COLOSSUS
MINERALS INC.

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
## For the Quarter ended March 31, 2013

## (Unaudited)

**COLOSSUS MINERALS INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**
**(Expressed in thousands of USD, except per Common Share amounts)**

| | Note | As at March 31, 2013 | As at December 31, 2012 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **$32,080** | $63,590 |
| Trade and other receivables | | **1,578** | 714 |
| Prepaid expenses | | **430** | 534 |
| Inventory | | **2,320** | 1,098 |
| | | **36,408** | 65,936 |
| **Non-current assets** | | | |
| Mining interests | 6 | **247,261** | 213,706 |
| **Total assets** | | **$283,669** | $279,642 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **$16,895** | $13,219 |
| Current income taxes payable | | **929** | 929 |
| | | **17,824** | 14,148 |
| **Long-term liabilities** | | | |
| Long-term debt | 7 | **66,343** | 72,139 |
| Unearned revenue | 8 | **75,000** | 75,000 |
| | | **141,343** | 147,139 |
| **Equity** | | | |
| Share capital | 9(b) | **233,346** | 231,830 |
| Contributed surplus | 9(c) | **21,731** | 20,367 |
| Warrants | 9(d) | **4,813** | 4,813 |
| Accumulated other comprehensive (loss) | | **(15,353)** | (18,914) |
| Accumulated deficit | | **(122,726)** | (122,432) |
| **Equity attributable to shareholders** | | **121,811** | 115,664 |
| **Non-controlling interest** | | **2,691** | 2,691 |
| **Total equity** | | **124,502** | 118,355 |
| **Total liabilities and equity** | | **$283,669** | $279,642 |

**Approved by the Board**
**May 15, 2013**

*"John Frostiak"*
Director

*"Douglas Reeson"*
Director

*The condensed consolidated interim statement of financial position is to be read in conjunction with the accompanying notes*

**COLOSSUS MINERALS INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS (UNAUDITED)**
**(Expressed in thousands of USD, except per Common Share amounts)**

| | Note | For the three months ended March 31, 2013 | For the three months ended March 31, 2012 |
|---|---|---|---|
| **Operating costs** | | | |
| Exploration | | **$ 700** | $4,025 |
| Corporate administration | | **4,739** | 5,928 |
| **Loss from operating activities** | | **5,439** | 9,953 |
| **Finance (income)/costs** | 10 | | |
| Finance income | | **(5,549)** | (309) |
| Finance costs | | **404** | 1,462 |
| **Net loss before income taxes** | | **294** | 11,106 |
| Income tax expense | | **-** | - |
| **Net loss for the period** | | **$294** | $11,106 |
| **Net loss per Common Share** | 11 | **$-** | $0.11 |

*The condensed consolidated interim statement of loss is to be read in conjunction with the accompanying notes*

**COLOSSUS MINERALS INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (INCOME)**
**(UNAUDITED)**
**(Expressed in thousands of USD, except per Common Share amounts)**

| | For the three months ended March 31, 2013 | For the three months ended March 31, 2012 |
|---|---|---|
| **Net loss for the period** | **$294** | $11,106 |
| **Other comprehensive loss (income)** | | |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Currency translation loss (income) for foreign operations | **(3,561)** | (1,678) |
| **Total comprehensive loss (income)** | **$(3,267)** | $9,428 |
| **Allocation of other comprehensive loss (income)** | | |
| Owners of the Company | **(3,561)** | (1,678) |
| Non-controlling interest | **-** | - |
| **Other comprehensive loss (income)** | **$(3,561)** | $(1,678) |
| **Allocation of total comprehensive loss (income)** | | |
| Owners of the Company | **(3,267)** | 9,428 |
| Non-controlling interest | **-** | - |
| **Total comprehensive loss (income)** | **$(3,267)** | $9,428 |

*The condensed consolidated interim statement of comprehensive loss is to be read in conjunction with the accompanying notes*

**COLOSSUS MINERALS INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**
**(Expressed in thousands of USD, except per Common Share amounts)**

| | For the three months ended March 31, 2013 | For the three months ended March 31, 2012 |
|---|---|---|
| **Share capital** | | |
| Balance, beginning of period | **$231,830** | $228,889 |
| Exercise of stock options | **1,516** | 2,194 |
| Balance, end of period | **233,346** | 231,083 |
| **Contributed surplus** | | |
| Balance, beginning of period | **20,367** | 13,589 |
| Exercise of stock options | **(549)** | (825) |
| Stock-based compensation | **1,913** | 2,615 |
| Balance, end of period | **21,731** | 15,379 |
| **Warrants** | | |
| Balance, beginning of period | **4,813** | 4,813 |
| Balance, end of period | **4,813** | 4,813 |
| **Accumulated other comprehensive (loss) income** | | |
| Balance, beginning of period | **(18,914)** | (9,328) |
| Currency translation loss for foreign operations | **3,561** | 1,678 |
| Balance, end of period | **(15,353)** | (7,650) |
| **Accumulated deficit** | | |
| Balance, beginning of period | **(122,432)** | (92,369) |
| Net loss for the period | **(294)** | (11,106) |
| Balance, end of period | **(122,726)** | (103,475) |
| **Equity attributable to shareholders** | **121,811** | 140,150 |
| **Non-controlling interest** | **2,691** | 2,691 |
| **Balance, end of period** | **$124,502** | $142,841 |

*The condensed consolidated interim statement of changes in equity is to be read in conjunction with the accompanying notes*

**COLOSSUS MINERALS INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)**
**(Expressed in thousands of USD, except per Common Share amounts)**

| | For the three months ended March 31, 2013 | For the three months ended March 31, 2012 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss for the period | **$(294)** | $(11,106) |
| Adjustments for: | | |
| Amortization | **153** | 48 |
| Stock-based compensation expense | **1,257** | 2,221 |
| Change in fair value of long-term debt | **(5,021)** | 1,158 |
| Mark-to-market on foreign exchange hedge | **(343)** | 190 |
| Deferred costs and other | **-** | 680 |
| Changes in non-cash working capital items: | | |
| Trade and other receivables | **(882)** | (314) |
| Prepaid expenses | **96** | (209) |
| Inventory | **(1,216)** | - |
| Trade and other payables | **2,205** | 2,476 |
| **Net cash used in operating activities** | **(4,045)** | (4,856) |
| **Cash flows from investing activities** | | |
| Expenditures on mining interests | **(28,394)** | (19,401) |
| **Net cash used in investing activities** | **(28,394)** | (19,401) |
| **Cash flows from financing activities** | | |
| Proceeds from the exercise of stock options | **967** | 1,369 |
| **Net cash provided by financing activities** | **967** | 1,369 |
| **Effects of exchange rate fluctuation on cash held** | **(38)** | 1,763 |
| **Net (decrease) in cash and cash equivalents** | **(31,510)** | (21,125) |
| **Cash and cash equivalents, beginning of period** | **63,590** | 103,279 |
| **Cash and cash equivalents, end of period** | **$32,080** | $82,154 |

*The condensed consolidated interim statement of cash flows is to be read in conjunction with the accompanying notes*

## 1. NATURE OF OPERATIONS

Colossus Minerals Inc. (the "Company" or "Colossus") is a Canadian exploration and development company engaged in the acquisition and exploration of mineral properties. Since inception, the Company has focused on gold properties in Brazil. The Company's common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol "CSI" and on the OTCQX under the symbol "COLUF". The head office, principal address and records office of the Company, is One University Avenue, Suite 401, Toronto Ontario Canada, M5J 2P1.

## 2. BASIS OF PREPARATION

These condensed consolidated interim financial statements of the Company and its subsidiaries were prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2012. The Company's significant accounting policies were presented in Note 6 of the consolidated financial statements for the year ended December 31, 2012, and have been consistently applied in the preparation of these condensed consolidated interim financial statements except as disclosed below. The reporting currency is United States Dollars ("USD") and all amounts disclosed are in USD unless otherwise indicated.

These condensed consolidated interim financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has historically relied on financing to fund operations and the exploration and development of the Serra Pelada Mine. The Company believes that additional financing will be required during 2013 to strengthen working capital as the Company begins commissioning of the process plant and ramp up of the Serra Pelada Mine

The Company's ability to raise additional funds and its future performance are largely tied to the health of the financial markets and investor interest in the gold mining industry. Financial markets are currently volatile, and are likely to remain so throughout 2013 and 2014, reflecting ongoing concerns about the stability of the global economy, sovereign debt levels, global growth prospects and many other factors that may impact the Company's ability to raise additional funds to execute on its business plans.

Although the Company has been successful in raising funds to date to fund operations and the construction of the Serra Pelada Mine, there can be no assurance that adequate or sufficient funding will be available in the future on terms acceptable to the Company. These circumstances indicate the existence of a material uncertainty which may cast significant doubt as to the ability of the Company to meet its business plan and obligations as they come due.

These condensed consolidated interim financial statements do not include any adjustments to the carrying values of assets and liabilities or the balance sheet classifications used that would be necessary if the use of the going concern assumption was not appropriate.

## 3. RECENT ACCOUNTING PRONOUNCEMENTS

**The Company has adopted the following new standards effective January 1, 2013 and has applied them to our results in accordance with the transitional provisions outlined in the respective standards.**

IAS 1 – *Presentation of Financial Statements*

The Company adopted the amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1") on January 1, 2013, with retrospective application. The amendments to IAS 1 require companies preparing financial statements under IFRS to group items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The Company has amended our consolidated statement of comprehensive loss (income) for all periods presented in these condensed interim consolidated financial statements to reflect the presentation changes required under the amended IAS 1. Since these changes are reclassifications within our statement of comprehensive income, there is no net impact on our comprehensive income.

IFRS 10 – *Consolidated Financial* Statements

In May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements* to replace IAS 27 – *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. IFRS 10 establishes control as the basis for an investor to consolidate its investees and defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee. The Company has conducted a review of its entities and has determined that the adoption of IFRS 10 did not result in any change to the consolidation status of any of its subsidiaries.

IFRS 11 – *Joint Arrangements*

In May 2011, the IASB issued IFRS 11 – *Joint Arrangements* to replace IAS 31 – *Interests in Joint Ventures*. IFRS 11 defines two types of joint arrangements: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venture recognizes its investment in a joint arrangement using the equity method. The Company has adopted IFRS 11 and has determined that there is no effect on our financial results or disclosures.

IFRS 12 – *Disclosure of Interests in Other Entities*

In May 2011, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities* to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. IFRS 12 requires enhanced reporting of the nature of risks associated with the Company's interest in other entities and the effects of those interests on the Company's consolidated financial statements. The Company has adopted IFRS 12 and has determined there is no effect on our financial results. Any additional disclosures required by the new pronouncements will be included in our annual consolidated financial statements for the year ended December 31, 2013.

IFRS 13 – *Fair Value Measurement*

In May 2011, the IASB issued IFRS 13 – *Fair Value Measurement*. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized. The Company has adopted IFRS 13 and has determined there is no effect on our financial results. Any additional disclosures required by the new pronouncement will be included in our annual consolidated financial statements for the year ended December 31, 2013.

IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*

In October 2011, the IASB issued IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*. IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: (i) useable ore that can be used to produce inventory; and (ii) improved access to further quantities of material that will be mined in future periods. The Company has adopted IFRIC 20 and has determined that there is no effect on our financial results or disclosures.

The following accounting standard has been issued but is not currently effective:

IFRS 9 – *Financial Instruments*

The IASB intends to replace IAS 39 – *Financial Instruments: Recognition and Measurement* with IFRS 9 – *Financial Instruments*. IFRS 9 establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 requires that financial assets be classified as amortized cost or fair value based on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes party to the contractual provisions of the instrument. In December 2011, the IASB issued an amendment to IFRS 9 which deferred the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. The Company is currently assessing the impact of adopting IFRS 9 on our consolidated financial statements, including the impact of early adoption.

## 4. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets, liabilities, revenues and expenses of the Company and its wholly-owned Brazilian subsidiaries, Colossus Mineração Ltda. ("Colossus Brazil"), Mineração Fazenda Monte Belo Ltda. and Grifo Geologia e Participações Ltda. and Colossus Brazil's 75% owned subsidiary Serra Pelada - Companhia de Desenvolvimento Mineral ("SPCDM") which holds the title to the Serra Pelada property.

***Subsidiaries***

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. The Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

***Transactions and non-controlling interests***

Transactions related to non-controlling interests are treated as transactions with equity owners of the Company. For purchases of non-controlling interests, the difference between the consideration paid and the non-controlling share of the carrying value of net assets acquired is recorded in equity. Gains or losses on disposals of non-controlling interests are similarly computed and also recorded in equity.

The Company's expenditures on the Serra Pelada Mine are incurred by the Company's 100% owned subsidiary Colossus Brazil. Title to the Serra Pelada Mine is held by Colossus Brazil's 75% owned subsidiary SPCDM.

The accounting policies of the subsidiaries are consistent with the accounting policies of the Company.

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed consolidated interim financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Information about such judgments and estimation is contained in the accounting policies and/or the Notes to the financial statements and the key areas are summarized below.

***Mining Properties***

The Company's recorded value of its mineral properties is based on historical costs that it expects to be recovered in the future. The Company operates in an industry that is exposed to a number of risks and uncertainties including exploration risk, development risk, commodity price risk, operating risk, ownership risk, funding risk and currency risk, as well as environmental risk. The Company considers both external and internal sources of information in assessing whether there are any indications that mining interests are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets. All of these factors are potentially subject to significant change and are considered when assessing impairment of mining properties. Accordingly, there is always the potential for a material adjustment to value assigned to mineral properties.

***Stock-based Compensation***

Equity settled transactions are measured by reference to fair value at grant date. Fair value has been determined using a Black-Scholes option pricing model which has its limitations. The Black-Scholes model relies on estimates of the future risk-free interest rate, future dividends payments, future share price volatility and the expected average life of the stock options all of which could have a significant impact on the determination of stock-based compensation expense and the valuation of the warrants. The Company believes this model adequately captures the features of the stock option awards and warrants and is appropriate to calculate their fair values. Stock-based compensation expense however is a non-cash item which has no impact on the cash resources of the Company.

## 6. MINING INTERESTS

Analysis of the carrying amounts by period end for mining interests is as follows:

*(Expressed in thousands of USD)*

| | Depreciable Property | | Non-Depreciable Property | | | |
|---|---|---|---|---|---|---|
| | **Property and equipment** | **Production equipment[(i)]** | **Land** | **Serra Pelada Mine[(ii)]** | **Exploration and Evaluation** | **Total** |
| **Cost or deemed cost** | | | | | | |
| Balance at December 31, 2012 | $4,157 | $17,973 | $4,961 | $188,152 | $1,701 | $216,944 |
| Additions | 31 | 1,450 | 94 | 30,686 | - | 32,261 |
| Disposals | (39) | - | - | - | - | (39) |
| Effects of movements in exchange rates | 17 | 139 | 72 | 1,671 | 117 | 2,016 |
| Balance at March 31, 2013 | $4,166 | $19,562 | $5,127 | $220,509 | $1,818 | $251,182 |
| **Accumulated amortization** | | | | | | |
| Balance at December 31, 2012 | $1,232 | $2,006 | - | - | - | $3,238 |
| Depreciation for the period | 255 | 409 | - | - | - | 664 |
| Effects of movements in exchange rates | 5 | 14 | - | - | - | 19 |
| Balance at March 31, 2013 | $1,492 | $2,429 | - | - | - | $3,921 |
| **Carrying amounts** | | | | | | |
| At December 31, 2012 | $2,925 | $15,967 | $4,961 | $188,152 | $1,701 | $213,706 |
| At March 31, 2013 | $2,674 | $17,133 | $5,127 | $220,509 | $1,818 | $247,261 |

(i) At March 31, 2013, production equipment includes $nil for deposits on long lead assets that were in transit to the Serra Pelada Mine (December 31, 2012 - $2.4 million).

(ii) The Company's expenditures on the Serra Pelada Mine are incurred by the Company's 100% owned subsidiary Colossus Brazil. Title to the Serra Pelada Mine is held by Colossus Brazil's 75% owned subsidiary SPCDM.

## 7. LONG-TERM DEBT

| *(Expressed in thousands of USD)* | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Gold linked notes (a) | $65,227 | $71,671 |
| Equipment financing (b) | 1,116 | 468 |
| | $66,343 | $72,139 |

### (a) Gold Linked Notes

On November 8, 2011, the Company completed a bought-deal offering for gross proceeds of CAD $86,250,000 (the "Offering"). A total of 86,250 units (the "Units") of the Company were issued at a price of CAD $1,000 per Unit including an over-allotment option granted to the underwriters to purchase up to 11,250 additional Units at the same price per Unit. Each Unit consists of a face value CAD $1,000 principal amount unsecured gold-linked note (the "Notes") and 60 common share purchase warrants ("Warrants") of the Company. The Notes will mature December 31, 2016 and bear interest, accruing and calculated and payable semi-annually in arrears on June 30 and December 31 of each year at a rate of between 6% and 13% dependent on the simple average of the Bloomberg Composite New York Gold Price closing price. Each Warrant entitles the holder thereof to acquire one Common Share of Colossus at a price of CAD $8.50 until expiry at 5:00 pm on November 8, 2016. The Notes represent a financial liability with an embedded derivative for the interest rate mechanism which is linked to the Bloomberg Composite New York Gold Price closing price.

The Company received net proceeds from the Offering of $80.0 million, net of costs of $5.1 million.

The Company has elected to designate this financial liability as fair value through profit and loss. As a result, the Notes will be marked-to-market each reporting date with changes recognized in profit and loss. At March 31, 2013, the fair value of the Notes was determined to be $65.2 million (March 31, 2012 – $80.5 million). For the three months ended March 31, 2013, a mark-to-market gain of $5.0 million (March 31, 2012 – mark-to-market loss of $1.2 million) was recorded in the statement of loss.

On March 31, 2013, $1.8 million (March 31, 2012 - $1.9 million) of interest payable was accrued based on an interest rate of 9% (March 31, 2012 – 9%). This interest cost has been capitalized as part of the costs of qualified mining interests (Note 6).

### (b) Equipment Financing

In the first quarter 2013, the Company received seven additional pieces of equipment at the mine that were purchased under financing arrangements. These financing arrangements were completed in 2012. There are ten items currently in transit to the mine and are anticipated to arrive in the second quarter of 2013. The items currently available for use have principal payments outstanding of $1,419,000. Of this amount, $303,000 will be repaid in 2013 and has been recorded in Trade and Other Payables. The remaining $1,116,000 repayments will be made monthly through December 2017 and have been recorded in Long-Term Debt. Scheduled interest payments are $173,000 in 2013 and $329,000 thereafter.

## 8. UNEARNED REVENUE

On September 19, 2012, the Company entered into a precious metals purchase agreement with Sandstorm Gold Ltd. ("Sandstorm") to sell refined platinum, palladium and gold produced from the Company's 75% owned Serra Pelada property. In return for delivering life of mine payable metal equal to 35% of both platinum and palladium and 1.5% of gold, the Company received an upfront deposit of $75.0 million. In addition to the upfront deposit, Sandstorm will also pay the Company a purchase price equal to the lesser of $400 per ounce of gold, $200 per ounce of platinum, and $100 per ounce of palladium and the prevailing market price. The upfront deposit was recorded as unearned revenue. The percentages of payable metals to be sold by the Company to Sandstorm are calculated based on 100% of payable metals derived from production at Serra Pelada; however, the Company will deliver all metals due under this agreement from its 75% of the Serra Pelada Mine.

The Company has a minimum requirement to produce 260,000 gold-equivalent ounces of payable metals within 48 months after receiving the upfront deposit of $75.0 million. If the Company does not meet the minimum requirements, Sandstorm has the discretion to request a reimbursement of the unused portion of the upfront deposit. In addition, Colossus has guaranteed certain minimum annual deliveries for the initial 10 year period, commencing in 2013. The Company's obligations under the agreement are secured by the Company's interest in its principal subsidiaries as well as by certain assets of Colossus Brazil. The amount secured is limited to $10.0 million until the Company's outstanding Notes have been repaid. In addition, the Company has guaranteed the performance by Colossus Brazil of its obligations under the agreement with Sandstorm. The initial term of the contract is 40 years (the "Term"), subject to successive 10-year renewals (the "Extended Term") at the discretion of Sandstorm. If, by the expiry or earlier termination of the Term or the Extended Term, if applicable, the Company has not sold and delivered payable metals to Sandstorm sufficient to repay the upfront deposit of $75.0 million, it will have to reimburse the unpaid portion to Sandstorm.

Under the agreement, the Company has the right to purchase up to 50% of Sandstorm's obligation to purchase metals for $48.8 million. The Company may exercise this option either as a single purchase or in 10% increments of $9.8 million until April 1, 2015.

Unearned revenue relates to the upfront deposit received from Sandstorm for the future delivery and sale of payable metals at contracted prices. Once deliveries of payable metals are made to Sandstorm, the Company recognizes a portion of the unearned revenue as sales based on the difference between the prevailing market price at time of delivery and the purchase price specified in the agreement.

## 9. EQUITY

(a) Authorized — Unlimited number of Common Shares

Fully paid Common Shares, which have no par value, carry one vote per Common Share and carry a right to dividends.

(b) Share capital

*(Expressed in thousands of USD, except per Common Share amounts)*

| | Number of Common Shares | Carrying Value |
|---|---|---|
| **Balance December 31, 2012** | 106,395,901 | $231,830 |
| Exercise of stock options | 557,500 | 1,516 |
| **Balance March 31, 2013** | **106,953,401** | **$233,346** |

(c) Contributed surplus

| *(Expressed in thousands of USD)* | **Carrying Value** |
|---|---|
| **Balance December 31, 2012** | $20,367 |
| Stock-based compensation[i] | 1,913 |
| Stock options exercised | (549) |
| **Balance March 31, 2013** | **$21,731** |

(i) Stock-based compensation of $0.6 million was capitalized to Mining Interests during the three months ended March 31, 2013 (during the three months ended March 31, 2012 — $0.4 million).

(d) Warrants

| *(Expressed in thousands of USD)* | **Number of Warrants** | **Weighted Average Exercise Price (CAD$)** | **Carrying Value** |
|---|---|---|---|
| **Balance December 31, 2012** | 5,175,000 | $8.50 | $4,813 |
| **Balance March 31, 2013** | **5,175,000** | **$8.50** | **$4,813** |

(e) Stock options

The following summarizes the stock options that have been granted, exercised, or cancelled during the three months ended March 31, 2013 and March 31, 2012:

| | **March 31, 2013** | | **March 31, 2012** | |
|---|---|---|---|---|
| | **Number of Stock Options** | **Weighted Average Exercise Price (CAD$)** | **Number of Stock Options** | **Weighted Average Exercise Price (CAD$)** |
| Opening balance | 8,290,000 | $5.32 | 5,897,200 | $5.46 |
| Issued | 1,635,000 | 4.45 | 990,000 | 5.92 |
| Exercised[i] | (557,500) | 1.76 | (574,700) | 2.38 |
| Cancelled | (376,250) | 4.81 | (316,250) | 8.01 |
| Ending balance | 8,991,250 | $5.40 | 5,996,250 | $5.70 |
| Stock Options exercisable at period end | 5,898,750 | $5.77 | 3,807,500 | $5.11 |

(i) The weighted-average share price on the date of exercise during the period ended March 31, 2013 was CAD $3.96 (March 31, 2012 – CAD $6.76).

As of March 31, 2013, there are 1,704,090 stock options available for grant (December 31, 2012 — 2,349,590).

During the period ended March 31, 2013, the Company granted 1,635,000 stock options to employees, officers and directors. The stock options have a weighted average grant date fair value of CAD $1.49 which was determined using a Black-Scholes pricing model.

The weighted average exercise price of the stock options was CAD $4.45. The stock options vest over a 18 month period and have a contractual life of five years from the date of grant. The stock options have a Black-Scholes weighted average volatility of 48.2%, risk free interest rate of 1.2%, forfeiture rate of 15.0% and expected life of 3.0 years.

During the period ended March 31, 2012, the Company granted 990,000 stock options to employees, officers and directors. The stock options have a weighted average grant date fair value of CAD $2.51 which was determined using a Black-Scholes pricing model.

The weighted average exercise price of the stock options was CAD $5.92. The stock options vest over a 18 month period and have a contractual life of five years from the date of grant. The stock options have a Black-Scholes weighted average volatility of 62.2%, risk free interest rate of 1.0%, forfeiture rate of 11.2% and expected life of 2.9 years.

## 10. FINANCE INCOME AND FINANCE COSTS

*(Expressed in thousands of USD)*

| | **For the three months ended March 31, 2013** | **For the three months ended March 31, 2012** |
|---|---|---|
| **Finance income** | | |
| Interest income | $33 | $309 |
| Change in fair value of long-term debt | 5,021 | - |
| Mark-to-market gain of derivative liabilities | 309 | - |
| Other finance income | 186 | - |
| **Total finance income** | $5,549 | $309 |
| | | |
| **Finance costs** | | |
| Change in fair value of long-term debt | $- | $1,158 |
| Mark-to-market loss of derivative liabilities | - | 189 |
| Other finance costs | 404 | 115 |
| **Total finance costs** | $404 | $1,462 |

## 11. LOSS PER COMMON SHARE

The following table sets forth the computation of basic and diluted loss per Common Share:

*(Expressed in thousands of USD, except per Common Share amounts)*

| | **For the three months ended March 31, 2013** | **For the three months ended March 31, 2012** |
|---|---|---|
| **Numerator:** | | |
| Net loss for the period | $294 | $11,106 |
| | | |
| **Denominator:** | | |
| Weighted average number of Common Shares(i) | 106,734,253 | 105,709,778 |
| Basic and diluted loss per Common Share | $- | $0.11 |

(i) The stock options and warrants were not included in the computation of diluted loss per Common Share as their inclusion would be anti-dilutive in the three months ended March 31, 2013 and March 31, 2012.

## 12. RELATED PARTY DISCLOSURE

The Company entered into the following transactions with related parties during the period:

(i) The Company paid consulting fees in the amount of $18,600 (March 31, 2012 — $56,194) to a company owned by a former officer of the Company for business development services. As at March 31, 2013, a balance of $41,353 (March 31, 2012 — $21,019) is due to this company and included in Trade and Other Payables.

(ii) The Company paid consulting fees in the amount of $37,200 (March 31, 2012 — $56,194) to a company owned by a former officer of the Company for geological services. As at March 31, 2013, a balance of $nil (March 31, 2012 — $nil) is due to this company.

These transactions are in the normal course of operations and are measured at the exchange value being the amount established and agreed to by the related parties. Amounts due are unsecured and non-interest bearing.

## 13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the construction of the Serra Pelada Mine located in the State of Pará, Brazil. The Company has a head office in Toronto, Canada. Segmented information on a geographic basis is as follows:

*(Expressed in thousands of USD)*

| **As at March 31, 2013** | **Canada** | **Brazil** | **Total** |
|---|---|---|---|
| Current assets | $29,364 | $7,044 | $36,408 |
| Non-current assets | 29,368 | 217,893 | 247,261 |
| Current liabilities | 4,340 | 13,484 | 17,824 |
| Long-term liabilities | 65,227 | 76,116 | 141,343 |

*(Expressed in thousands of USD)*

| **As at December 31, 2012** | **Canada** | **Brazil** | **Total** |
|---|---|---|---|
| Current assets | $58,496 | $7,440 | $65,936 |
| Non-current assets | 23,248 | 190,458 | 213,706 |
| Current liabilities | 2,550 | 11,598 | 14,148 |
| Long-term liabilities | 71,671 | 75,468 | 147,139 |