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# Sandspring Resources Ltd.

Condensed Consolidated Interim Financial Statements

(Unaudited)

Expressed in Canadian Dollars

Three Months Ended March 31, 2012

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## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National instrument 51-102, Part 4, subsection 4.3(3) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2012 and 2011.

**SANDSPRING RESOURCES LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**(Unaudited)**  
*(Expressed in Canadian Dollars)*

		3/31/2012	12/31/2011
<b>ASSETS</b>			
	<u>Notes</u>	\$	\$
<b>Current</b>			
Cash and cash equivalents		27,532,740	12,003,357
Prepaid expenses		324,327	207,615
		<b>27,857,067</b>	<b>12,210,972</b>
Equipment	6	3,334,567	3,562,570
Mineral properties under exploration	7	25,061,071	25,061,071
		<b>56,252,705</b>	<b>40,834,613</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		4,268,429	4,712,358
		<b>4,268,429</b>	<b>4,712,358</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common Shares	8	116,503,675	93,031,310
Warrant Reserve	9	1,591,101	1,591,101
Stock Option Reserve	10	6,939,617	5,520,810
Deficit		(73,050,117)	(64,020,966)
		<b>51,984,276</b>	<b>36,122,255</b>
		<b>56,252,705</b>	<b>40,834,613</b>

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

On behalf of the Board of Directors:

"Signed"  
Rich Munson, CEO/Director

"Signed"  
P. Greg Barnes, Director

**SANDSPRING RESOURCES LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS**  
**(Unaudited)**  
*(Expressed in Canadian Dollars)*

	Three Months Ended March 31,	
	2012	2011
	\$	\$
Expenditures		
Administrative	437,499	562,073
Consulting	413,451	600,055
Depreciation	253,542	25,530
Drilling	1,772,934	2,103,574
Foreign exchange	14,054	138,732
Operations	2,372,094	1,062,226
Other	28,759	7,292
Professional fees	228,455	153,670
Salaries and other benefits	1,398,642	952,535
Shareholder information	314,982	173,711
Stock based compensation	1,418,807	1,712,559
Transfer, listing and filing fees	44,779	53,549
Travel	346,480	284,095
	<b>9,044,478</b>	<b>7,829,601</b>
Other		
Interest income	15,327	122,630
	<b>15,327</b>	<b>122,630</b>
Net loss and comprehensive loss for the period	<b>(9,029,151)</b>	<b>(7,706,971)</b>
Deficit, beginning of period	<b>(64,020,966)</b>	<b>(27,167,554)</b>
Deficit, end of period	<b>(73,050,117)</b>	<b>(34,874,525)</b>
Loss per share		
Basic	<b>(0.08)</b>	<b>(0.07)</b>
Diluted	<b>(0.08)</b>	<b>(0.07)</b>
Weighted average number of shares outstanding		
Basic	<b>109,004,168</b>	<b>107,827,306</b>
Diluted	<b>109,004,168</b>	<b>107,827,306</b>

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

## SANDSPRING RESOURCES LTD.

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

(Expressed in Canadian Dollars)

	Common Shares	Reserves Warrant Reserve	Stock Option Reserve	Deficit	Total
<b>Balance, December 31, 2010</b>	<b>91,627,363</b>	<b>1,594,443</b>	<b>2,735,101</b>	<b>(27,167,554)</b>	<b>68,789,353</b>
Shares issued on exercise of options	205,555	-	-	-	205,555
Value of options exercised	121,739	-	(121,739)	-	-
Shares issued on exercise of warrants	28,213	-	-	-	28,213
Value of warrants exercised	15,878	(15,878)	-	-	-
Stock based compensation	-	-	1,712,559	-	1,712,559
Shares issued on exercise of compensation options	3,938	-	-	-	3,938
Value of warrants issued on exercise of compensation options	(3,938)	3,938	-	-	-
Net loss for the period	-	-	-	(7,706,971)	(7,706,971)
<b>Balance, March 31, 2011</b>	<b>\$ 91,998,748</b>	<b>\$ 1,582,503</b>	<b>\$ 4,325,921</b>	<b>\$ (34,874,525)</b>	<b>\$ 63,032,647</b>
Shares issued on exercise of options	588,325	-	-	-	588,325
Value of options exercised	348,680	-	(348,680)	-	-
Shares issued on exercise of warrants	65,000	-	-	-	65,000
Value of warrants exercised	30,557	(30,557)	-	-	-
Stock based compensation	-	-	1,543,569	-	1,543,569
Shares issued on exercise of compensation options	39,155	-	-	-	39,155
Value of warrants issued on exercise of compensation options	(39,155)	39,155	-	-	-
Net loss for the period	-	-	-	(29,146,441)	(29,146,441)
<b>Balance, December 31, 2011</b>	<b>\$ 93,031,310</b>	<b>\$ 1,591,101</b>	<b>\$ 5,520,810</b>	<b>\$ (64,020,966)</b>	<b>\$ 36,122,255</b>
Stock based compensation	-	-	1,418,807	-	1,418,807
Shares issued on private placement	25,002,000	-	-	-	25,002,000
Share issue cost from private placement	(1,529,635)	-	-	-	(1,529,635)
Net loss for the period	-	-	-	(9,029,151)	(9,029,151)
<b>Balance, March 31, 2012</b>	<b>\$ 116,503,675</b>	<b>\$ 1,591,101</b>	<b>\$ 6,939,617</b>	<b>\$ (73,050,117)</b>	<b>\$ 51,984,276</b>

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

**SANDSPRING RESOURCES LTD.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW****(Unaudited)***(Expressed in Canadian Dollars)*

	Three Months Ended March 31,	
	2012	2011
<b>Cash provided by:</b>	<b>₹</b>	<b>₹</b>
<b>Operating Activities</b>		
Net loss	(9,029,151)	(7,706,971)
Adjustments for:		
Depreciation	253,542	25,530
Stock-based compensation	1,418,807	1,712,559
Change in non-cash working capital		
Prepaid expenses	(116,712)	(160,191)
Accounts payable	(443,929)	1,367,436
	(7,917,443)	(4,761,637)
Interest received	15,327	122,630
<b>Investing Activities</b>		
Purchase of equipment	(25,539)	(1,215,529)
	(25,539)	(1,215,529)
<b>Financing Activities</b>		
Shares issued on private placement net of expenses	23,472,365	-
Proceeds from exercise of stock options	-	205,555
Proceeds from exercise of warrants	-	28,213
Proceeds from exercise of compensation options	-	3,938
	23,472,365	237,706
<b>Cash and cash equivalents, beginning of period</b>	<b>12,003,357</b>	<b>45,687,371</b>
Net (decrease) increase in cash	15,529,383	(5,739,460)
<b>Cash and cash equivalents, end of period</b>	<b>27,532,740</b>	<b>39,947,911</b>

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

# Sandspring Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2012

(Expressed in Canadian Dollars)

(Unaudited)

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## 1. Corporate Information

Sandspring Resources Ltd. (“Sandspring” or “the Company”) is a resource exploration company, incorporated in Canada on September 20, 2006 under the Business Corporations Act (Alberta). The Company continued out of Alberta and into Ontario effective March 31, 2010. Sandspring is focused on the exploration for, and resource expansion of, gold and related minerals in Guyana, South America. Sandspring’s principal place of business is located at 8000 South Chester Street, Suite 375, Centennial, Colorado in the United States of America.

## 2. Basis of Presentation

Sandspring is at an early stage of development and raises financing for its exploration and acquisition activities. The Company has incurred a loss in the current and prior periods, with a net loss for the three months ended March 31, 2012 of \$9,029,151, and has an accumulated deficit of \$73,050,117. In addition, the Company had a working capital balance of \$23,588,638 at March 31, 2012. During the three months ended March 31, 2012, the Company raised gross proceeds of approximately \$25.0 million (note 8(i)), which will finance planned spending over the next twelve months. Further financing will be required for operations beyond the next 12 months. While there is no assurance these funds can be raised, the Company believes such financing will be available as required. The Company’s discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of exploration expenditure, and expenditures may be adjusted accordingly.

## 3. Significant Accounting Policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly these unaudited condensed consolidated interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards (“IFRS”) for complete financial statements for year end reporting purposes and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2011.

The accounting policies applied by the Company in these unaudited condensed consolidated interim financial statements are the same as those applied by Sandspring in its most recent annual financial statements as at and for the year ended December 31, 2011.



## **Sandspring Resources Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

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### *Future accounting changes*

A number of new standards, amendments to standards and interpretations, are not yet effective and have not been applied in preparing these unaudited condensed consolidated interim financial statements. These standards and amendments are fully described in the Company's 2011 audited financial statements. Management has not yet determined the impact that these new standards and amendments will have on the Company's consolidated financial statements.

#### **4. Capital Management**

The Company manages its capital with the following objectives:

- i. to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- ii. to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be total shareholders' equity (managed capital), which as at March 31, 2012 totaled \$51,984,276 (December 31, 2011 - \$36,122,255).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on activities related to its mineral properties. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended March 31, 2012.

The Company is not subject to any capital requirements imposed by a lending institution.





## **Sandspring Resources Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

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### **5. Financial Instruments**

The Company's activities potentially expose it to a variety of financial risks including credit risk, liquidity risk, currency risk, and interest rate risk.

#### *Credit Risk*

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company holds its cash and guaranteed investment certificates with reputable financial institutions, from which management believes the risk of loss to be minimal.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. The Company generates cash primarily through its financing activities. The Company has cash and cash equivalents of \$27,532,740 (December 31, 2011 – \$12,003,357) to settle current liabilities of \$4,268,429 (December 31, 2011 – \$4,712,358). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

#### *Currency Risk*

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Guyana on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. The Company maintains US dollar bank accounts in the United States and Guyana, and Guyanese dollar bank accounts in Guyana. The Company is subject to gains and losses from fluctuations in the US dollar and Guyanese dollar against the Canadian dollar.



## Sandspring Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2012

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### Interest Rate Risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and assets. In the normal course of business, the Company is exposed to interest rate fluctuations as a result of cash equivalents being invested in interest-bearing instruments. Interest rate risk is minimal as the Company's interest-bearing instruments have fixed interest rates.

### Fair Value

As at March 31, 2012, the carrying and fair value amounts of the Company's financial instruments were approximately equivalent due to their short term maturities.

## 6. Equipment

	Camp Equipment	Heavy Equipment	Other Equipment	Vehicles	Furniture and Office Equipment	Total
Cost						
As at December 31, 2011	\$ 73,613	\$ 2,872,343	\$ 291,938	\$ 149,605	\$ 441,004	\$ 3,828,503
Additions	-	16,982	2,534	-	6,023	25,539
As at March 31, 2012	\$ 73,613	\$ 2,889,325	\$ 294,472	\$ 149,605	\$ 447,027	\$ 3,854,042
Accumulated Depreciation						
As at December 31, 2011	\$ 12,609	\$ 174,020	\$ 20,689	\$ 11,208	\$ 47,407	\$ 265,933
Charge for the year	4,801	170,541	17,004	9,448	51,748	253,542
As at March 31, 2012	\$ 17,410	\$ 344,561	\$ 37,693	\$ 20,656	\$ 99,155	\$ 519,475
Net Book Value						
As at December 31, 2011	\$ 61,004	\$ 2,698,323	\$ 271,249	\$ 138,397	\$ 393,597	\$ 3,562,570
As at March 31, 2012	\$ 56,203	\$ 2,544,764	\$ 256,779	\$ 128,949	\$ 347,872	\$ 3,334,567

## 7. Mineral Properties Under Exploration

As at March 31, 2012, the carrying amount of the Company's interest in mineral properties is as follows:

	March 31, 2012	December 31, 2011
Toroparu	\$ 25,061,071	\$ 25,061,071



## Sandspring Resources Ltd.

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The carrying value of mineral properties under exploration represents the cost of acquired properties. All costs related to exploration activities are expensed as incurred. Mineral properties under exploration are not depreciated, and will be reclassified once technical feasibility and commercial viability can be demonstrated. The following table sets forth a breakdown of material components of the Company's exploration expenditures for the three months ended March 31, 2012 and 2011.

	Three Months Ended	
	3/31/2012	3/31/2011
	\$	\$
Upper Puruni Exploration Costs		
Camp Expenses	1,172,464	581,954
Consulting	102,419	179,997
Depreciation	181,680	19,378
Drilling Costs	1,772,934	2,103,574
Engineering Studies	632,369	381,077
Lab Fees	617,576	361,294
Office and Administrative Costs	319,712	456,971
Salaries and Benefits	1,189,538	572,311
Travel and Accommodation	250,652	215,622
Prospecting Licenses	191,244	106,242
Total Exploration Costs	6,430,588	4,978,420

### 8. Share Capital

The Company is authorized to issue an unlimited amount of common shares. The issued and outstanding common shares consist of the following:

	Number of Common	
	Shares	Amount
Balance, December 31, 2011	108,749,772	\$ 93,031,310
Issued on bought deal private placement	23,150,000	25,002,000
Share issue expense		(1,529,635)
Balance, March 31, 2012	131,899,772	\$ 116,503,675

- (i) On March 30, 2012 the Company completed a bought deal offering of 23,150,000 Common Shares with a syndicate of underwriters co-led by RBC Capital Markets and Scotiabank at a price of \$1.08 per Common Share for gross proceeds of \$25,002,000.



## Sandspring Resources Ltd.

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(Expressed in Canadian Dollars)

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### 9. Warrants

As at March 31, 2012, the Company has a total of 5,486,517 warrants outstanding and exercisable.

The following table shows the continuity of warrants during the period:

	Number of Warrants	Allocated Value	Weighted Average Exercise Price
Balance, December 31, 2011	5,486,517	\$ 1,591,101	\$ 0.50
Balance, March 31, 2012	5,486,517	\$ 1,591,101	\$ 0.50

The following warrants were outstanding as at March 31, 2012:

Number of Warrants	Allocated Value	Exercise Price	Expiry Date
5,486,517	\$ 1,591,101	\$ 0.50	November 24, 2012

### 10. Stock Options

The following table shows the continuity of stock options during the three month period ended March 31, 2012:

	Number of Options	Allocated Value of Vested Options	Weighted Average Exercise Price
Balance, December 31, 2011	7,011,434	\$ 5,520,810	\$ 1.49
Value of options vested during t	-	237,813	-
Granted (i, ii,)	2,942,000	1,210,982	1.34
Forfeited during the period	(26,250)	(29,988)	2.70
Balance, March 31, 2012	9,927,184	\$ 6,939,617	\$ 1.44

- i. On January 10, 2012, the Company granted 1,067,000 stock options to employees of the Company exercisable for one common share each at a price of \$1.26 per share for a five year period. These stock options will vest at the rate of 25% at each of 6, 12, 18, and 24 months after the date of grant. The grant date fair value of \$779,764 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 1.29% per annum; and a dividend rate of nil. For the three months ended March 31, 2012, \$181,229 was expensed to stock-based compensation.
- ii. On January 16, 2012, the Company granted 750,000 stock options to officers and employees of the Company exercisable for one common share each at a price of \$1.38 per share for a five



## Sandspring Resources Ltd.

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year period. These stock options will vest at the rate of 25% at each of 6, 12, 18 and 24 months after the date of grant. The grant date fair value of \$600,225 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: a five year expected term; 70% volatility; risk-free rate of 1.28% per annum; and a dividend rate of nil. For the three months ended March 31, 2012, \$129,415 was expensed to stock-based compensation. The Company also granted 1,125,000 stock options to directors of the Company exercisable for one common share each at a price of \$1.38 per share for a five year period. These stock options vested immediately. The grant date fair value of \$900,338 was assigned to the stock options as estimated by using the Black-Scholes valuation model described above. For the three months ended March 31, 2012, \$900,338 was expensed to stock-based compensation.

- iii. The weighted average grant date fair value of the total options granted during the three months ended March 31, 2012 is \$0.78 (December 31, 2010 – \$2.51).

The following are the stock options outstanding as at March 31, 2012:

Expiry Date	Options Outstanding	Exercise Price	Remaining Contractual Life (Yrs)	Options Exercisable
May 15, 2012	133,334	\$ 0.10	0.12	133,334
September 21, 2012 (i)	500,000	\$ 2.60	0.48	500,000
November 24, 2014	2,903,100	\$ 0.50	2.65	2,903,100
January 8, 2015	50,000	\$ 1.25	2.78	50,000
February 8, 2015	65,000	\$ 1.44	2.86	65,000
March 29, 2015	615,000	\$ 1.60	2.99	615,000
July 7, 2015	295,000	\$ 1.24	3.27	295,000
January 6, 2016	125,000	\$ 3.54	3.77	125,000
January 24, 2016	125,000	\$ 3.10	3.82	125,000
February 25, 2016	1,438,750	\$ 2.70	3.91	968,750
August 1, 2016	235,000	\$ 2.52	4.34	58,750
September 29, 2016	500,000	\$ 1.53	4.50	500,000
January 10, 2017	1,067,000	\$ 1.26	4.78	-
January 16, 2017	1,875,000	\$ 1.38	4.80	1,125,000
	9,927,184		3.53	7,463,934

- i. Issued with expiration of October 19, 2015, however, the expiration date was changed due to the receiving officer resigning from the Company effective September 21, 2011. The Board of Directors voted to allow one year for the resigning officer to exercise these fully vested options.



## Sandspring Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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### 11. Loss per Share

The calculation of basic and diluted loss per share for the three months ended March 31, 2012 was based on the loss attributable to common shareholders of \$9,029,151 (three months ended March 31, 2011 - \$7,706,971) and the weighted average number of common shares outstanding of 109,004,168 (three months ended March 31, 2011 – 107,827,306). Diluted loss per share did not include the effect of 9,927,184 share purchase options, and 5,486,517 warrants as they are anti-dilutive.

### 12. Related Party Transactions

The Company's transactions are in the normal course of business and are recorded at the exchange amount. All amounts due to related parties are non-interest bearing and payable on demand.

(a) Included in accounts payable and accrued liabilities are the following amounts due to related parties:

	3/31/2012	12/31/2011
Travel expenses reimbursed to officers and directors of the Company,	\$ 47,537	\$ 24,519
Administrative expenses reimbursed to officers and directors of the Company,	562	191
Administrative, occupancy and salary expenses reimbursable to a company controlled by a Vice President of the Company, P. Greg Barnes	128,230	72,480
	<u>\$ 176,329</u>	<u>\$ 97,190</u>

(b) The Company had the following related party transactions during the three months ended March 31, 2012.

	3/31/2012	3/31/2011
Travel expenses reimbursed to officers and directors of the Company,	\$ 71,053	\$ 58,750
Administrative expenses reimbursed to officers and directors of the Company,	3,911	14,777
Administrative, occupancy and salary expenses reimbursable to a company controlled by a Vice President of the Company, P. Greg Barnes	147,741	192,627
	<u>\$ 222,705</u>	<u>\$ 266,154</u>



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(c) Remuneration of directors and key management of the Company was as follows.

	3/31/12	3/31/11
Salaries and benefits for management	\$ 328,938	\$ 289,318
Directors fees	33,250	27,250
Share based payments	1,100,108	1,391,744
	<u>\$ 1,462,296</u>	<u>\$ 1,708,312</u>

### 13. Segmented information

The Company primarily operates in one reportable operation segment, being the development of its property for production of gold and copper in Guyana. The Company has administrative offices in Toronto, Canada and Centennial, U.S.A. Segmented information on a geographic basis is as follows:

December 31, 2011

	Canada	United States	Guyana	Total
Current assets	\$ 10,228,770	\$ 1,698,429	\$ 283,773	\$ 12,210,972
Non-current assets	84,172	96,822	28,442,647	28,623,641
	<u>\$ 10,312,942</u>	<u>\$ 1,795,251</u>	<u>\$ 28,726,420</u>	<u>\$ 40,834,613</u>

March 31, 2012

	Canada	United States	Guyana	Total
Current assets	\$ 26,653,694	\$ 948,860	\$ 254,513	\$ 27,857,067
Non-current assets	70,228	2,995,398	25,330,012	28,395,638
	<u>\$ 26,723,922</u>	<u>\$ 3,944,258</u>	<u>\$ 25,584,525</u>	<u>\$ 56,252,705</u>

### 14. Commitments

The Alphonso joint venture provides that ETK shall commence commercial production, defined as production of 50,000 ounces of gold per year, beginning January 1, 2013 or in lieu thereof pay Mr. Alphonso an annual sum of the Guyana dollar equivalent of USD \$250,000 in years 2013, 2014 and 2015 if commercial production is not commenced. If commercial production has not been commenced by 2016, Mr. Alphonso may declare a default under the agreement unless the Company has exercised its option to purchase Mr. Alphonso's interest in the joint venture for the sum of USD \$20,000,000. In addition, the Company is required to spend USD \$250,000 on exploration and development during the year ending December 31, 2012 under the Alphonso joint venture.

