**

There is a government-imposed 4% royalty on gold and silver that is effectively 3.2% as described in Section 4.2 of the Santa Rosa Report.

Liberty Metals & Mining Holdings LLC ("LMM"), a subsidiary of Liberty Mutual Insurance, purchased a 2% net smelter returns royalty on the Santa Rosa Gold Project in October 2012 for \$8,333,333 (the Corporation's press releases, October 16, 2012, and October 23, 2012). The Corporation will have the option to require LMM to purchase an additional 1% royalty for \$4,166,666 until December 31, 2013. The Corporation may buy back 1% of the royalty for \$8,333,333 for a period of two years from the date of the first gold production.

### **Environmental Liabilities**

The following information has been provided by the Corporation through their independent environmental consultant, Francisco Raúl Mejía Correa.

The Santa Rosa Gold Project now has a limited number of artisanal mining groups, with two or three small groups still working saprolite-hosted veins in small adits in the far northwest of concession H5790005 (approximately 10km from the San Ramon project area). All of the sluices and old adits have been reported to Corantioquia, the local environmental agency. To the extent known, there are no environmental liabilities associated with this operation or any other activity in the project area.

The Colombian Mining Authority has recently passed legislation whereby all tenement holders must pay annual fees to cover the cost of the Authority's inspectorate visits to project sites to assess environmental and health and safety aspects of activities on tenements. The Corporation is fully paid up in this respect.

### **Environmental Permitting**

The following information has been provided by the Corporation through their independent environmental consultant, Francisco Raúl Mejía Correa.

An application titled "Guia Minero Ambiental" must be submitted, explaining the Corporation's work ethics and environmental compliance during its exploration activities. This document does not require any approval. Exploration activities that involve disturbing the soil (roads, drill pads, camps, etc.) require an environmental management plan that is included in the Guia Minero Ambiental. In addition, application must be made for water use and management and liquid effluent permits, and these

applications require approval by the environmental authority, named "CORANTIOQUIA." The Corporation has submitted a Guia Minero Ambiental for all concessions, and it has also submitted applications for all concessions for water use and management and liquid effluent permits.

The processes required for environmental-mining activities as planned for the San Ramon gold project are shown in Table 4.3 of the Santa Rosa Report.

From the date of the Santa Rosa Report, the remaining processes referred to in Table 4.3 of the Santa Rosa Report are expected take up to 12 months to complete. After the environmental license is issued and appropriate insurance against environmental impact has been obtained, the concession is automatically authorized to start the construction phase and then is converted to an exploitation concession; project construction can begin without any additional permitting requirements.

The baseline study work has been initiated and was awarded to the two Colombian universities which had the most extensive relevant experience – the Universidad de Antioquia-UdeA and the Fundación Universitaria Católica del Norte-FUCN located at Santa Rosa municipality. The baseline study will continue over the coming year.

The Universidad de Antioquia-UdeA is a public university located in Medellín with expertise in environmental studies and the social sciences. The Universidad de Antioquia was awarded the air quality, noise, hydrology, hydrogeology, and water quality modules.

Fundación Universitaria Católica del Norte-FUCN is located 15km from the project area and has a strong network and knowledge of the community, farmers, and industry throughout the region. The university also has a very close relationship with the Mayoralty, City Council, and the Community Action Board, which are directly involved in the land use plan of the Santa Rosa region. Fundación Universitaria Católica del Norte-FUCN was awarded the fauna and flora, geotechnical, soil, landscape, community, public health, and leadership modules.

## **ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE, AND PHYSIOGRAPHY**

The following information has been taken from the Technical Report by Jemielita (2011b), with updated information from the Corporation and MDA.

### **Access to Property**

The Santa Rosa gold project is accessible from the city of Medellín, which has an international airport, via paved Highway 25 north-northeast through Copacabana and Don Matías for approximately 65km to a turn-off located 12km south of Santa Rosa de Osos. From the turn-off to the east, it is approximately 8km to the Corporation's camp on an unpaved road (Figure 5.1 of the Santa Rosa Report). Access within the property is by gravel roads and footpaths.

### **Climate**

The climate is mildly tropical with daytime temperatures around 24°C. Yearly rainfall averages about 200 centimeters and falls mostly during rainy seasons from March to May and September to December. There are no significant climatic restrictions on working. Exploration and mining can be conducted year round.

The area of the San Ramon deposit has a variable forest cover.

## **Physiography**

Topographically, the Santa Rosa de Osos district consists of an irregular, dissected peneplain with gentle-to steep-sided valleys and hills. Elevations range between about 2300m and 2500m. The region is largely occupied by grass pasture and arable land with limited and often isolated areas of lush, low-growth Andean forest, mostly located along drainages. Agriculture within the project area comprises cattle farming in about 50% of the project area and tamarillo ("tree tomato") cultivation in approximately 10% of the area, mostly in the southeast. There is also minor commercial forestry (pine). Tropically weathered latosol profiles are ubiquitous and average 5m to 10m thick in undisturbed areas.

Because the topographic relief in the project area is moderate to steep and the entire project is covered by vegetation, surface exposures are limited to road cuts, cuts for drill-pad locations, and sluice areas, or *baticiones*, denuded by historic hydraulic mining.

The San Ramon deposit is located at an elevation of 2,453m above sea level.

## **Local Resources and Infrastructure**

The project area is located about 5km southeast of the town of Santa Rosa de Osos (population around 40,000 in the town and the same in the surrounding municipality), which is the nearest town for supplies and labor. While most of the regional male population has had some involvement in prospecting or small-scale mining, training would be necessary for a labor force to be used for mine development. Security is provided in the district by a military base (Guadalupe) and troops (Batallón Pedro Nel Ospina). Police patrol the town of Santa Rosa de Osos and vicinity.

Local resources and infrastructure in the Santa Rosa de Osos district are good. A 44Kv power line to the west and a 13.2Kv line to the north (both within 5km) service the area. Water is abundant in main rivers but is not potable. Level valley floors are available for tailings storage, waste disposal, and mineral processing sites.

## **HISTORY**

The following information has been taken from the Technical Report by Jemielita (2011b) with updated information from the Corporation.

### **Exploration History**

Gold mining in the Department of Antioquia pre-dates, and continued during, Spanish colonial rule, mostly exploiting alluvial deposits and oxidized veins (West, 1952). The Santa Rosa de Osos region was discovered in 1541 by Captain Juan Francisco Vallejo, who named the area Valley of the Bears (de Osos) because of the large number of the animals found in the region. Fifty years later, the gold potential of the area was recognized, and hundreds of miners led by Captain Antonio de Espejo Serrano founded the town of Santa Rosa de Osos in 1636. Gold production from the upland placers in the region reached its peak in the 18<sup>th</sup> century. Mines within the Santa Rosa project area reportedly produced gold and silver from bonanza-grade oxide ores during their heyday in the 1940s, but production declined as free milling ores were exhausted. Small-scale gold mining continued intermittently and was recently in operation at the Yaruma and Hilo Azul (Blue Vein) mines, which lie within the current resource area. Exploration and small-scale gold mining by artisanal miners is ongoing about 10 km from the San Ramon deposit within the Santa Rosa Gold Project area.

According to Jemielita (2011b), there was no known modern mineral exploration activity in the Santa Rosa project area prior to the initial visit by the Corporation in July 2010. Since that date, the Corporation has undertaken surveying and mapping of old mine workings, sampling and assaying in areas of known mineralization, soil and saprolite grid geochemistry, airborne magnetic and radiometric geophysics, and drilling of the San Ramon shear zone. These activities are described in Section 9.0 of the Santa Rosa Report.

There are no known historical mineral resources or reserves estimates for the Santa Rosa Gold Project. Based upon the existence of the extensive abandoned mine workings, past gold production appears to have been significant, but actual historic gold production is unknown.

## **GEOLOGIC SETTING**

The following information has been taken from the Technical Report by Jemielita (2011b) with updated information provided by the Corporation and MDA.

### **Geologic Setting**

#### ***Regional Geology***

The northwest margin of South America, comprising Colombia and adjacent Ecuador and western Venezuela, is a complex elongated mosaic of Paleozoic and younger, autochthonous and allochthonous terranes that were accreted to the South American continent (Guyana Shield) and subjected to transpressional tectonics and subduction-related magmatism along a 2,000km-long segment of the Pacific Rim (Aspden and Litherland, 1992, and Cediel et al., 2003, as cited by Jemielita, 2011a, 2011b). Regional-scale structural geology is characterized by anastomosing, sub-parallel, dominantly north-northeast-striking, major faults and shear zones, some of which are interpreted to be terrane boundary sutures. Subduction-related magmatic arcs were superimposed on these terranes during the Jurassic, Cretaceous, Eocene to late Miocene, and Late Miocene to Recent and produced porphyry copper mineralization related to each period of arc magmatism (Figure 7.1 of the Santa Rosa Report). These arcs are characterized by plutonic batholiths, sub-volcanic intrusions, and associated volcanic rocks.

The Andean Cordillera in Colombia is composed of three distinct mountain chains: the Western Cordillera (Occidental), Central Cordillera (Central), and eastern Cordillera (Oriental) that are separated by broad inter-Andean valleys. The Santa Rosa gold project is located in the Central Cordillera within the Cajamarca-Valdivia terrane. This terrane dominates the geology of the northern portion of the Central Cordillera and is a composite lithotectonic unit that includes a metamorphic basement complex and the Antioquia batholith (Cediel and Caceres, 2000, and Cediel *et al.*, 2003, as cited by Jemielita, 2011b).

The Cajamarca-Valdivia basement terrane is made up of early Paleozoic metamorphic rocks, mostly lower greenschist- to lower amphibolite-grade metasedimentary units and oceanic ophiolitic volcanic and intrusive rocks. These comprise a para-autochthonous prism that was accreted to the continental margin along the Palestina fault system in the Ordovician-Silurian and subsequently underwent regional metamorphism (Cediel *et al.*, 2003, as cited by Jemielita, 2011b). The Cajamarca-Valdivia terrane is bounded on the west by the Romeral fault, a north-striking, dextral transcurrent, suture that defines the eastern limit of allochthonous oceanic terranes accreted to the northern Andean margin during the late Mesozoic and Cenozoic.

During the Mesozoic, the metamorphic rocks of the Cajamarca-Valdivia terrane were overlapped by volcano-sedimentary lithologies. Reactivation of the Palestina fault system and initiation of the



Romeral fault system occurred from the Aptian-Albian, together with a period of uplift and erosion of the Paleozoic basement and Mesozoic volcano-sedimentary sequences (Cediel and Caceres, 2000, as cited by Jemielita, 2011b). The basement and Mesozoic lithologies were intruded by the Antioquia batholith during the Cretaceous under a regional tectonic regime of dextral transpression.

### ***Local Geology***

The rocks in the vicinity of the Santa Rosa gold project are dominated by hornblende-biotite diorite and quartz diorite typical of the Antioquia batholiths (Figure 7.3 of the Santa Rosa Report). Metamorphic rocks including amphibolites and metasedimentary rocks occur as isolated roof pendants, primarily in the western half of the deposit area. Pleistocene-Holocene volcanic ash cover is extensive. River valleys contain unconsolidated alluvium.

### ***Property Geology***

The geology within the Santa Rosa gold project is characterized by relatively monotonous, coarse grained, grey colored, granular hornblende-biotite diorite and quartz diorite of the Antioquia batholith (Figure 7.3 of the Santa Rosa Report). Metamorphic rocks, including amphibolites (Valdivia & others Gr. on Figure 7.3 of the Santa Rosa Report) and metasedimentary rocks (Valdivia Gr. on Figure 7.3 of the Santa Rosa Report), occur as isolated roof pendants, and dikes of diorite, dacite, felsite, aplite, and pegmatite are common. Red-brown saprolite is widespread and often deep (up to 50m). Deep weathering associated with saprolite formation has intensely altered the granites to clay. Oxidized saprock continues below the saprolite and consists of more competent, albeit somewhat decomposed, granitic rocks. Soils are generally about 50cm thick and rarely up to 2m. Schistose fault-zone mylonite was observed at several locations in outcrop and adits.

## **EXPLORATION**

The following information has been taken with modifications from the Technical Report by Jemielita (2011b), with updated information provided by The Corporation.

### ***Geologic Mapping***

The Corporation has undertaken an extensive program of mapping and sampling old colluvial gold workings, adits, and quartz veins within the Santa Rosa gold project area. Mapping and sampling of several adits, including the Bernardina, Guaguas, and Hipopotamo adits located in the eastern portion of the San Ramon shear zone and the San Francisco adit at the west end, have identified significant zones of low-grade gold mineralization (*e.g.* 35m averaging 0.62g Au/t in the Bernadina adit).

### ***Geochemistry***

Quartz veins and diorite-granodiorite wall rocks exposed in artisanal adits and mines have been extensively grab, channel, and panel sampled. A total of 2,605 samples have been taken.

Channel sampling was used to test the more dispersed zones of quartz veins. A program of continuous channel sampling in adits that cut across veins and structures in the oxide zone was initiated in January 2011. Among key adits sampled which exposed the San Ramon shear zone were the hanging wall structure immediately north of Hilo Azul (Blue Vein), the Bernadina adit (approximately 100m east and adjacent to Hilo Azul), and the Guaguas adit (approximately 200m west of Hilo Azul).

Further sampling was carried out where sulfides were found to be present. Hilo Yaruma had been previously sampled underground at a depth of 65m and returned values of 95.8g Au/t in a vein approximately 300mm wide (the shaft has since collapsed). The Hilo Azul crosscut was sampled at a depth of 45m and returned 41.6g Au/t in the principal vein intersected. The San Francisco adit was also sampled for transition or "mixed" mineralisation, returning 10m at 1.04g Au/t in one section.

A 200m by 200m ground auger saprolite sampling program was completed over part of the southeast area with the objective of comparing the results with MMI sampling over the same area. It was concluded that MMI was superior as an exploration tool, and significantly easier to implement (Figure 9.1 of the Santa Rosa Report).

A soil-sampling program was conducted over the project's concessions, and samples were analyzed for mobile metal ion ("MMI"). The grid covering the concessions was on 50m spacing north-south and 200m spacing east-west, with some areas expanded to 400m east-west spacing to expedite the initial reconnaissance survey. Anomalies were identified corresponding to the San Ramon shear zone as well as other areas that have not been fully explored to date (Figure 9.2 of the Santa Rosa Report). Conventional soil geochemistry was also conducted, but MMI soil geochemistry showed stronger results and involved easier sample collection.

MDA has not analyzed the sampling methods, quality, and representativity of surface sampling on the Santa Rosa property because drilling results form the basis for the mineral resource estimate described in Section 14.0. Drilling is described in Section 10.0.

### ***Geophysics***

A helicopter-borne, high resolution, magnetic and radiometric survey was completed over the western part of the Santa Rosa Gold Project area by MPX Geophysics on November 18 and 19, 2010. Initial interpretation of the results was received by the end of the same month. A total of 451.9 line-kilometers of data were acquired over the project area (total area 19.6 km<sup>2</sup>). The survey was flown at a nominal mean terrain clearance of 70m along north-south-oriented flight lines spaced at 50m with tie lines spaced at 500m.

The Corporation retained consultants Paterson, Grant & Watson to interpret the aeromagnetic survey (Ugalde and Misener, 2011). Results were received in January 2011 and are shown in Figure 9.3 and Figure 9.4 of the Santa Rosa Report

A similar aerial survey was subsequently flown over the eastern part of the project area.

The Corporation notes that the magnetic data (Figure 9.3 of the Santa Rosa Report) indicated major structures that influenced the geology, particularly the San Ramon shear zone. The radiometrics, especially potassic alteration (Figure 9.4 of the Santa Rosa Report), correlated to "*baticiones*" and the extensive artisanal mining areas that were being uncovered.

An induced-polarization ("IP") survey was conducted by Geofisica TMC SA de CV of Mazatlan, Mexico over a 50m (north-south) by 200m (east-west) grid in the San Ramon area (most of concession B7560005) in June and July 2011 (Simard, 2011). The survey consisted of 13 north-south lines of 2.5 to 2.8km in length, totaling 32.6 line-km. The pole-dipole array was used. The Corporation felt that the results were inconclusive and decided not to continue IP surveying following unsuccessful drilling into interpreted IP targets.

## ***Topography***

As described in more detail in Section Figure 12.1.1 of the Santa Rosa Report, initial topography for the project was provided by Terranalis, Ltda., based in Santiago, Chile, and MPX Geophysics Colombia SAS ("MPX") based in Medellín, Colombia. Subsequently, a ground survey for topography was commissioned through the project surveyor, MSc. Ricardo Lozano Botache with Estudio T-Rural Consultores. Finally, MPX performed a Lidar topographic survey that covers concession B7560005, on which the San Ramon deposit is located.

## **MINERALIZATION**

Hypogene gold mineralization within the Santa Rosa Gold Project is generally associated with the shear zones developed in homogeneous diorite country rock, with higher grades occurring in sulfide-mineralized quartz veins. There are also related saprolitic gold deposits (Figure 7.4 of the Santa Rosa Report) and colluvial gold deposits, both of which have been mined by artisanal miners underground and in hydraulically mined areas known locally as "*baticiones*." The shear zone and veins are best exposed in adits and *baticiones*.

Colluvial and saprolitic gold workings and adits are concentrated in two principal areas: one cutting concession B7560005 from west to east across the center of the concession; and one covering the northwestern part of the property in concession H5790005 and the northern portions of concessions B7171005 and H5791005. These two areas contain large abandoned colluvial workings and both abandoned and some active tunnels made by artisanal miners. A total of 256 adits have been surveyed on the Santa Rosa property, totaling 5,794m. These adits are nearly all developed in oxidized saprolite. The northwestern area has more adits than the southeastern one. Gold mineralization is processed in local water-powered California stamp mills (Figure 7.5 of the Santa Rosa Report) with mercury amalgamation or, in the southeastern area, a jaw crusher and mercury amalgamation mills.

Exploration by the Corporation within concession B7560005 has identified a mineralized shear zone (San Ramon shear zone) containing sulfide-bearing quartz veins, sheeted veins, and anastomosing vein networks. The shear zone is characterized by both ductile deformation in the form of mylonite development in the most intense zones and brittle deformation in the form of breccia and gouge zones. The structural zone strikes roughly east-west with a strike length of approximately 1.9km, dips  $\pm 70^\circ$  to the north, and has an average width that ranges from about 8m in the western half to 21m in the eastern half.

East-west-trending structures, including the San Ramon shear zone, appear to be related to northwest-trending regional structures. Sinistral movement along these structures may have created east-west dilation zones, up to 60m wide in the case of the San Ramon shear zone, into which quartz and quartz-carbonate veins and veinlets were emplaced. Most of the quartz veins and contained sulfides have been brecciated by post-mineralization deformation, which suggests that the mineralization is syn-deformational.

There are calcite veins of various ages at San Ramon. Shear-zone controlled weak propylitic alteration of regional extent pre-dates mineralization and consists of calcite-chlorite-prehnite veins with over 80 percent calcite. These veins are low in sulfides and do not contain gold. Calcite and calcite veining are common in the main stage of the shear-zone mineralization; the veins are often brecciated, suggesting they were an earlier part of the mineralizing event. This calcite is characteristically iron-rich and weathers to a brown color. It is associated with sulfides, euhedral quartz, and the best gold mineralization. There are also low-temperature veins of pure calcite that are late and cut all other

features. These calcite veins are regionally distributed. They contain only low levels of iron but no sulfides, gold, or silicate minerals.

In the San Ramon shear zone, mineralization occurs in fractured, brecciated, and ductily deformed rock. Lower grades (~0.1 to ~0.6g Au/t) are present in weakly to moderately sheared rocks. Where grades are greater than ~0.2g Au/t, the mineralization is usually associated with scattered thin quartz veins and veinlets ± sulfide minerals. Mineralized shear zone intercepts up to 80m wide (59.1m at 1.39g Au/t in SR-011 - 80.0m to 139.1m) have been intersected; the maximum true width of the mineralized shear zone is about 50m. Figure 7.6 of the Santa Rosa Report shows the locations of adits, *baticiones*, and drill holes on the Santa Rosa project as of July 2012.

High-grade mineralization, at >0.6g Au/t, within the San Ramon shear zone is characterized by narrow, 1m to 2m-wide, strongly sheared zones, commonly with sericite, fine-grained sulfides, and quartz veins and vein fragments. Individual quartz veins range from 2cm to 5cm wide. The highest grades (>6.0g Au/t) are associated with quartz veins that contain coarse-grained sulfide minerals and usually range from 0.3m to 1m wide (artisanal miners have reported up to 2m). Some high-grade veins of similar thicknesses occur outside the shear zone in the hanging wall of the dioritic host rock. High-grade gold is also present in gouge zones with abundant fine-grained sulfides ± quartz vein fragments. Generally very little silver is present, but there can be significant quantities of zinc, which is accompanied by minor quantities of lead. The presence of copper is insignificant.

Vein-quartz textures are mostly massive to ribbon-textured and, in places, medium- to coarse-grained crystalline and often containing late calcite-infilled tensional features. Sulfides range from 1% to 5% but can reach 10%, and there appears to be a direct correlation between sulfide and gold grade. Sulfides are dominated by fine- to coarse-grained pyrite with subordinate sphalerite and galena and traces of chalcopyrite and pyrrhotite. Oxides include hematite, goethite, and limonite. Black oxides are a weathering effect caused by the migration of manganese away from organic-rich soil into fractures. There is no preferential association of manganese oxides with gold mineralization. Gold and minor amounts of silver occur as inclusions in sulfides, mostly in sphalerite and less commonly pyrite and galena. In addition to a mixed oxide/sulfide transition zone, unoxidized sulfide minerals are commonly present within the oxidized and saprolitized rocks within the shear zone.

Generally the shear zone contains very narrow but high-grade quartz veinlets that seem to present some level of variability to the low-grade mineralization. High-grade zones associated with coarse-grained sulfides in quartz veins lack continuity, due in part to displacement of the veins by shearing, the generally narrow thicknesses of the veins, and the distance between sections (100m). However, the zones of strongest shearing have much more demonstrable continuity between drill holes on individual sections and between sections. In fact, a pair of high-grade domains between 1 and 2m in width is present over a significant length of the deposit.

## **DRILLING**

### ***Summary***

The Corporation has conducted all of the known drilling at San Ramon. Drilling began in September 2011, and as of October 23, 2012 the Corporation had completed a total of 139 core holes, totaling 23,015m. From September 2011 to May 2012, the Corporation drilled 40 holes, of which 23 were drilled into the San Ramon mineralized shear zone and the remaining 17 holes were drilled into other areas of interest within the Santa Rosa Gold Project area. From May 2012 to July 2012, an additional 25 holes were drilled, consisting entirely of in-fill drilling in the sulfide mineralization to achieve 100m centers within the San Ramon shear zone. From July 2012 through October 2012, 74 holes were completed,

designed to infill the oxide mineralization to 50m centers. Figure 10.1 of the Santa Rosa Report shows drill-hole locations on Concession B7560005 in the San Ramon deposit area..

In general, holes were drilled sub-perpendicular to the generally east-trending shear structure at various dips. Initial holes from Phase I drilling were collared some distance north of the shear zone and intercepted the zone at depth (up to 250m vertically). Subsequent holes were collared closer to the shear and intercepted the shear mineralization closer to the surface.

### ***Drilling by the Corporation***

All drilling to date by the Corporation has been core drilling. The drilling through July 2012 was conducted by Cabo Drilling (Colombia) Corp. using two skid-mounted Boyles drill rigs, a BBS-37 and a BBS-56. Through July 2012, holes were drilled with HQ core, reducing to NQ core as required by drilling conditions.

Drilling from July 2012 to October 2012 was conducted by Energold Drilling Corp. using a smaller skid-mounted EGD II (Hydracore 600 Series II) for drilling in oxidized areas. This drilling consisted entirely of HQ core.

The core is laid out, reassembled to a best fit, and cleaned prior to collection of core recovery and RQD measurements and logging. Geologists log lithology, alteration, mineralization, and structural data. The core is photographed using a digital camera mounted on a tripod; MDA has observed that the photographs are of excellent quality.

### ***Drill-Hole Collar Surveys***

Drill holes were staked-out by GPS and oriented by setting up a string-line laid out with a Brunton compass. Collars were surveyed after completion of drilling by MSc. Ricardo Lozano Botache, a licensed professional surveyor with Estudio T-Rural Consultores based in Bucaramanga. At the end of MDA's site visit, the surveyor was setting up to resurvey all drill-hole collars, primarily to check suspected discrepancies between drill collars and topography.

### ***Down-Hole Surveys***

Holes drilled through July 2012 were initially surveyed down-the-hole by Cabo Drilling Corp., and subsequently by the Corporation, using a Reflex Ez-Trac® tool. Readings were taken every 100m, starting at 100m. The planned azimuths and dips were used for the orientation at the surface; actual azimuths and dips were not measured once the drill rig was set up and drilling. MDA noted some large differences between the surface azimuth and dip and the first REFLEX reading at 100m in previous phases of drilling. The most significant of these differences were checked by Red Eagle, and modifications to the collar and down-hole survey were made as appropriate.

No down-hole surveys were conducted for drilling since July 2012, primarily because the oxide holes are short and the Corporation determined that the deviations at shallow depths in previous drilling phases were not significant.

## **SAMPLE PREPARATION, ANALYSIS**

### **Sampling Procedures**

### ***Surface and Adit Sampling***

The following information was taken from Jemielita (2011b).

The Corporation's geologists have taken composite rock-chip, channel, and panel samples from surface outcrops and adit walls from all known accessible locations throughout the Santa Rosa Gold Project. Sampling was performed and/or supervised by the Corporation's geologists. Channel sampling was used on zones of dispersed mineralized quartz veinlets using a maximum of 2m sample lengths where there appeared to be little mineralization; areas of possible mineralization were sampled and recorded across that specific zone. The channels were cut with a pick with a width of 5 to 10cm, with best efforts to maintain consistent and unbiased samples; generally, approximately 3kg samples were collected for each sample interval.

MMI soil sampling was conducted by digging shallow pits 10cm to 15cm deep into the "B" soil horizon on a 50m (north-south) by 200m (east-west) grid. Saprolite was sampled using an auger (to 5.5m maximum depth) on a 200m by 200m grid and analyzed using conventional geochemistry.

### ***Drill Sampling***

Geologists determine sample intervals using geology as a guide. Maximum sample length for drilling through July 2012 was two meters; since that time, it is one meter. For the earliest drilling, the entire hole was sampled. As the geologists became familiar with the various rock and alteration types and the grades associated with them, they began sampling only core in the shear zones or zones that appeared to be mineralized, with two or more buffer samples above and below these zones. This selective sampling covers the primary mineralized zones, as long as they are recognized, but does not allow for a holistic assessment of a deposit that includes country rock.

For drilling through July 2012, the core was halved with a diamond saw; for drilling since July 2012, the entire core is sampled. The sample for assay is placed into plastic bags containing the sample ID tag and sealed immediately. The bags are zip-tied closed. Individual samples are placed into rice bags labeled with the contained sample number range and zip-tied closed.

Sampling is carried out or supervised by the Corporation's geologists.

### **Sample Preparation and Analysis**

#### ***Surface and Tunnel Sampling***

The following information was taken from Jemielita (2011b) with additional information provided by the Corporation.

Rock-chip and channel samples originally were sent to ALS Minerals ("ALS;" formerly called ALS Chemex) for sample preparation in Bogota and analysis in Lima. These samples were subsequently analyzed at SGS del Perú, S.A.C. ("SGS") for precious-metal and multi-element assays and then later sent to Acme Analytical Laboratories S.A. ("Acme").

Saprolite auger samples were delivered to SGS in Medellín or Bogota for preparation, then 30g pulps are forwarded to SGS in Lima for analysis. Analyses are performed by SGS using gold fire assay plus 52 elements by ICP. Duplicates are analyzed by ALS using gold fire assay plus 35 elements by ICP. Some samples are screened for coarse gold.

MMI soil samples are delivered to SGS in Medellín and forwarded directly to Lima for sample preparation followed by analysis in Australia.

### ***Drilling Samples***

Drill samples are shipped to Acme in Medellín for sample preparation. The samples are dried, crushed, and pulverized to 200 mesh.

Following sample preparation, 30g pulps are forwarded to Acme in Santiago, Chile for analysis. If there is a backlog at the Santiago laboratory, the pulps are sent to Acme's laboratory in Vancouver, Canada, for analysis. The analytical lab performs gold fire assays with an AA finish plus a 36-element ICP scan. All assays returning values greater than 10g Au/t were fire assayed again with a gravimetric finish.

For drilling through July 2012, the majority of the duplicate samples were analyzed by SGS for gold fire assay with an additional 36-element ICP scan. Duplicates at the time of MDA's site visit were analyzed in sequence with the original at Acme. Occasional checks are made on samples suspected of coarse gold and are subjected to metallic screen analyses.

## **SECURITY OF SAMPLES**

### ***Surface and Tunnel Sampling***

The following information was taken from Jemielita (2011b) with updated information from the Corporation.

Chain of custody is maintained for all samples. Rock samples (average 2kg) are placed into a plastic bag marked with the sample number on both sides and on a piece of flagging tape that is placed inside the bag; the bag is sealed immediately. The sample and sample location are then photographed. Bagged samples are put into larger sacks in the field, and when filled, these are sealed in the field. Sample sacks are then securely transported to the sample storage location. Every Friday or Saturday, the sample sacks are transported directly to the SGS laboratories in Medellín, together with dispatch documents. Logistics are supervised and monitored by the Corporation's security staff and support. The Corporation then confirms receipt of the samples with the laboratory.

### ***Drilling Samples***

Core is checked and collected by the Corporation geologists from the drill rig once per day and is transported to the core-processing facility at the the Corporation camp. The wooden core boxes are covered and are kept closed with inner-tube strips. The core-logging area and storage buildings consist of metal-framed structures with corrugated plastic roofs, and brick walls and/or plastic-covered wire fencing on all sides. The building is locked when no one is on site. On a weekly basis, the Corporation personnel transport the samples via truck to Acme's prep lab in Medellín, where custody is transferred to Acme.

The remaining core is stored in locked buildings at the camp, as are coarse rejects and pulps returned from the labs.

## **Quality Assurance/Quality Control**

### ***Surface and Tunnel Sampling***

The following information was taken from Jemielita (2011b) with updated information from the Corporation.

The Corporation purchases certified standards and certified blanks and uses field duplicates for QA/QC on their analytical work for rock samples. A duplicate, standard or blank are included with every 10 samples sent for analysis.

For MMI soil geochemistry samples, a duplicate is included with every 30 samples, but no blanks or standards are used.

### ***Drill Sampling***

Approximately 10% of the samples shipped to the assay lab are either a blank, a standard comprising one of six standard samples, or a duplicate. Pulp blanks and standards are submitted to Acme with the original samples and are not "blind" to the lab.

Standards for gold are inserted in every 40 samples. For all drilling to date, six certified standards were obtained.

Certified blank pulps are inserted into the sample stream at a rate of one for every 40 samples prior to shipment to the Acme preparation laboratory in Medellín.

A field or preparation duplicate is submitted with samples from San Ramon at a rate of one for every 20 samples. All duplicates are assigned a consecutive sample number after the original, and both are analyzed by Acme. Field duplicates consisted of quarter-core splits (also quarter-core original) in the first two phases of drilling, and half-core splits (also half-core original) in the last phase of drilling. Preparation duplicates are splits of coarse rejects.

In addition to the standards, blanks, and duplicates, 169 samples for check assays were sent to SGS at their laboratory in Lima, Peru.

### ***Bulk Density and Specific Gravity***

For drill samples, bulk-density data were collected from all lithology, mineralization, and alteration types, with measurements for selected samples taken about every 10m. The selected samples were weighed in air and then, after wrapping in cling film to prevent any water absorption, were suspended in water, and the weight of the water displaced was measured, using a simple overflow system.

At MDA's request, 65 specific gravity measurements were performed by the Corporation on oven-dried samples. A similar process and apparatus for measuring bulk wet densities was used, except that the weight of wrapped and suspended sample submerged in water was used to calculate specific gravities.

### ***Summary Statement***

The San Ramon drill-core sampling procedures, sample security protocols, and analytical methods were conducted using standard industry practices and are acceptable. A QA/QC program is in place that is adequate for evaluation of assay quality, although there are a few recommendations for improvement by



MDA, as discussed in more detail in Section 12.0 of the Santa Rosa Report. The most important of these is that the Corporation should follow up on QA/QC failures immediately, particularly for analyses of standards. The overall results of the QA/QC program indicate that the assays are of sufficient quality for use in the resource estimate.

## **MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES**

### **Introduction**

MDA classifies resources in order of increasing geological and quantitative confidence into Inferred, Indicated, and Measured categories to be in compliance with the "CIM Definition Standards - For Mineral Resources and Mineral Reserves" (2010) and therefore Canadian National Instrument 43-101. CIM mineral resource definitions are given below, with CIM's explanatory material shown in italics:

### ***Mineral Resource***

*Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.*

A Mineral Resource is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

*The term Mineral Resource covers mineralization and natural material of intrinsic economic interest which has been identified and estimated through exploration and sampling and within which Mineral Reserves may subsequently be defined by the consideration and application of technical, economic, legal, environmental, socio-economic and governmental factors. The phrase 'reasonable prospects for economic extraction' implies a judgement by the Qualified Person in respect of the technical and economic factors likely to influence the prospect of economic extraction. A Mineral Resource is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions might become economically extractable. These assumptions must be presented explicitly in both public and technical reports.*

### ***Inferred Mineral Resource***

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

*Due to the uncertainty that may be attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration. Confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic*

*viability worthy of public disclosure. Inferred Mineral Resources must be excluded from estimates forming the basis of feasibility or other economic studies.*

### ***Indicated Mineral Resource***

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

*Mineralization may be classified as an Indicated Mineral Resource by the Qualified Person when the nature, quality, quantity and distribution of data are such as to allow confident interpretation of the geological framework and to reasonably assume the continuity of mineralization. The Qualified Person must recognize the importance of the Indicated Mineral Resource category to the advancement of the feasibility of the project. An Indicated Mineral Resource estimate is of sufficient quality to support a Preliminary Feasibility Study which can serve as the basis for major development decisions.*

### ***Measured Mineral Resource***

A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

*Mineralization or other natural material of economic interest may be classified as a Measured Mineral Resource by the Qualified Person when the nature, quality, quantity and distribution of data are such that the tonnage and grade of the mineralization can be estimated to within close limits and that variation from the estimate would not significantly affect potential economic viability. This category requires a high level of confidence in, and understanding of, the geology and controls of the mineral deposit.*

MDA reports resources at cutoffs that are reasonable for deposits of this nature given anticipated mining methods and plant processing costs, while also considering economic conditions, because of the regulatory requirements that a resource exists "in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction."

### **Database**

As of the November 21, 2012 effective date of the database, The Corporation drilled 139 core holes (SR-001 to 139) with completed for a total of 23,015.25m of drilling in the San Ramon deposit area. The San Ramon database contains 11,844 records (Table 14.1 of the Santa Rosa Report), of which 11,665 have gold assays. The other 179 are blank records automatically added by database software to indicate drill-hole data gaps. Other elements, including silver, base metals, and trace elements, were assayed in SR-001 to 065. The database also contains logged lithology and recovery data, summarized redox data, and bulk wet density and specific gravity measurements. All of this drilling data was used in the estimate. Other

logged geology was provided but was incomplete and is undergoing revisions; some of this data was, however, useful for geologic modeling.

### **Mineral Domains**

Low- and high-grade gold domains were modeled on north-south, 50m-spaced cross sections for the resource at San Ramon. The low-grade domain (~0.035 to 0.6g Au/t) represents mineralization in weak to moderately sheared rock that contains scattered small quartz veins. The high-grade domain (>~0.6g Au/t) represents zones of strong shearing that variably contain relative thick quartz veins (less than 2m), with coarse-grained sulfides (sphalerite, pyrite, and galena), finer-grained sulfide minerals and quartz vein fragments in gouge zones, and sericite. The domains, and the primary shear zone, strike roughly east-west and dip to the north at around 70°. Figure 14.1 and Figure 14.2 of the Santa Rosa Report show these domains.

The San Ramon high-grade domain (>~0.6g Au/t) was modeled as continuous zones. High-grade zones were intercepted in multiple drill holes on almost all sections, and domains were drawn in plan and section that connect these intercepts. Modeling in this manner implies that intercepts in the same domain are part of the same continuous zone of strong shearing. However, there is a risk that, in reality, the high-grade zones are not geologically continuous as modeled. If this is the case, then, although the metal is still likely to exist in a global sense, it occurs in discontinuous zones rather than as presently perceived. The continuity of high-grade domains is being tested with the 50m-spacing infill drilling program currently in progress.

The quantile plot of coded high-grade domain samples indicates the high-grade domain is bimodal, with a possible second domain above ~6.0g Au/t. The data above ~6.0g Au/t constitute only ~15 percent of the high-grade domain samples, and likely represent the thicker quartz veins with coarse-grained sulfides. Neither MDA nor The Corporation geologists were able to model the thicker quartz veins with any consistency. This is not unexpected, since the quartz veins observed in core and adits are sheared and fragmented, which explains the discontinuous nature of quartz veins within the shear zone. Additionally, high-grade samples above 6.0g Au/t were evaluated separately in 3-D space, and it was determined that the continuity and predictability of the potential higher-grade domain are not demonstrable with existing data; therefore, no separate high-grade domain above ~6.0g Au/t was modeled. The lack of continuity and inability to predict or model this upper zone of the bimodal high-grade mineralization imparts a risk into the estimate.

### **Density**

The Corporation regularly measured core samples for bulk wet densities at *in-situ* moisture conditions. At the request of MDA, the Corporation also measured 65 samples for bulk specific gravities for use in the estimate. The immersion method was used to obtain both sets of values. Wet density samples were wrapped in cellophane, and the weight of the displaced water determined for calculations. Oven-dried bulk specific gravity samples were also wrapped in cellophane, but the weight of the dry sample suspended in water was used for calculations per standard testing procedures for specific gravity determination.

The specific gravity data were evaluated in terms of lithology (shear zone, granite country rock, dikes), redox (oxide, mixed, or sulfide) and saprolite. Table 14.2 summarizes density measurements and the values applied to the model.

Table 14.2 Density Measurements and Values Applied to the Block Model

Rock unit	No. of Samples	Range	Mean	% Adjustment	Applied SG
All Saprolite	17*	1.68-2.39	1.93	0%	1.9
All Oxide	15	1.68-2.20	1.90	0%	1.9
Transition – Shear Zone	1	2.41	2.41	1%	2.4
Transition – Country Rock	7	1.92-2.46	2.33	0%	2.3
Sulfide – Shear Zone	12	2.55-2.86	2.71	1%	2.7
Transition – Country Rock	30	2.46-3.02	2.69	0%	2.7
All Data	65	1.68-3.02	2.47	0%	2.5

\* Saprolite values overlap with redox and lithology types

Due to lower core recoveries in the shear zone, (generally by 10-12%) and the predominance of fractured and broken core which is difficult to measure for specific gravities thereby instilling a sample selection bias against broken (lower density) samples, the shear zone mean density values were adjusted down by one percent. However, since the values were rounded to one decimal place, these adjustments are imperceptible. Four samples of undifferentiated dike were also measured (mean SG ' 2.54), but these density data are included within the other redox and shear zone/country rock categories so a unique dike rock unit was not used for coding.

There is a wide range of specific gravity values in most categories in Table 14.2. The small number of samples for most of these rock units that are used to calculate the mean specific gravity could account for the wide range. Therefore, MDA recommends further specific gravity testing to compensate for this high variability, but also to provide more spatial coverage of the various lithology and redox types in the deposit.

### Sample and Composites Descriptive Statistics

Once the domains were defined, the north-south sectional interpretations were used to code drill-hole samples. Also, all samples outside modeled low- and high-grade domains were assigned to a unique domain for statistical and estimation purposes. Quantile plots were made; outlier grades were reviewed on screen; and descriptive statistics were completed (Table 14.3). Samples from within each of the two domains, as well as for assays outside modeled mineral domains, were capped. It is noteworthy that the coefficients of variation ("CV"), in spite of apparently low capping grades, remain high (1.48 and 1.91 for the low- and high-grade domains, respectively). As noted earlier, the high-grade domain appears to be bimodal, but continuity that would allow for modeling of a higher-grade domain was not evident. There is no geological evidence that would support modeling separate domains within the low-grade domain. As a consequence, and to compensate for the relatively high variability, the projection distance of higher-grade assays was limited during the estimation within each mineral domain.

Table 14.3 Descriptive Statistics of Coded Samples

<b>Gold Domain</b>	<b>51</b>	<b>Low-grade; weak shear zone with quartz veinlets</b>						
	<b>Valid N</b>	<b>Median</b>	<b>Mean</b>	<b>Std.Dev.</b>	<b>CV</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Units</b>
Length	2842	1	1.14			0.03	4.58	m
Au	2824	0.09	0.166	0.286	1.72	0.0025	6.562	g/t
Au Capped	2824	0.09	0.163	0.241	1.48	0.0025	2.5	g/t
SG	8	2.71	2.70	0.13	0.05	2.41	2.86	

<b>Gold Domain</b>	<b>52</b>	<b>High-grade; strong shear zone, QV w/coarse-grained sulfides</b>						
	<b>Valid N</b>	<b>Median</b>	<b>Mean</b>	<b>Std.Dev.</b>	<b>CV</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Units</b>
Length	533	1	1.11			0.1	3.96	m
Au	532	1.5	4.107	9.737	2.37	0.03	104.4	g/t
Au Capped	532	1.5	3.815	7.294	1.91	0.03	50	g/t
SG	3	2.67	2.70	0.06	0.02	2.66	2.76	

<b>Gold Domain</b>	<b>99</b>	<b>Outside domains</b>						
	<b>Valid N</b>	<b>Median</b>	<b>Mean</b>	<b>Std.Dev.</b>	<b>CV</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Units</b>
Length	9151	1	2.20			0.01	129	m
Au	8488	0.007	0.049	0.722	14.77	0.0025	57.3	g/t
Au Capped	8488	0.007	0.035	0.217	6.16	0.0025	4	g/t
SG	54	2.555	2.42	0.38	0.16	1.68	3.02	

Capping for each domain was determined, first, by assessing the grade above which the outliers occur. Then those outlier grades were reviewed on screen to determine materiality, grade and proximity of the closest samples, and general location. Caps of 2.5g Au/t, 50.0g Au/t and 4.0g Au/t were applied to the low-grade, high-grade, and outside domains, respectively. The cap applied to low-grade domain assays is lower than capping of assays outside mineral domains, however, the influence of assays outside domains is greatly restricted during the estimation process. Once the capping was completed, the drill holes were

down-hole composited to 3m intervals, honoring the domain boundaries. The descriptive statistics of the composite database are given in Table 14.4.

Table 14.4 Descriptive Statistics of Coded Composites

<b>Gold Domain</b>	<b>51</b>	<b>Low-grade; weak shear zone with quartz veinlets</b>						
	<b>Valid N</b>	<b>Median</b>	<b>Mean</b>	<b>Std.Dev.</b>	<b>CV</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Units</b>
Length	1282	3	2.52			0	3.0	m
Au	1279	0.110	0.166	0.176	1.06	0.003	1.755	g/t
Au Capped	1279	0.110	0.163	0.159	0.98	0.003	1.290	g/t

<b>Gold Domain</b>	<b>52</b>	<b>High-grade; strong shear zone, QV w/coarse-grained sulfides</b>						
	<b>Valid N</b>	<b>Median</b>	<b>Mean</b>	<b>Std.Dev.</b>	<b>CV</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Units</b>
Length	321	1.8	1.84			0	3.0	m
Au	321	1.730	4.101	7.652	1.87	0.031	72.6	g/t
Au Capped	321	1.730	3.811	6.029	1.58	0.031	50.0	g/t

<b>Gold Domain</b>	<b>99</b>	<b>Outside domains</b>						
	<b>Valid N</b>	<b>Median</b>	<b>Mean</b>	<b>Std.Dev.</b>	<b>CV</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Units</b>
Length	6879	0.9	1.41			0	3.0	m
Au	3627	0.008	0.049	0.418	8.55	0.003	18.987	g/t
Au Capped	3627	0.008	0.035	0.135	3.84	0.003	4.0	g/t

**Estimation**

Four estimates were completed: polygonal, nearest neighbor, inverse distance, and kriged. These estimates were run several times in order to evaluate the results and determine sensitivity to estimation parameters. The inverse distance estimate is the reported estimate. Estimation parameters are given in Table 14.5.

Two successive estimation passes were run for the low- and high-grade domains; a first long pass projecting 300m along the primary axis in the low-grade domain, and 200m in the high-grade domain, to fill in all blocks (all the blocks affected by this long pass were Inferred), followed by a short pass of 100m

in both low- and high-grade domains. The highest grades (>6.0g Au/t) at San Ramon have shown no predictability or continuity, so MDA chose to restrict their impact on the estimate by limiting the projection of those high values. Without question these high grades exist, but the volume of material that these assays represent cannot be determined with certainty. In using a restriction in the estimation process rather than explicitly confining the high-grade intervals with modeled domains, the block model cannot be expected to be a good estimator of the precise location of the high-grade material. For example, within the high-grade domain, any composite with a grade over 7.0g Au/t was projected only 65m of the full distance of long and short passes. The 7.0g Au/t limit represents the approximate lower end of the upper domain of the bimodal population. From the quantile plot of the low-grade domain, it appears that the upper five percent of values are not part of the same geological population, so a restriction of 0.4g Au/t within 65m for each pass was deemed necessary. A restriction of 0.06g Au/t within 15m for each pass was applied to blocks outside modeled mineral domains.

The block model is not rotated, and the blocks are 5m north-south by 5m vertical by 10m east-west. The dimensions were chosen to best reflect possible block sizes for open-pit mining.

Table 14.5 Estimation Parameters

Description	Parameter
<b>Low-grade Domain</b>	
Samples: minimum/maximum/maximum per hole	1 / 12 / 3
Rotation/Dip/Tilt (variogram and searches):	90° / 0° / 70°
Search (m): major/semimajor/minor (vertical) Long Pass Short Pass	300 / 300 / 100 100 / 100 / 33
Inverse distance power	3
High-grade restrictions (grade in g/t and distance in m) Long Pass Short Pass	0.4 / 65 0.4 / 65
Anisotropic weighting	yes
<b>High-grade Domain</b>	
Samples: minimum/maximum/maximum per hole	1 / 12 / 3
Rotation/Dip/Tilt (variogram and searches):	90° / 0° / 70°
Search (m): major/semimajor/minor (vertical) Long Pass Short Pass	200 / 200 / 70 100 / 100 / 33
Inverse distance power	3
High-grade restrictions (grade in g/t and distance in m) Long Pass Short Pass	7.0 / 65 7.0 / 65
Anisotropic weighting	yes
<b>Outside mineral domains</b>	
Samples: minimum/maximum/maximum per hole	1 / 12 / 3
Rotation/Dip/Tilt (variogram and searches):	90° / 0° / 70°
Search (m): major/semimajor/minor (vertical)	100 / 100 / 33
Inverse distance power	2

High-grade restrictions (grade in g/t and distance in m)	0.06 / 15
Anisotropic weighting	yes

### Mineral Resources

MDA classified the San Ramon resources, giving consideration to a combination of distance to the nearest sample, number of samples, confidence in the underlying database, sample integrity, analytical precision/reliability, and geologic interpretations. The criteria for resource classification are given in Table 14.6. MDA did not classify any of the resource as Measured, mostly because of the generally wide drill spacing, the lack of comprehensive geotechnical and down-hole geological data, limited specific gravity measurements, incomplete real-time QA/QC analyses and corrections, and the preliminary nature of the metallurgical work. The relatively small amount of Indicated material relative to the total resource (~40%) is mostly a reflection of the amount of the Corporation drilling in the deposit. Roughly 65% of the oxide material, where the drill spacing is ~40m, is classified as Indicated compared to only 35% of the sulfide material, where the drill spacing is ~100m. Distance parameters for material in saprolite were made stricter because core recoveries are on average 10 to 12% less than in unweathered rock, which imparts a sample bias and loss of confidence in the data

Table 14.6 Classification Criteria

<b>Indicated</b>	
Inside Mineralized Domains, in Saprolite,	
<b>And</b>	
No. of holes / closest distance	>=4 / 25m from closest sample
<b>Or</b>	
No. of samples / closest distance	>=1 / 15m from closest sample
Inside Mineralized Domains, Below Saprolite,	
<b>And</b>	
No. of holes / closest distance	>=3 / 35m from closest sample
<b>Or</b>	
No. of samples / closest distance	>=1 / 25m from closest sample
<b>Inferred</b>	
Inside any mineral domain that is not Indicated	
<b>Or</b>	
Outside the mineralized domains within 20m of a sample	

Table 14.7 presents the Indicated and Inferred block-diluted resources for all the resources at San Ramon. These are reported at a cutoff of 0.3g Au/t, based on preliminary metallurgical test work and operations cost estimates. Table 14.8 presents the Indicated and Inferred diluted model resources for the oxide, mixed, and unoxidized resources.

The reporting cutoff of 0.3g Au/t is based on the most likely expectation for the economic development of an open-pit operation using Carbon-in-Leach ("CIL") or floatation plus CIL/Carbon-in-Pulp ("CIP") processing and gold prices around \$1,500 per ounce. Heap leaching was considered for the oxide material, but the relative amount of oxide material is small and there is limited space for both a heap-leach pad and CIL/CIP tailings disposal on the property. Preliminary metallurgical studies, although limited and not yet fully representative of all potential ore types, suggest CIP/CIL processing will be viable for oxide, mixed, and sulfide material.

Figure 14.3 and Figure 14.4 and present examples of the gold block-model estimated grades.



Table 14.7 San Ramon Gold Resources

<b>Total Indicated</b>			
<b>Cutoff</b>			
<b>g Au/t</b>	<b>Tonnes</b>	<b>g Au/t</b>	<b>oz Au</b>
0.15	10,883,000	0.99	347,000
0.20	9,239,000	1.14	338,000
0.25	8,267,000	1.24	331,000
<b>0.30</b>	<b>7,339,000</b>	<b>1.37</b>	<b>322,000</b>
0.35	6,647,000	1.48	315,000
0.40	6,031,000	1.59	308,000
0.45	5,547,000	1.69	301,000
0.50	5,151,000	1.78	295,000
0.75	3,749,000	2.22	268,000
1.00	2,821,000	2.66	242,000
1.50	1,643,000	3.70	195,000
2.00	1,080,000	4.73	164,000
3.00	609,000	6.52	128,000
4.00	393,000	8.22	104,000

**Total Inferred**

<b>Cutoff</b>			
<b>g Au/t</b>	<b>Tonnes</b>	<b>g Au/t</b>	<b>oz Au</b>
0.15	16,586,000	0.94	502,000
0.20	12,137,000	1.22	477,000
0.25	10,594,000	1.37	466,000
<b>0.30</b>	<b>9,453,000</b>	<b>1.50</b>	<b>456,000</b>
0.35	8,516,000	1.63	446,000
0.40	7,748,000	1.75	437,000
0.45	7,128,000	1.87	428,000
0.50	6,625,000	1.97	421,000
0.75	4,786,000	2.50	385,000
1.00	3,645,000	3.01	353,000
1.50	2,140,000	4.26	293,000
2.00	1,463,000	5.44	256,000
3.00	874,000	7.47	210,000
4.00	624,000	9.08	182,000

Table 14.8 San Ramon Gold Resources in Oxide, Mixed, and Unoxidized Zones

<b>Oxide Indicated</b>			
<b>Cutoff</b>			
<b>g Au/t</b>	<b>Tonnes</b>	<b>g Au/t</b>	<b>oz Au</b>
0.15	1,723,000	0.56	31,000
0.20	1,406,000	0.64	29,000
0.25	1,178,000	0.72	27,000
<b>0.30</b>	<b>973,000</b>	<b>0.82</b>	<b>26,000</b>
0.35	832,000	0.90	24,000
0.40	733,000	0.97	23,000
0.45	656,000	1.04	22,000
0.50	592,000	1.10	21,000
0.75	371,000	1.39	17,000
1.00	233,000	1.70	13,000
1.50	112,000	2.22	8,000
2.00	51,000	2.83	5,000
3.00	17,000	3.72	2,000
4.00	4,000	4.61	1,000

**Oxide Inferred**

<b>Cutoff</b>			
<b>g Au/t</b>	<b>Tonnes</b>	<b>g Au/t</b>	<b>oz Au</b>
0.15	982,000	0.52	17,000
0.20	748,000	0.63	15,000
0.25	601,000	0.73	14,000
<b>0.30</b>	<b>510,000</b>	<b>0.82</b>	<b>13,000</b>
0.35	441,000	0.89	13,000
0.40	395,000	0.96	12,000
0.45	345,000	1.03	11,000
0.50	295,000	1.13	11,000
0.75	175,000	1.48	8,000
1.00	116,000	1.79	7,000
1.50	54,000	2.46	4,000
2.00	36,000	2.80	3,000
3.00	14,000	3.60	2,000
4.00	4,000	4.21	1,000

**Table 14.8 San Ramon Gold Resources in Oxide, Mixed and Unoxidized Zones**

(continued)

**Mixed Indicated**

<b>Cutoff</b>			
<b>g Au/t</b>	<b>Tonnes</b>	<b>g Au/t</b>	<b>oz Au</b>
0.15	899,000	0.73	21,000
0.20	710,000	0.88	20,000
0.25	623,000	0.97	19,000
<b>0.30</b>	<b>556,000</b>	<b>1.05</b>	<b>19,000</b>
0.35	512,000	1.11	18,000
0.40	476,000	1.17	18,000
0.45	436,000	1.24	17,000
0.50	404,000	1.30	17,000
0.75	289,000	1.57	15,000
1.00	199,000	1.90	12,000
1.50	107,000	2.46	9,000
2.00	63,000	2.98	6,000
3.00	23,000	3.99	3,000
4.00	11,000	4.79	2,000

**Mixed Inferred**

<b>Cutoff</b>			
<b>g Au/t</b>	<b>Tonnes</b>	<b>g Au/t</b>	<b>oz Au</b>
0.15	140,000	0.80	4,000
0.20	117,000	0.92	3,000
0.25	103,000	1.02	3,000
<b>0.30</b>	<b>90,000</b>	<b>1.13</b>	<b>3,000</b>
0.35	80,000	1.22	3,000
0.40	76,000	1.27	3,000
0.45	68,000	1.37	3,000
0.50	62,000	1.45	3,000
0.75	36,000	2.08	2,000
1.00	24,000	2.64	2,000
1.50	18,000	3.17	2,000
2.00	16,000	3.33	2,000
3.00	9,000	3.83	1,000
4.00	4,000	4.65	1,000

**Table 14.8 San Ramon Gold Resources in Oxide, Mixed and Unoxidized Zones**

(continued)

**Unoxidized Indicated**

<b>Cutoff</b>			
<b>g Au/t</b>	<b>Tonnes</b>	<b>g Au/t</b>	<b>oz Au</b>
0.15	8,261,000	1.11	295,000
0.20	7,123,000	1.26	289,000
0.25	6,466,000	1.37	284,000
<b>0.30</b>	<b>5,811,000</b>	<b>1.49</b>	<b>278,000</b>
0.35	5,302,000	1.60	273,000
0.40	4,822,000	1.72	267,000
0.45	4,454,000	1.83	262,000
0.50	4,156,000	1.93	257,000
0.75	3,089,000	2.38	236,000
1.00	2,390,000	2.82	217,000
1.50	1,423,000	3.91	179,000
2.00	966,000	4.95	154,000
3.00	569,000	6.71	123,000
4.00	379,000	8.36	102,000

**Unoxidized Inferred**

<b>Cutoff</b>			
<b>g Au/t</b>	<b>Tonnes</b>	<b>g Au/t</b>	<b>oz Au</b>
0.15	15,465,000	0.97	481,000
0.20	11,271,000	1.26	458,000
0.25	9,891,000	1.41	448,000
<b>0.30</b>	<b>8,854,000</b>	<b>1.54</b>	<b>439,000</b>
0.35	7,995,000	1.67	430,000
0.40	7,277,000	1.80	421,000
0.45	6,714,000	1.92	414,000
0.50	6,267,000	2.02	407,000
0.75	4,575,000	2.54	374,000
1.00	3,505,000	3.05	344,000
1.50	2,069,000	4.32	287,000
2.00	1,410,000	5.53	251,000
3.00	851,000	7.58	207,000
4.00	616,000	9.14	181,000

Discussion of Resources

This first resource estimate performed for the Corporation at San Ramon has defined a steeply north-dipping, shear-zone-hosted gold deposit that extends roughly 1,900m in an east-west direction. A significant outcome of the Corporation's work has been development of a good geologic model, based on 139 core holes, which provided the basis of the current resource estimate and will guide future drilling and exploration at San Ramon and elsewhere in the Santa Rosa district.

About 40% of the total resource is classified as Indicated, with the remainder as Inferred, which is a reflection of the early stage of development of this project. On the positive side, the work done has shown a strong and predictable mineralized shear zone and indications of two styles of mineralization with distinctive geological characteristics that can be modeled within the shear. Substantial drilling is required for verification of continuity of high-grade zones, which is in progress at San Ramon. Infill drilling is one of several tasks needed to upgrade Inferred tonnes to Indicated and/or Measured.



Metallurgical test work that exists to date is preliminary. While the results of that test work indicate that the gold can be recovered, they are not definitive. The saprolite requires particular attention because the extreme amount of clay may impart difficulties in processing.

Increased drilling density and further metallurgical work will help bring Inferred material into Indicated. However, more work is necessary to bring material into the Measured category. To obtain sufficient confidence and certainty for Measured material, many more specific gravity measurements are required. Highly variable rock densities are present at San Ramon due the various combinations of saprolite, shear zone, country rock, oxidation, and quartz veining. The risk due to this variability can only be mitigated by measurement of many more samples.

Like any development project in its early phases, operations and procedures are constantly being improved with better understanding of the deposit. MDA has presented a list of recommendations and suggested changes to the Corporation, which are being or have been implemented in their ongoing work. The most important of those recommendations is continual and real-time review of QA/QC data as it is received from the lab, and identifying and correcting any failures immediately. Measurement of drill-hole orientations at the collar while the rig is set up and more down-hole survey measurements are also strongly recommended. In short, the quantity and increased level of confidence in the accuracy of exploration data being collected and used in the resource estimate will increase the chance of developing Measured material.

While the existence of Inferred material is not an issue, the grade cannot be determined with a high level of confidence. This is due primarily to wide drill spacing below 100m below the surface. With increased drill density, confidence in grade estimation increases, and there is potential to add additional Inferred material down-dip of known mineralization.

Although MDA is not an expert with respect to any of the following aspects of the project, MDA is not aware of any unusual environmental, permitting, legal, title, taxation, socio-economic, marketing, or political factors that may materially affect the San Ramon mineral resources as of the date of this report.

## **EXPLORATION AND DEVELOPMENT**

### **Recommendations**

San Ramon is a project of merit that warrants both exploration and development work. MDA believes that in-fill core drilling should be performed below 100m depth to bring the drilling density of sulfide mineralization initially to around 50m spacing. Also, deeper drilling is recommended to test for the presence of mineralization that would possibly expand the resource down dip. Reverse circulation or core drilling could be used to explore areas outside the San Ramon deposit. Development work should include and expand upon existing metallurgy, economic studies, and permitting.

At the time of the preparation of this report, the Corporation has already allocated budgets for, and is in the process of implementing many of the following recommendations. Infill and exploration drilling is well advanced, and much of the development work, including continued metallurgical test work and environmental baseline studies, is underway.

### **Phase I**

Recommendations for exploration and development with estimated costs are described below, and a summary of the recommendations is shown in Table 18.1 of the Santa Rosa Report.

## Exploration

- Initiate a detailed geological research program to better understand the geology of San Ramon with respect to shear-zone development and precious metal mineralization. Emphasis should be placed on a structural study to better define structural controls and the relationship between shearing and mineralization – \$50,000;
- Continue regional ground-based exploration over the entire remaining concession areas. MMI geochemistry has been successfully used at Santa Rosa and should be continued as an exploration tool – \$220,000;
- Supplement existing geophysical surveys (airborne magnetic and radiometric) to help guide exploration in areas outside the defined resource. Geophysics may also help to define potential shallow targets concealed beneath heavy vegetation and soil/saprolite development and may also identify additional targets at depth – \$50,000;
- Drill in areas where gold mineralization has been encountered in outcrop, adits, and soil sampling. Significant mineralized samples have been encountered in other parts of the property where artisanal miners have been active in the past, including northwest and east of the San Ramon deposit. Also, targets indicated by airborne magnetic and radiometric surveys should be evaluated and drilled – 20 RC holes, 10,000m at \$60/m – \$600,000;
- Drill core holes where the mineralization is open-ended down-dip to find the limits of the San Ramon deposit. The deepest intercepts so far are ~300m below the surface (in three holes). Ten core drill holes, 4,000m at \$150/m – \$600,000;
- Assaying of all surface sampling and exploration drilling – \$200,000;
- Construction of new access roads and drill sites for drilling – \$150,000;
- Support and supervision of exploration – \$730,000.

## Development

- Infill core drilling to a) increase drilling density in sulfide mineralization to at least 50m spacing, b) infill holes where data are absent in shallow areas, c) obtain samples for metallurgy, and d) conduct geotechnical investigations (*e.g.* density, rock mechanics). – ±65 core holes, 20,000m at \$150/m – \$3,000,000;
- Assays of core samples – \$500,000;
- Detailed petrographic studies should be undertaken to characterize the nature of gold in altered and sheared rock in general and sulfides in particular – \$15,000;
- Expand metallurgical test work to better define recoveries at San Ramon. The potential for recovery of gold from saprolites should be investigated. More testing of sulfide mineralization specific to anticipated processing and recovery methods should also be performed. Bulk samples for test work should be composited from samples that represent the deposit both spatially and lithologically. Variability test work should also be included. Modified ABA tests on sulfide material will be needed to determine if that material is potentially acid-generating. Comminution,

agitated leaching, flotation, solid/liquid separation, and cyanide detoxification test work on representative samples of oxide, mixed, and sulfide material is already underway – \$300,000;

- Environmental studies, including hydrology and other baseline studies that will be necessary for permitting and the Environmental Impact Assessment for the project. – \$870,000;
- Support and supervision of development – \$903,000.

### **Other Projects**

The Corporation holds other projects in Colombia including the Pavo Real and Cajamarca Projects. Information on the terms of the relevant option agreements are provided in the Corporation's Financial Statements for the year ended December 31, 2012.

### **ARTICLE 4 DIVIDENDS**

No dividends on the Common Shares have been paid by the Corporation. Management anticipates that the Corporation will retain all future earnings and other cash resources for the future operation and development of its business. The Corporation does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Corporation's board of directors after taking into account many factors including the Corporation's operating results, financial condition and current and anticipated cash needs.

### **ARTICLE 5 DESCRIPTION OF CAPITAL STRUCTURE**

The Corporation's authorized capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares, of which 58,567,818 Common Shares are issued and outstanding as at the date of this Annual Information Form. The holders of Common Shares are entitled to one vote for each Common Share held, and shall be entitled to dividends if and as when declared by the board of directors.

Holders of Common Shares are entitled on liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. All of the Common Shares are fully paid and non-assessable.

### **ARTICLE 6 MARKET FOR SECURITIES**

#### **6.1 TRADING PRICE AND VOLUME**

The following tables set out the high and low daily closing prices and the volumes of trading of the Corporation's Common Shares and Share Purchase Warrants on the Exchange from the date of listing of the Corporation's Common Shares and Share Purchase Warrants on the Exchange from January 1, 2012 to the date of this AIF.

<b>COMMON SHARES</b>			
<b>Period</b>	<b>Price Range</b>		<b>Trading Volume</b>
	<b>High(\$)</b>	<b>Low(\$)</b>	
March 1-31, 2013	0.50	0.33	263,150
February 1-28, 2013	0.60	0.43	866,760
January 1-31, 2013	0.60	0.42	987,760
December 1-31, 2012	0.51	0.41	565,220
November 1-30, 2012	0.59	0.45	851,500
October 1-31, 2012	0.60	0.52	681,310
September 1-30, 2012	0.62	0.45	696,001
August 1-31, 2012	0.53	0.43	352,696
July 1-31, 2012	0.65	0.46	1,103,283
June 1-30, 2012	0.66	0.28	1,092,427
May 1-31, 2012	0.42	0.27	803,243
April 1-30, 2012	0.63	0.37	497,400
March 1-31, 2012	0.85	0.58	476,276
February 1-29, 2012	0.77	0.58	1,029,566
January 1-31, 2012	0.76	0.58	599,694

<b>SHARE PURCHASE WARRANTS</b>			
<b>Period</b>	<b>Price Range</b>		<b>Trading Volume</b>
	<b>High(\$)</b>	<b>Low(\$)</b>	
March 1-31, 2013	NIL	NIL	NIL
February 1-28, 2013	0.005	0.005	5,000
January 1-31, 2013	0.005	0.005	19,500
December 1-31, 2012	NIL	NIL	NIL

<b>SHARE PURCHASE WARRANTS</b>			
<b>Period</b>	<b>Price Range</b>		<b>Trading Volume</b>
	<b>High(\$)</b>	<b>Low(\$)</b>	
November 1-30, 2012	0.005	0.005	98,000
October 1-31, 2012	NIL	NIL	NIL
September 1-30, 2012	0.04	0.04	4,500
August 1-31, 2012	0.10	0.01	105,580
July 1-31, 2012	0.10	0.06	42,500
June 1-30, 2012	0.06	0.01	28,000
May 1-31, 2012	0.06	0.02	22,000
April 1-30, 2012	NIL	NIL	NIL
March 1-31, 2012	0.15	0.09	23,000
February 1-29, 2012	0.23	0.10	48,000
January 1-31, 2012	0.23	0.14	52,480

## **6.2 PRIOR SALES**

None.

## **ARTICLE 7 ESCROWED SECURITIES**

In connection with the completion of the Corporation's initial public offering on June 24, 2011, 8,452,002 Common Shares and 3,375,000 share purchase warrants were placed in escrow with Computershare Trust Company of Canada as escrow agent. As at December 31, 2012, 3,803,400 Common Shares of the Corporation remained in escrow and 1,586,250 share purchase warrants of the Corporation remained in escrow. The Corporation currently has the following Common Shares in escrow:

<b>Designation of Class</b>	<b>Number of Securities held in Escrow</b>	<b>Percentage of Class</b>
Common Shares	3,803,400	6.5%
Warrants	1,586,250	2.7%

These securities are to be released from escrow as to 25% on the date which is six months after the Listing Date and then in equal blocks of 15% of a Principal's Escrowed Securities at six month intervals over the 36 months following June 28, 2011.

## ARTICLE 8 DIRECTORS AND OFFICERS

### 8.1 NAME, OCCUPATION AND SECURITY HOLDINGS

The following are the names, province and country of residence of the directors and officers of the Corporation, the positions and offices they hold with the Corporation and their principal occupations during the five preceding years.

Each director will hold office until the next annual general meeting of the shareholders of the Corporation unless his office is earlier vacated in accordance with the *Business Corporations Act* (British Columbia) and the Articles of the Corporation.

Name and Municipality of Residence and Position with the Corporation	Director/ Officer Since	Principal Occupation for the Past Five Years
Ian Slater Vancouver, BC <i>Chairman, Chief Executive Officer and Director</i>	Chairman and Chief Executive Officer since January 4, 2010	Chairman and Chief Executive Officer
Robert Bell Perth, Australia <i>Director, Chief Operating Officer</i>	Director since January 4, 2010 Chief Operating Officer since January 15, 2013	Mining Engineer and Chief Operating Officer
Jeffrey Mason <sup>(1)(2)</sup> Vancouver, BC <i>Director</i>	Director since January 4, 2010	Chartered Accountant, Chief Financial Officer of Prophecy Coal Corp. and Prophecy Platinum Corp.
Tim Petterson Vancouver, BC <i>Director</i>	Director since January 4, 2010	Mining Engineer and Chief Executive Officer of Black Eagle Mining Corporation
Jay Sujir <sup>(1)(2)</sup> Vancouver, BC <i>Director</i>	Director since January 4, 2010	Lawyer
Ken Cunningham <sup>(2)</sup> Reno, Nevada <i>Director</i>	Director since March 28, 2011	Geologist and Chief Executive Officer of Miranda Gold Corp.
Robert Bruce Pease <sup>(1)</sup> Surrey, BC <i>Director</i>	Director since April 14, 2011	Geologist and Chief Executive Officer, of Sabina Gold & Silver Corp.

Name and Municipality of Residence and Position with the Corporation	Director/ Officer Since	Principal Occupation for the Past Five Years
Christopher Noel Dunn Massachusetts, USA <i>Director</i>	Director since October 23, 2012	Managing Director of Liberty Metals & Mining, Liberty Mutual Group Asset Management Inc.
Jeffrey Toohey Squamish, BC <i>Vice President Exploration</i>	Vice President Exploration since January 1, 2013	Vice President Exploration of Peregrine Metals Ltd
James Howson Vancouver, BC <i>Chief Financial Officer</i>	Chief Financial Officer since October 1, 2011	Chartered Accountant
Surita Banger Vancouver, BC <i>Corporate Secretary</i>	Corporate Secretary since October 1, 2011	Paralegal/ Legal Assistant

(1) *Denotes member of Audit Committee*

(2) *Denotes member of Corporate Governance and Compensation Committee*

The directors and officers of the Corporation, as a group, own, directly or indirectly, 8,452,002 Common Shares of the Corporation, representing approximately 14.43% of the total issued and outstanding Common Shares of the Corporation.

## 8.2 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Other than as described below, during the ten years preceding the date of this Annual Information Form and as at the date of this Annual Information Form, no director or executive officer of the Corporation has, to the knowledge of the Corporation, been a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, and that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, and that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as described below, during the ten year period preceding the date of this Annual Information Form and as at the date of this Annual Information Form, no director or executive officer of the

Corporation or a security holder who holds a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- (c) is a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Mr. Jay Sujir is currently a director of Rio Silver Inc. (formerly Escape Gold Inc.) and a former director of American Bullion Minerals Limited, both of which companies were subject to cease-trade orders in Alberta and British Columbia for extended periods of time for failure to file financial statements. Mr. Sujir had no association with these companies whatsoever at the time the financial statements became overdue or when the cease trade orders were made, and he became a director solely to assist in the resurrection of such companies.

Mr. Jay Sujir was an independent director of Norwood Resources Ltd. from May 2008 until January 2011. In the last quarter of 2010, the board of directors of Norwood determined that the delays through the last quarter of 2010 had made the company insolvent and believed that the company was unfinanceable, and determined that the interests of all stakeholders would best be protected by an assignment into bankruptcy. Norwood declared bankruptcy on January 19, 2011. Mr. Sujir resigned as a director on January 19, 2011.

### **8.3 CONFLICTS OF INTEREST**

The directors and officers of the Corporation are directors, officers and/or shareholders of other private and publicly listed corporations, including corporations that engage in mineral exploration and development. Conflicts may arise between their duties to the Corporation and their duties to such other corporations. All such conflicts will be dealt with pursuant to the provisions of the applicable corporate legislation. In the event that such a conflict of interest arises at a meeting of the Directors, a Director affected by the conflict must disclose the nature and extent of his interest and abstain from voting for or against matters concerning the matter in respect of which the conflict arises. Directors and executive officers are required to disclose any conflicts or potential conflicts to the board of Directors as soon as they become aware of them.

## **ARTICLE 9 PROMOTERS**

Mr. Ian Slater, the Chairman and CEO of the Corporation, is the promoter of the Corporation. Mr. Slater owns 2,013,334 common shares of the Corporation, representing 3% of the issued and outstanding Common Shares.



**ARTICLE 10  
LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Management knows of no legal proceedings, contemplated or actual, involving the Corporation which could materially affect the Corporation.

Management knows of no:

- (a) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2012; or
- (b) any other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision; or
- (c) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority during the financial year ended December 31, 2012.

**ARTICLE 11  
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No

- 1. director or executive officer of the Corporation;
- 2. person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Corporation's outstanding voting securities; and
- 3. associate or affiliate of any of the persons or companies referred to in paragraphs 1 or 2 has, during any of the financial year ended December 31, 2012 and during the current financial year, any material interest in any transactions or any proposed transactions which has materially affected or will materially affect the Corporation.

**ARTICLE 12  
TRANSFER AGENT AND REGISTRAR**

The Registrar and Transfer Agent for the Corporation's Common Shares is Computershare Investor Services Inc., 2nd Floor, 510 Burrard Street, Vancouver, BC V6C 3B9.

**ARTICLE 13  
MATERIAL CONTRACTS**

The following is a list of all contracts which the Corporation or its subsidiaries are a party to, and which currently can reasonably be regarded as material to a security holder of the Corporation:

- 1. Santa Rosa Purchase Agreement referred to under "General Development of the Business".

2. Management Services Agreement between the Corporation and SB Management Ltd. dated January 4, 2010.
3. NSR Royalty Agreement between the Corporation, Red Eagle Mining de Colombia Limited and Liberty Metals and Mining Holdings, LLC dated October 22, 2012.
4. Bullet Purchase Agreement between the Corporation, Red Eagle Mining de Colombia Limited, Bullet Holding Corp. and La Pena Som; El Molina Som; El Percal Som, Esquimal Som; Frontera Som; Grupo de Bullet S.A.S; Jupiter Som; Costa Som; Gongora Som dated October 24, 2012.

#### **ARTICLE 14 INTERESTS OF EXPERTS**

The following are the persons or companies:

1. who were named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or relating to, the fiscal year ending December 31, 2012, being the Corporation's most recently completed financial year; and
2. whose profession or business gives authority to the statement, report or valuation made by the person or company:
  - (a) Ernst & Young LLP, Chartered Accountants:
    - (i) provided an auditor's report dated April 5, 2013 in respect of the Corporation's financial statements for the year ended December 31, 2012 and incorporated by reference into this Annual Information Form; and
    - (ii) is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.
  - (b) Michael S. Lindholm and W. Joseph Schlitt are the authors responsible for the preparation of the Technical Report dated January 22, 2013 entitled "San Ramon Deposit, Santa Rosa Project, Colombia"

#### **ARTICLE 15 ADDITIONAL INFORMATION**

##### **15.1 AUDIT COMMITTEE INFORMATION**

National Instrument 52-110 – Audit Committees requires companies that file an Annual Information Form to provide certain disclosure with respect to their audit committee, including the text of the audit committee's charter, the composition of the audit committee and the fees paid to the external auditor. This information is provided in Schedule "A" hereto.

##### **15.2 ADDITIONAL INFORMATION**

Additional information concerning the Corporation is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") which may be accessed at [www.sedar.com](http://www.sedar.com). Copies of such information may also be obtained on the Corporation's website at

[www.redeaglemining.com](http://www.redeaglemining.com) or on request without charge from Surita Banger, Corporate Secretary of the Corporation, Suite 920 – 1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3.

Additional information, including information as to directors and officers remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the Information Circular of the Corporation dated October 31, 2012. Additional financial information is provided in the Corporation's Financial Statements and the Management's Discussion and Analysis for the year ended December 31, 2012. Copies of such documents may be obtained in the manner set forth above.

**SCHEDULE "A"**  
**TO THE ANNUAL INFORMATION FORM OF**  
**RED EAGLE MINING CORPORATION**

**AUDIT COMMITTEE INFORMATION**

**ITEM 1: AUDIT COMMITTEE CHARTER**

**PURPOSE**

The Audit Committee ("Committee") is appointed by the Company's board of directors (the "Board") to assist the Board in overseeing and monitoring: (1) the integrity of the financial statements of the Company; (2) the compliance by the Company with legal and regulatory requirements; (3) the independence and performance of the Company's independent auditors, which independent auditors shall report directly to the Audit Committee; and (4) the auditing, accounting and financial reporting processes generally.

**1. COMPOSITION, PROCEDURES AND ORGANIZATION**

1.1 The Committee shall consist of at least three (3) members of the Board of Directors (the "**Board**"). Members of the Audit Committee shall be appointed by the Board and may be removed or replaced by the Board, from time to time, in its discretion. There shall be a chairman of the Audit Committee, who shall be appointed by the Board. The members of the Audit Committee shall meet the independence and experience requirements for Audit Committee members of applicable securities laws and any exchange or quotation system upon which the Company's securities are listed or quoted.

1.2 Review and reassess the adequacy of this Audit Committee Charter ("Charter") annually and recommend any proposed changes to the Board for approval.

1.3 The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.

1.4 The Committee shall have access to such officers, employees and consultants of the Company and to the Company's external auditors, and to such information respecting the Company, as it considers being necessary or advisable in order to perform its duties and responsibilities.

1.5 Meetings of the Committee shall be conducted as follows:

- a. the Committee shall meet as necessary to fulfill its duties and responsibilities in person or via telephone at such times and at such locations as may be requested by the chair of the Committee.
- b. The external auditors or any member of the Committee may request a meeting of the Committee;
- c. the external auditors shall attend meetings at the request of the Committee; and
- d. management representatives may be invited to attend meetings except private sessions with the external auditors.

1.6 The external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee/consultant of the Company as it deems necessary, and any employee / consultant may bring before the Committee any matter, including questionable, illegal or improper financial practices or transactions and or positive input on good sound practices and transactions.

1.7 The Committee shall have the authority:

- a. to engage independent counsel and other advisors as it determines necessary to carry out its duties,
- b. to set and pay the compensation for any advisors employed by the Committee; and
- c. to communicate directly with the external auditors.

1.8 While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations.

## **2. OVERALL DUTIES AND RESPONSIBILITIES**

2.1 The overall duties and responsibilities of the Committee shall be as follows:

- a. review and approval of the annual audited financial statements, the interim financial statements, management's discussion and analysis, and press releases with respect to disclosure of financial information;
- b. review of the Company's accounting principles, reporting practices and adequacy of internal controls;
- c. review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including an analysis of the effect of alternative accounting methods, if any, on the Company's financial statements;
- d. ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements;
- e. establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
- f. establish a procedure for the confidential, anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters;
- g. establish and maintain a direct line of communication with the Company's external auditors and assess their performance;

- h. ensure that the management of the Company has designed, implemented and is maintaining an effective system of internal financial controls; and
- i. report regularly to the Board on the fulfillment of its duties and responsibilities.

### **3. EXTERNAL AUDITORS**

3.1 The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:

- a. recommend to the Board a firm of external auditors to be engaged by the Company, and to verify the independence of such external auditors;
- b. review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
- c. review the audit plan of the external auditors prior to the commencement of the audit; and
- d. review with the external auditors:
  - i.* non-audit services provided by the external auditors;
  - ii.* the quality including the acceptability of the Company's accounting principles; and
  - iii.* procedures to ensure that the Committee meets with the external auditors on a regular basis in the absence of management.

### **4. INTERNAL CONTROLS**

4.1 The duties and responsibilities of the Committee as they relate to the internal control procedures of the Company shall be as follows:

- a. review the appropriateness and effectiveness of the company's policies, internal controls, and business practices which have a financial impact on the company, including those relating to insurance, accounting, information systems and financial controls, management reporting, tax and risk management;
- b. concurrently with the corporate governance committee review compliance under the company's business conduct and ethics policies, and to periodically review these policies and recommend to the board changes which the committee may deem appropriate;
- c. review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the company; and
- d. periodically review the company's financial and internal control procedures and the extent to which recommendations made by the external auditors have been implemented.

## **5. OTHER DUTIES AND RESPONSIBILITIES**

5.1 Other duties and responsibilities of the Committee shall be as follows:

- a. review, approve and report to the board with respect to the financial sections of:
  - i. the annual report to shareholders;
  - ii. the annual information form, if required;
  - iii. prospectuses; and
  - iv. other public reports of a financial nature requiring approval by the board;
- b. review regulatory filings and decisions as they relate to the company's consolidated financial statements;
- c. review the appropriateness of the policies and procedures used in the preparation of the company's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
- d. review the minutes of any audit committee meeting of subsidiary companies;
- e. review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the company and the manner in which such matters have been disclosed in the consolidated financial statements;
- f. review the company's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information; and
- g. develop a calendar of activities to be undertaken by the committee for each ensuing year based on this charter.

### **ITEM 2: COMPOSITION OF THE AUDIT COMMITTEE**

The current members of the Committee are Jeffrey Mason, Jay Sujir and Robert Pease. All of the members are financially literate and are all independent. "Independent" and "financially literate" have the meaning used in National Instrument 52-110 (the "instrument") of the Canadian Securities Administrators.

### **ITEM 3: RELEVANT EDUCATION AND EXPERIENCE**

The relevant education and/or experience of each member of the Audit Committee is as follows:

Mr. Jeffrey Mason

Mr. Mason is a Director of the Corporation. Mr. Mason is the Chief Financial Officer of Prophecy Coal Corp. and Prophecy Platinum Corp. Mr. Mason holds a Bachelor of Commerce degree from the University of British Columbia (May 1980) and obtained his Chartered Accountant designation from the Institute of Chartered Accountants, BC in August 1982 while at the international accounting firm of Deloitte & Touche. Following comptrollership positions at Homestake Mining Group of companies. Mr. Mason has spent the last several years as a corporate officer and director to a number of publicly-traded mineral exploration companies. Until early 2008, Mr. Mason was employed as Chief Financial Officer of Hunter Dickinson Inc. and his principal occupation was the financial administration of the public companies to which Hunter Dickinson Inc. provides services.

Mr. Jay Sujir

Mr. Sujir is a Director of the Corporation. Mr. Sujir is a securities and natural resources lawyer who has extensive experience in advising and assisting public companies. He has been a partner with Anfield Sujir Kennedy & Durno and its predecessor firms since 1991. Mr. Sujir obtained his Bachelor of Arts degree from the University of Victoria in 1981 with a double major in Economics and Philosophy and obtained his Bachelor of Law degree from the University of Victoria in 1985. He is a member of the Law Society of British Columbia, the Canadian Bar Association, and the British Columbia Advisory Committee of the TSX Venture Exchange.

Mr. Robert Pease

Mr. Robert Pease is a Director of the Corporation. Mr. Pease is the Chief Executive Officer of Sabina Gold & Silver. He was previously the founder, CEO and a Director of Terrane Metals which was acquired in 2010 by Thompson Creek Metals. He was employed by Placer Dome for twenty five years, most recently as General Manager, Canada Exploration and Global Major Projects. He was responsible for managing all aspects of Placer Dome's Canadian exploration, and overseeing the geological aspects of world-wide advanced, major exploration and developments projects. Mr. Pease holds a B.Sc. degree in Earth Science from the University of Waterloo, a Professional Geologist (British Columbia) certification and is a Fellow of the Geologic Association of Canada. He is also a past Chairman of the Association for Mineral Exploration British Columbia.

**ITEM 4: AUDIT FEES**

Ernst & Young LLP, Chartered Accountants, will be nominated at the Meeting for re-appointment as the auditors of the Corporation with their remuneration to be fixed by the Board of Directors. Ernst & Young LLP have been the Corporation's auditors since December, 2010.

Fees billed by Ernst & Young and its affiliates for the year ended December 31, 2012 and the year ended December 31, 2011 were approximately C\$78,000 and C\$77,000 respectively. The aggregate fees billed by the auditors in fiscal 2011 and fiscal 2010 are detailed below.

<i>(Canadian \$ in 000's)</i>	<u>2012</u>	<u>2011</u>
Audit Fees (a)	\$55	\$62
Audit Related Fees (b)	5	—
Tax Fees (c)	\$17	\$16
All Other Fees (d)	—	—
Total	<u>\$77</u>	<u>\$78</u>



- (a) Fees for audit services billed or expected to be billed relating to the year ending December 31, 2012 and the year ending December 31, 2011 consisted of the audit of the Company's annual financial statements; and
- (b) Fees for tax services consisted of income tax compliance.

***Pre-Approval Policies and Procedures***

All services to be performed by the Corporation's independent auditor must be approved in advance by the Audit Committee or a designated member of the Audit Committee ("Designated Member"). The Designated Member is a member of the Audit Committee who has been given the authority to grant pre-approvals of the permitted audit and non-audit services.

The Audit Committee has considered whether the provision of services other than the audit services is compatible with maintaining the auditors' independence and had adopted a policy governing the provision of these services. This policy requires the pre-approval by the Audit Committee or the Designated Member of all audit and non-audit services provided by the external auditor, other than the *de minimis* non-audit services allowed by the applicable law or regulation. The decisions of the Designated Member to pre-approve a permitted service are reported to the Audit Committee at its regularly scheduled meetings.

Pre-approval from the Audit Committee or Designated Member can be sought for planned engagements based on budgeted or committed fees. No further approval is required to pay pre-approved fees. Additional pre-approval is required for any increase in the scope or in final fees.

Pursuant to these procedures, 100% of each of the services provided by the Corporation's external auditors relating to the fees reported as audit, audit-related, tax and all other fees were pre-approved by the Audit Committee or the Designated Member.