Touchstone Gold Limited: Results for the Three and Six Months Ended June 30, 2013 and 2012

15.08.2013 | Marketwired

TORONTO, Aug 14, 2013 - Touchstone Gold Ltd. (TSX:TCH) (AIM:TGL) (FRANKFURT: T03) ("Touchstone Gold" or the "Company) reported its financial results for the three and six months ended June 30, 2013 and 2012. The interim unaudited condensed consolidated financial statements for the three and six months ended June 30, 2013 and 2012 and notes thereto, as well as the Management's Discussion and Analysis are available at www.sedar.com and www.touchstonegold.com. Unless otherwise noted, all financial information is expressed in US dollars.

Highlights

- For the three months ended June 30, 2013 the Company recorded a net loss of $15,054,747 or $0.07 per share compared with a loss of $2,184,769 or $0.02 per share for the three months ended June 30, 2012. For the six months ended June 30, 2013 the Company recorded a net loss of $16,405,243 or $0.08 per share compared with a loss of $5,372,242 or $0.05 per share for the six months ended June 30, 2012. Impacting results for the period ended June 30, 2013, was an impairment charge recorded on the carrying value of mineral interests.
- At June 30, 2013, the Company had cash and cash equivalents of $823,940.
- During the three and six months ended June 30, 2013, the Company commenced its Stage 4 drilling program as well as identified a new target zone (the "Bern" zone). The program was to focus on three zones; the 1141 Zone, Tagual Zone and the Bern zone, however, only the 1141 zone saw drilling. Additionally, the Company achieved positive results from metallurgical tests conducted on several samples, Pepas #1 and Pepas #2. Initial results indicated recoveries from 87.9% to 95% gold in floatation concentrate with Cyanide leaching providing recoveries ranging from 40.5% to 90.7%.
- During the period ended June 30, 2013, the Company made a surface discovery of a new gold zone 350m west of the Pepas and Filodehombre trends.
- Subsequent to June 30, 2013, the Company's President and Chief Executive Officer, David Wiley resigned. In addition, Lord Clanwilliam Patrick James Gillford also resigned from the Company's Board of Directors.

U.S. Dollars	As at June 30, 2013	As at December 31, 2012
Statements of financial position		
Cash and cash equivalents	$ 823,940	$ 4,087,940
Total current assets	$ 954,005	$ 4,251,847
Total assets	$ 2,442,954	$ 19,464,508
Total current liabilities	$ 643,211	$ 1,044,485
Total liabilities	$ 643,211	$ 1,520,337
Total equity attributed to common shareholders	$ 1,799,743	$ 17,944,171
Total liabilities and equity	$ 2,442,954	$ 19,464,508

U.S. Dollars except per share amounts	For the three months ended June 30,		For the six months ended June 30,	
Statements of Operations	2013	2012	2013	2012
Exploration expenditures	$ (886,161)	$ (1,072,586)	$ (1,550,244)	$ (2,969,946)
Impairment of mineral interests	(13,632,773)	-	(13,632,773)	-
Share-based payment expense	(155,237)	(295,277)	(331,486)	(635,190)
Depreciation	(28,630)	(3,277)	(55,911)	(7,973)

Professional and consulting fees		(366,380)		(557,564)		(760,068)		(1,363,220)
Travel		(106,705)		(54,626)		(149,280)		(93,826)
Office and sundry expenses		(8,963)		(20,500)		(15,391)		(51,164)
Salaries		(107,273)		(81,113)		(214,847)		(151,195)
Other operating costs		(53,885)		(53,702)		(117,055)		(114,970)
Other financial income		291,260		(46,124)		421,812		15,242
Net loss	$	(15,054,747)	$	(2,184,769)	$	(16,405,243)	$	(5,372,242)
Net loss per share attributed to common shareholders								
Basic	$	(0.07)	$	(0.02)	$	(0.08)	$	(0.05)
Diluted	$	(0.07)	$	(0.02)	$	(0.08)	$	(0.05)

About Touchstone Gold Limited

Touchstone Gold Ltd. (TSX:TCH)(AIM:TGL) is a gold exploration company with a highly-prospective gold project in the Segovia District of Colombia. The Company's Segovia Gold Project hosts a high-grade near-surface gold deposit, Rio Pescado Deposit, which spans along more than 15km of potential strike length. Only 5% of the Company's property has been drilled to date and several identified target zones, which host high-grade gold geochemical anomalies.

With a strategy of creating value through the systematic exploration and development of Touchstone's existing assets as well as the acquisition of suitable exploration and development mineral projects, Touchstone's long-term intention is to build a significant gold exploration and production company.

For additional technical information on the Rio Pescado Deposit, please refer to the Company's technical report (the "Technical Report") entitled "Technical Report on The Rio Pescado Gold Property, Republic of Colombia" dated June 30, 2012, prepared by Peter A. Christopher PhD., P.Eng. of PAC Geological Consulting available on SEDAR at www.sedar.com and on the Company website at www.touchstonegold.com.

Cautionary Note Regarding Forward-Looking Information

Certain information set forth in this press release contains "forward-looking information" under applicable securities laws. Except for statements of historical fact, certain information contained herein constitutes forward-looking information which includes the completion of the Acquisition, the drill program and management's assessment of Touchstone's future plans and operations and are based on Touchstone's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking information may be identified by words such as "expects" "anticipates", "believes", "projects", "plans", and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking information may necessarily involve known and unknown risks and uncertainties, which may cause Touchstone's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking information. These risks and uncertainties include, but are not limited to: liabilities inherent in mine development and production; geological, mining and processing technical problems; Touchstone's inability to obtain required mine licenses, mine permits and regulatory approvals required in connection with mining and mineral processing operations; competition for, among other things, capital, acquisitions of resources and reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; currency and interest rate fluctuations; various events which could disrupt exploration and development, including labour stoppages and severe weather conditions; and management's ability to anticipate and manage the foregoing factors and risks. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Touchstone undertakes no obligation to update forward-looking information if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking information.

CONSOLIDATED FINANCIAL STATEMENTS - For the three and six months ended June 30, 2013 and 2012

MANAGEMENT'S RESPONSIBILITY FOR INTERIM CONDENSED CONSOLIDATED FINANCIAL

STATEMENTS

All of the information in the accompanying unaudited interim condensed consolidated financial statements of Touchstone Gold Ltd. is the responsibility of management. The unaudited interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Where necessary, management has made judgments and estimates in preparing the unaudited interim condensed consolidated financial statements, and such statements have been prepared within acceptable limits of materiality.

Management maintains appropriate systems of internal control given its size to give reasonable assurance that its assets are safeguarded, and the financial records are properly maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee meets with management to review the consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the consolidated financial statements.

(signed) *"Fraser Buchan"*	(signed) *"Brian Morales"*
Fraser Buchan	Brian Morales
Member of the Audit Committee	Chief Financial Officer

Toronto, Canada
August 14, 2013

TOUCHSTONE GOLD LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in U.S. Dollars)

ASSETS	Note		June 30, 2013		December 31, 2012
Current assets					
Cash and cash equivalents	7	$	823,940	$	4,087,940
Accounts receivable	7		123,597		157,947
Prepaid expenses and other current assets			6,468		5,960
Total current assets			954,005		4,251,847
Property, plant and equipment, net	4		468,221		559,160
Mineral interests	4		1,020,728		14,653,501
		$	2,442,954	$	19,464,508
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade accounts payable	7	$	597,201	$	804,938
Taxes payable			26,749		55,131
Accrued and other liabilities	7		19,261		177,441
Fair value of warrant liability	7		-		6,975
Total current liabilities			643,211		1,044,485
Fair value of warrant liability			-		475,852
Total liabilities			643,211		1,520,337
Shareholders' equity					
Share capital	6	$	33,857,857	$	33,857,857
Stock option reserve	6		5,208,244		4,876,758
Warrant reserve	6		212,722		212,722
Accumulated deficit			(37,332,636)		(20,927,393)
Accumulated other comprehensive loss			(146,444)		(75,773)
			1,799,743		17,944,171
		$	2,442,954	$	19,464,508
Commitments and contingent liabilities	10				

See accompanying notes to the unaudited interim condensed consolidated financial statements

Signed on behalf of the Board of Directors:

Fraser Buchan (*signed*), Director	Paul Cowley (*signed*), Director

TOUCHSTONE GOLD LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in U.S. Dollars)

	Note	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Costs and expenses					
Exploration expenditures		$ (886,161)	$ (1,072,586)	$ (1,550,244)	$ (2,969,946)
Impairment of mineral interest	4	(13,632,773)	-	(13,632,773)	-
Share-based payment expense		(155,237)	(295,277)	(331,486)	(635,190)
Depreciation		(28,630)	(3,277)	(55,911)	(7,973)
Professional and consulting fees	5	(366,380)	(557,564)	(760,068)	(1,363,220)
Travel		(106,705)	(54,626)	(149,280)	(93,826)
Office and sundry expenses		(8,963)	(20,500)	(15,391)	(51,164)
Salaries	5	(107,273)	(81,113)	(214,847)	(151,195)
Other operating costs		(53,885)	(53,702)	(117,055)	(114,970)
		(15,346,007)	(2,138,645)	(16,827,055)	(5,387,484)
Other income (expense)					
Financial income		1,434	1,724	1,938	27,938
Change in fair value of derivative liability		329,560	-	547,304	-
Bank fees, commissions and financial fees		(6,843)	(9,706)	(12,201)	(18,334)
Foreign exchange (loss) gain		(32,891)	(38,142)	(115,229)	5,638
		291,260	(46,124)	421,812	15,242
Loss before income taxes		(15,054,747)	(2,184,769)	(16,405,243)	(5,372,242)
Net loss		$ (15,054,747)	$ (2,184,769)	$ (16,405,243)	$ (5,372,242)
Net loss per share - basic and diluted	8	$ (0.07)	$ (0.02)	$ (0.08)	$ (0.05)
Weighted average number of common shares outstanding - basic and diluted	8	201,329,267	103,703,705	201,329,267	103,703,705

See accompanying notes to the unaudited interim condensed consolidated financial statements

TOUCHSTONE GOLD LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in U.S. Dollars)

	Three months ended June 30 2013	Three months ended June 30 2012	Six months ended June 30 2013	Six months ended June 30 2012
Net loss	$ (15,054,747)	$ (2,184,769)	$ (16,405,243)	$ (5,372,242)
Currency translation adjustments	(35,163)	14,083	(70,671)	(23,911)
Comprehensive loss	$ (15,089,910)	$ (2,170,686)	$ (16,475,914)	$ (5,396,153)

See accompanying notes to the unaudited interim condensed consolidated financial statements

TOUCHSTONE GOLD LIMITED

UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Expressed in U.S. Dollars)

	Note	Common shares					
		Number of Shares	Dollars	Stock option reserve	Warrant reserve	Deficit	Accumulated other comprehensive loss
December 31, 2011		103,703,705	$ 17,371,890	$ 2,493,474	$ 161,920	$ (10,755,828)	$ (67,195)
Net loss		-	-	-	-	(5,372,242)	-
Share-based compensation expense		-	-	635,190	-	-	-
Foreign currency translation		-	-	-	-	-	15,333
June 30, 2012		103,703,705	17,371,890	3,128,664	161,920	(16,128,070)	(51,862)
Common shares issued in respect of the acquisition of Atlantis		59,108,300	11,406,764	-	-	-	-
Common shares issued in respect of the acquisition of El Cinco		4,089,762	721,553	-	-	-	-
Units issued in respect of private placement, net of cash transaction costs		34,427,500	4,883,073	-	50,802	-	-
Warrants issued in respect of private placement		-	(525,423)	-	-	-	-
Share-based compensation expense		-	-	1,748,094	-	-	-
Foreign currency translation		-	-	-	-	-	(23,911)
Net loss		-	-	-	-	(4,799,323)	-
December 31, 2012		201,329,267	33,857,857	4,876,758	212,722	(20,927,393)	(75,773)
Share-based compensation expense		-	-	331,486	-	-	-
Foreign currency translation		-	-	-	-	-	(70,671)
Net loss		-	-	-	-	(16,405,243)	-
June 30, 2013		201,329,267	$ 33,857,857	$ 5,208,244	$ 212,722	$ (37,332,636)	$ (146,444)

See accompanying notes to the unaudited interim condensed consolidated financial statements

TOUCHSTONE GOLD LIMITED

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in U.S. Dollars)

	Note	Three months ended June 30		Six months ended June 30	
		2013	2012	2013	2012
Cash flow from operating activities					
Net loss		$ (15,054,747)	$ (2,184,769)	$ (16,405,243)	$ (5,372,242)
Non-cash items:					
Impairment of mineral interests		13,632,773	-	13,632,773	-
Share-based payment expense		155,237	295,277	331,486	635,190

Depreciation	28,630	3,277	55,911	7,973
Foreign exchange loss	32,891	38,142	115,229	(5,638)
Change in fair value of derivative liability	(329,560)	-	(547,304)	-
Adjustments to reconcile net income (loss) to net cash used in operating activities				
Changes in non-cash operating assets and liabilities				
Accounts receivable	(12,398)	(43,369)	(63,682)	(36,096)
Prepaid expenses and other current assets	1,880	(7,419)	(1,050)	(7,419)
Trade accounts payable and taxes payable	(14,971)	(422,343)	(93,695)	(288,676)
Accrued liabilities	(17,403)	(18,954)	(158,180)	14,970
Net cash used in operating activities	(1,577,668)	(2,340,158)	(3,133,755)	(5,051,938)
Cash flow from investing activities				
Purchases of property and equipment	-	(40,451)	-	(75,736)
Purchases of other assets	-	(224,003)	-	(224,003)
Net cash used in investing activities	-	(264,454)	-	(299,739)
Cash flow from financing activities				-
Net cash provided by financing activities	-	-	-	-
Effect of exchange rate changes on cash not held in U.S. dollars	(38,882)	(54,653)	(130,245)	(10,625)

Decrease in Cash and Cash Equivalents	(1,616,550)	(2,659,265)	(3,264,000)	(5,362,302)
Cash and Cash Equivalents, beginning of period	2,440,490	7,001,308	4,087,940	9,704,345
Cash and Cash Equivalents, end of period	$ 823,940	$ 4,342,043	$ 823,940	$ 4,342,043

See accompanying notes to the unaudited interim condensed consolidated financial statements

NOTE 1 - NATURE OF OPERATIONS

Touchstone Gold Ltd. ("Touchstone Gold") and its wholly-owned subsidiaries, which are noted below, (collectively "the Company") is an exploration stage company engaged in the exploration and development of gold properties in Colombia.

Touchstone Gold was incorporated under the laws of the British Virgin Islands on 29 June 2009 and existed under the provisions of British Virgin Islands Companies Act, 2004, as Company number 1536599. On September 7, 2012, after the approval of a resolution by the Company's shareholders, the Company was redomiciled via a continuance of the Company from the British Virgin Islands to the province of Ontario, Canada, where a majority of the Board of Directors and the Company's officers are located. The registered head office of the Company is #200-83 Yonge Street, Toronto, Ontario Canada.

The wholly-owned direct and indirect subsidiaries controlled by the Company are as follows:

	Jurisdiction
Touchstone Atlantis Mining Inc.	Canada
Touchstone Gold Holdings S.A.	Panama
Touchstone Colombia (foreign branch)	Colombia
Placencia Corp.	Panama
Saint Miguel Mining S.A.S	Colombia
Concesiones United Gold S.A.S	Colombia

These interim condensed consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that assets will be realized and liabilities will be settled in the normal course of business as they become due. Additionally, the consolidated financial statements have been prepared using the historical cost basis except for certain financial instruments, which are measured in accordance with the policies described below. The financial year-end for Touchstone Gold is December 31.

Statement of Compliance: These interim condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 "Interim Financial Reporting?Çf ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2012 and 2011.

The accounting policies applied in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2012, except as described in note 2.

The preparation of the unaudited interim condensed consolidated financial statements in conformity with

IFRS requires management to make estimates and assumptions about uncertain future events that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The Company's interim results are not necessarily indicative of results for a full year.

The unaudited interim condensed consolidated financial statements of the Company for the three and six months ended June 30, 2013 and 2012, have been prepared by management and approved and authorized for issue by the Board of Directors on August 14, 2013.

NOTE 2 -ACCOUNTING CHANGES AND RECENT ACCOUNTING PRONOUNCEMENTS

ACCOUNTING CHANGES

On January 1, 2013, the Company adopted the following standards and amended standards

- IFRS 10 Consolidated Financial Statements,
- IFRS 11 Joint Arrangements,
- IFRS 12 Disclosure of Interests in Other Entities,
- IAS 27 Separate Financial Statements, and
- IAS 28 Investments in Associates and Joint Ventures

The adoption of these standards did not have an impact on the Company's statement of financial position, statement of operations and statement of cash flows.

On January 1, 2013, the Company adopted IFRS 13 Fair Value Measurement, which provides guidance on how fair value should be applied where its use is already required or permitted by other IFRS standards, and includes a definition of fair value and is a single source of guidance on fair value measurement and disclosure requirements or use with all IFRS standards. This standard also requires additional disclosure about fair value measurement. As a result of adopting IFRS 13, the Company has provided the additional disclosures in these unaudited interim condensed consolidated financial statements. There were no other impacts on the interim financial statements on adoption of this standard.

NOTE 3 -ACQUISITIONS

Bolivar

On March 5, 2012, the Company entered into an option agreement with a private company to acquire a 90% interest in four mining concessions, over a total area of 57 square kilometres that together comprise the important Santa Rosa Project located in the well-known gold mining district in the south of the Bolivar Department, Colombia.

The material terms of the Agreement are summarised below:

- Initial payment of US$59,000 to the current concession holders, a non-related private company, upon signing the option agreement;
- An additional payment of US$50,000 upon the mining concessions being registered to Touchstone Colombia on the National Mining Registry of Colombia;
- Four annual payments of US$327,750 that will commence one year after the mining concessions have been registered;
- US$1,000,000 in exploration expenditures on the property before earning the 90% interest;
- The Company has secured a right of first refusal to acquire the remaining 10% of the Santa Rosa Project.

The Company has decided not to make the additional option payments required and as a result the option agreement has expired.

NOTE 4 -PROPERTY, PLANT AND EQUIPMENT, NET AND MINERAL INTERESTS

Property, plant and equipment, net

Cost	Machinery and equipment	Office equipment	Computer and commun-ication equipment	Fleet and trans-portation equipment	Total
Balance at December 31, 2011	$ 103,975	$ 80,608	$ 73,406	$ 327,686	$ 585,675
Additions	3,256	28,609	43,150	583	75,598
Acquisitions	-	6,140	21,999	66,572	94,711
Foreign exchange and other	9,411	11,213	1,023	19,987	41,634
Balance at December 31, 2012	$ 116,642	$ 126,570	$ 139,578	$ 414,828	$ 797,618
Foreign exchange and other	(7,869)	(10,396)	(11,464)	(68,653)	(98,382)
Balance at June 30, 2013	$ 108,773	$ 116,174	$ 128,114	$ 346,175	$ 699,236

Accumulated depreciation	Machinery and equipment	Office equipment	Computer and commun-ication equipment	Fleet and trans-portation equipment	Total
Balance at December 31, 2011	$ (12,956)	$ (22,715)	$ (29,273)	$ (51,392)	$ (116,336)
Depreciation	(11,054)	(14,894)	(15,200)	(71,460)	(112,608)
Foreign exchange and other	(1,432)	(2,436)	(1,572)	(4,074)	(9,514)
Balance at December 31, 2012	$ (25,442)	$ (40,045)	$ (46,045)	$ (126,926)	$ (238,458)
Depreciation	(5,576)	(4,420)	(9,167)	(36,748)	(55,911)
Foreign exchange and other	9,871	11,012	10,367	32,104	63,354
Balance at June 30, 2013	$ (21,147)	$ (33,453)	$ (44,845)	$ (131,570)	$ (231,015)
Plant, and equipment, net					
December 31, 2012	$ 91,200	$ 86,525	$ 93,533	$ 287,902	$ 559,160
Balance at June 30, 2013	$ 87,626	$ 82,721	$ 83,269	$ 214,605	$ 468,221

Mineral interests

As at June 30, 2013, the Company identified the recent and continued decline in metal prices as well as the tightening of financing conditions for exploration stage companies as indicators of impairment. As a result of the identification of these indicators, the Company assessed the carrying amount of mineral interests in the statement of financial position. Based on the Company's existing cash and the cash required to undertake an exploration program the Company has recorded an impairment of $13,632,773. The mineral interest was initially acquired as a result of the acquisition of Atlantis Gold Mines Corp.

NOTE 5 - RELATED PARTY TRANSACTIONS

Compensation of Directors and management

For the three months ended June 30, 2013 and 2012, the Company paid $62,975 and $57,773, respectively, in salaries and consulting costs to the Chief Executive Officer and Chief Financial Officer of the Company.

For the six months ended June 30, 2013 and 2012, the Company paid $132,929 and $127,855, respectively, in salaries and consulting costs to the Chief Executive Officer and Chief Financial Officer of the Company.

For the three months ended June 30, 2013 and 2012, the Company incurred $142,634 and $361,339, respectively in geologic consulting costs and supply reimbursements to a Company owned and controlled by an officer of the Company. For the six months ended June 30, 2013 and 2012 the Company incurred $352,267 and $864,205, respectively. These transactions were in the normal course of operations and all transactions are measured at the exchange amount, which is the amount agreed to by the related parties and is recorded in professional and consulting fees. A total of $428,096 was owing at June 30, 2013

(December 31, 2012 - $55,723).

For the three months ended June 30, 2013 and 2012, the Company paid $18,241 and $31,181, respectively in fees to a Director of the Company. For the six months ended June 30, 2013 and 2012 the Company paid $46,025 and $52,040, respectively.

A total of $98,648 and $144,408 in share-based payment expense was recognized in respect of options granted to Officers and Directors of the Company for the three months ended June 30, 2013 and 2012. For the six months ended June 30, 2013 and 2012 a total of $205,521 and $484,321 in share-based payments expense to Officers and Directors was incurred.

Commitments

In 2009, the Company entered into a contract with an employee of the Company for the purchase of a mining interest payable over a five year period as of the date of the registration of the mining interest on behalf of the Company. The total payable under the contract is $587,500. Approximately $50,000 has been paid under this contract.

Under the contract, the Company reserves the right to continue the agreement based on the results obtained from exploration, economical assessment and construction. At any time while the contract is in force the agreement may be terminated by the Company with no further payments required.

NOTE 6 - SHARE CAPITAL AND CAPITAL MANAGEMENT, STOCK OPTIONS AND SHARE-BASED PAYMENTS

Share capital

The Company is authorized to issue an unlimited number of shares with no par value.

The following tables denote the movement in share capital and warrants to June 30, 2013.

	Common shares		
	Shares		Share capital
December 31, 2011	103,703,705	$	17,371,890
Issued in respect of the acquisition of Atlantis	59,108,300		11,406,764
Issued in respect of the acquisition of El Cinco	4,089,762		721,553
Private placement - December 6, 2012	34,427,500		4,357,650
December 31, 2012 and June 30, 2013	201,369,267	$	33,857,857

		Warrants		
	Expiry	Warrants		Warrant reserve
December 31, 2011	Jun. - 2014	586,106	$	161,920
Assumed as part of the acquisition of Atlantis	Nov. - 2013	6,975,000		-
Broker warrants issued in respect of private placement	Dec. - 2014	1,664,375		50,802
Issued in respect of the private placement	Dec. - 2014	17,213,750		-
December 31, 2012 and June 30, 2013		26,439,231	$	212,722

Stock options

No stock options were granted during the three and six months ended June 30, 2013 and 2012.

As at June 30, 2013, the following options were outstanding.

Number of Options	Exercise Price per Option	Exercise Price per Option	Expiration Date
16,066,840	11p	6p	December 2022

16,066,840

A total of 8,033,420 options were exercisable at June 30, 2013.

The Company has recorded a warrant reserve on the statement of financial position, which represents the allocated fair value of the stock options, which are determined to be equity instruments.

Capital management

The Company includes equity, comprised of issued Ordinary Shares, options and warrants and deficit, in the definition of capital. The Company's primary objectives when managing capital are to safeguard the Company's ability to fund the exploration and development of its gold properties in Colombia.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size and stage of the Company is reasonable. The Company is not subject to other externally imposed capital requirements.

NOTE 7 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The Company has exposure to liquidity risk and foreign currency risk. The Company's risk management objective is to protect cash flow and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Company's risks and the related exposure are consistent with the business objectives and risk tolerance.

Liquidity Risk: Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity by ensuring that there is sufficient capital to meet short and long-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash, cash equivalents, and short-term investments. The Company also strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances.

The Company's primary source of additional liquidity is financing transactions. The Company's primary use of cash to June 30, 2013 was exploration and evaluation expenses at the Rio Pescado project as well as general and administrative expenses.

Management forecasts cash flows for its current and subsequent fiscal years to predict future financing requirements. Future requirements may be met through a combination of credit and access to capital markets. The Company's cash requirements are dependent on the level of operating activity, a large portion of which is discretionary. Should management decide to increase its operating activity more funds, then what is currently in place would be required. It is not possible to predict whether financing efforts will be successful or sufficient in the future. At June 30, 2013 the Company had $823,940 (December 31, 2012 - $4,087,940) in cash and cash equivalents.

Currency risk: The Company's expenditures are incurred in Colombian peso, British pounds, U.S. dollars and Canadian dollars. The results of the Company's operations are subject to currency transaction risk. The Company mitigates foreign exchange risk through forecasting its foreign currency denominated expenditures and maintaining an appropriate balance of cash in each currency to meet the expenditures. As the Company's reporting currency is the U.S. dollar, fluctuations in the Colombian peso, British pound and Canadian dollar relative to the U.S. dollar will affect the results of the Company.

Credit risk: Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. As at June 30, 2013, the Company's credit risk is primarily attributable to cash. At June 30, 2013, the majority of the Company's cash was held with a reputable bank with a Standard and Poor's investment rating of AA-.

Interest rate risk: Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's most significant interest rate risk arises from its investments in cash equivalents. However, the maturity on these investments is less than ninety days, thereby mitigating the exposure to the impact of changing interest rates. As at June 30, 2013, $500,000 in Banker's Acceptances.

Fair Values: The Company's cash and cash equivalents, receivables and accounts payables and accrued liabilities all had fair values which approximate their carrying values, are expected to be realized within the next financial year and are considered Level 2 in the fair value hierarchy. The fair value of the warrant liability is based on quoted market prices for comparable contracts and represents the amount the Company would have received from, or paid to, a counterparty for an equivalent contract. The warrant liability is considered Level 2 in the fair value hierarchy.

The following financial instruments which are re-measured to fair value at June 30, 2013 are determined based on the observable market prices for foreign exchange rates.

- Cash and cash equivalents; and
- Trade accounts payable

The fair value of the warrant liability is re-measured to fair value at June 30, 2013 based on the market prices for the Company's share price, interest rates and foreign exchange rates.

NOTE 8 -LOSS PER SHARE

The following table details the weighted average number of outstanding common shares for the purposes of computing basic and diluted loss per common share for the three and six months ended June 30, 2013 and 2012.

	For the six months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Weighted average shares outstanding - basic	201,329,267	103,703,705	201,329,267	103,703,705
Dilutive effect of share options and warrants	-	-	-	-
Weighted average shares outstanding - diluted	201,329,267	103,703,705	201,329,267	103,703,705
Net loss	$ (15,054,747)	$ (2,184,769)	$ (16,405,243)	$ (5,372,242)
Net loss per share - basic	$ (0.07)	$ (0.02)	$ (0.08)	$ (0.05)
Net loss per share - diluted	$ (0.07)	$ (0.02)	$ (0.08)	$ (0.05)

As a result of the losses for incurred, there is no dilutive effect of options and warrants.

NOTE 9 - SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the development of mineral properties in Colombia. The Company also has an administrative office in Toronto, Canada. In order to determine reportable operating segments, the chief operating decision maker reviews various factors including geographical location, quantitative thresholds and managerial structure. Currently the Company's reportable segment is geographic. Segmented information is as follows:

	As at	
Total assets	June 30, 2013	December 31, 2012
Colombia	$ 606,277	$ 14,440,020
Corporate	1,836,677	5,024,488
Total	$ 2,442,954	$ 19,464,508

	Three months ended June 30,		Six months ended June 30,	
Net loss	2013	2012	2013	2012
Colombia	$ (14,673,365)	$ (1,132,795)	$ (15,438,377)	$ (2,233,688)
Corporate	(381,382)	(1,051,974)	(966,866)	(3,138,554)
Total	$ (15,054,747)	$ (2,184,769)	$ (16,405,243)	$ (5,372,242)

As at June 30, 2013, the total corporate liabilities amounted to $559,136 (December 31, 2012 - $1,363,473).

The amounts reported above are allocated based on the location where the amounts are incurred.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

In 2009, the Company entered into a contract with an employee of the Company for the purchase of a mining interest payable over a five year period as of the date of the registration of the mining interest on behalf of the Company. The total payable under the contract is $587,500 of which approximately $50,000 has been paid by December 31, 2012.

In 2009, the Company entered into a contract for the purchase of a mining interest payable over a five year period as of the date of the registration of the mining interest on behalf of the Company. The total payable under the contract is $2,000,000 of which approximately $250,000 has been paid by December 31, 2012.

Under the contract, the Company reserves the right to continue the agreement based on the results obtained from exploration, economical assessment and construction. At any time while the contract is in force the agreement may be terminated by the Company with no further payments required.

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