Sandspring Resources Ltd.

Condensed Consolidated Interim Financial Statements
(Unaudited)
Expressed in Canadian Dollars
Three and Nine Months Ended September 30, 2012

SANDSPRING RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Expressed in Canadian Dollars)

	Notes	9/30/2012	12/31/2011
ASSETS		$	$
Current			
Cash and cash equivalents		15,640,366	12,003,357
Prepaid expenses		314,608	207,615
		15,954,974	12,210,972
Equipment	6	2,855,817	3,562,570
Mineral properties under exploration	7	25,061,071	25,061,071
		43,871,862	40,834,613
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		1,760,535	4,712,358
SHAREHOLDERS' EQUITY			
Common Shares	8	116,538,705	93,031,310
Warrant Reserve	9	1,591,101	1,591,101
Stock Option Reserve	10	7,769,731	5,520,810
Deficit		(83,788,210)	(64,020,966)
		42,111,327	36,122,255
		43,871,862	40,834,613

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

SANDSPRING RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS

(Unaudited)

(Expressed in Canadian Dollars)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	$	$	$	$
Expenditures				
Administrative	183,545	542,324	921,920	1,896,864
Consulting	314,663	408,053	1,100,659	1,394,140
Depreciation	264,254	56,785	773,375	129,357
Drilling	463,194	2,677,480	3,467,888	8,114,568
Foreign exchange loss (gain)	34,705	(82,384)	114,070	77,376
Operations	811,517	3,150,891	4,970,199	6,820,342
Other	8,908	57,574	50,884	99,759
Professional fees	91,679	283,607	432,166	684,608
Salaries and other employee benefits	1,330,691	1,692,447	4,344,469	3,780,261
Shareholder information	94,415	205,024	583,822	723,997
Stock based compensation	387,227	842,839	2,248,921	3,027,048
Transfer, listing and filing fees	5,617	9,148	65,931	98,007
Travel	140,281	450,531	802,168	1,172,855
	4,130,696	10,294,319	19,876,472	28,019,182
Other				
Interest income	39,878	68,626	109,228	287,409
	39,878	68,626	109,228	287,409
Net loss and comprehensive loss for the period	(4,090,818)	(10,225,693)	(19,767,244)	(27,731,773)
Loss per share				
Basic	(0.03)	(0.09)	(0.16)	(0.26)
Diluted	(0.03)	(0.09)	(0.16)	(0.26)
Weighted average number of shares outstanding				
Basic	132,033,106	108,046,034	124,363,398	107,937,274
Diluted	132,033,106	108,046,034	124,363,398	107,937,274

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

SANDSPRING RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

(Expressed in Canadian Dollars)

		Reserves			
	Common Shares	Warrant Reserve	Stock Option Reserve	Deficit	Total
Balance, December 31, 2010	**$ 91,627,363**	**$ 1,594,443**	**$ 2,735,101**	**$ (27,167,554)**	**$ 68,789,353**
Shares issued on exercise of options	718,920	-	-	-	718,920
Value of options exercised	425,970	-	(425,970)	-	-
Shares issued on exercise of warrants	38,213	-	-	-	38,213
Value of warrants exercised	20,579	(20,579)	-	-	-
Stock based compensation	-	-	3,027,048	-	3,027,048
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	-	-	-	(27,731,773)	(27,731,773)
Balance, September 30, 2011	**$ 92,831,045**	**$ 1,577,802**	**$ 5,336,179**	**$ (54,899,327)**	**$ 44,845,699**
Balance, December 31, 2011	**$ 93,031,310**	**$ 1,591,101**	**$ 5,520,810**	**$ (64,020,966)**	**$ 36,122,255**
Shares issued on exercise of options	13,333	-	-	-	13,333
Stock based compensation	-	-	2,248,921	-	2,248,921
Shares issued on private placement	25,002,000	-	-	-	25,002,000
Share issue cost from private placement	(1,507,938)	-	-	-	(1,507,938)
Net loss for the period	-	-	-	(19,767,244)	(19,767,244)
Balance, September 30, 2012	**$ 116,538,705**	**$ 1,591,101**	**$ 7,769,731**	**$ (83,788,210)**	**$ 42,111,327**

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

SANDSPRING RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(Unaudited)

(Expressed in Canadian Dollars)

		Nine Months Ended September 30,	
		2012	**2011**
Cash provided by:	**Notes**	**$**	**$**
Operating Activities			
Net loss		**(19,767,244)**	**(27,731,773)**
Adjustments for:			
Depreciation		**773,375**	**129,357**
Stock-based compensation		**2,248,921**	**3,027,048**
Change in non-cash working capital			
Prepaid expenses		**(106,993)**	**(30,154)**
Accounts payable		**(2,951,823)**	**1,690,911**
		(19,803,764)	**(22,914,611)**
Interest received		**109,228**	**287,409**
Investing Activities			
Purchase of equipment	6	**(66,622)**	**(2,627,754)**
		(66,622)	**(2,627,754)**
Financing Activities			
Shares issued on private placement net of expenses		**23,494,062**	**-**
Proceeds from exercise of stock options		**13,333**	**718,920**
Proceeds from exercise of warrants		**-**	**38,213**
Proceeds from exercise of compensation options		**-**	**3,938**
		23,507,395	**761,071**
Cash and cash equivalents, beginning of period		**12,003,357**	**45,687,371**
Net (decrease) increase in cash		**3,637,009**	**(24,781,294)**
Cash and cash equivalents, end of period		**15,640,366**	**20,906,077**

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

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 nine months ended September 30, 2012 of $19,767,244 and has an accumulated deficit of $83,788,210. In addition, the Company had a working capital balance of $14,194,439 at September 30, 2012. During the nine months ended September 30, 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.

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 September 30, 2012 totaled $42,111,327 (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 nine months ended September 30, 2012.

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

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 $15,640,366 (December 31, 2011 – $12,003,357) to settle current liabilities of $1,760,535 (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 against the Canadian dollar. The Company's exposure to the currency risk of Guyanese dollars is not material.

(Expressed in Canadian Dollars)

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 September 30, 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	-	47,106	66,622
As at September 30, 2012	$ 73,613	$ 2,889,325	$ 294,472	$ 149,605	$ 488,110	$ 3,895,125
Accumulated Depreciation						
As at December 31, 2011	$ 12,609	$ 174,020	$ 20,689	$ 11,208	$ 47,407	$ 265,933
Charge for the period	14,455	513,679	51,354	28,447	165,440	773,375
As at September 30, 2012	$ 27,064	$ 687,699	$ 72,043	$ 39,655	$ 212,847	$ 1,039,308
Net Book Value						
As at December 31, 2011	$ 61,004	$ 2,698,323	$ 271,249	$ 138,397	$ 393,597	$ 3,562,570
As at September 30, 2012	$ 46,549	$ 2,201,626	$ 222,429	$ 109,950	$ 275,263	$ 2,855,817

(Expressed in Canadian Dollars)

7. Mineral Properties Under Exploration

As at September 30, 2012, the carrying amount of the Company's interest in mineral properties is as follows:

	September 30, 2012	December 31, 2011
Toroparu	$ 25,061,071	$ 25,061,071

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 and nine months ended September 30, 2012 and 2011.

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	$	$	$	$
Upper Puruni Exploration Costs				
Camp Expenses	610,276	1,540,910	2,778,670	3,374,877
Consulting	230,422	212,883	546,055	536,343
Depreciation	191,908	45,867	557,680	109,552
Drilling Costs	463,194	2,677,480	3,467,888	8,114,568
Engineering Studies	58,495	377,102	1,030,317	1,393,459
Lab Fees	56,822	833,124	1,068,306	1,704,195
Office and Administrative Costs	117,404	345,365	633,779	1,562,474
Salaries and Benefits	1,009,316	970,064	3,521,644	2,474,513
Travel and Accommodation	98,957	329,595	607,890	907,866
Prospecting Licenses	134,248	223,834	523,010	516,226
Total Exploration Costs	2,971,042	7,556,224	14,735,239	20,694,073

(Expressed in Canadian Dollars)

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 exercise of options	133,334		13,333
Value of options exercised			-
Issued on bought deal private placement (i)	23,150,000		25,002,000
Share issue expense			(1,507,938)
Balance, September 30, 2012	132,033,106	$	116,538,705

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.

9. Warrants

As at September 30, 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, September 30, 2012	5,486,517	$	1,591,101	$	0.50

The following warrants were outstanding as at September 30, 2012:

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

(Expressed in Canadian Dollars)

10. Stock Options

The following table shows the continuity of stock options during the nine month period ended September 30, 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 the period	-	454,233	-
Granted (i, ii, iii)	3,953,000	1,944,780	1.14
Forfeited during the period	(254,000)	(150,092)	1.88
Expired during the period	(641,250)	-	2.28
Exercised during the period	(133,334)	-	0.10
Balance, September 30, 2012	9,935,850	$ 7,769,731	$ 1.31

i. On January 10, 2012, the Company granted 1,192,000 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 $871,114 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 nine months ended September 30, 2012, $535,606 was expensed to stock-based compensation.

ii. On January 16, 2012, the Company granted 625,000 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 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 $500,188 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 nine months ended September 30, 2012, $316,595 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 nine months ended September 30, 2012, $900,338 was expensed to stock-based compensation.

iii. On September 9, 2012, the Company granted 1,000,000 stock options to an officer of the Company exercisable for one common share each at a price of $0.60 per share for a five year period. These stock options will vest at the rate of 50% immediately, and 16.67% at each of 6, 12, and 18 months after the date of grant. The grant date fair value of $348,700 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 1.40% per annum; and a dividend rate of nil. For the nine months ended September 30, 2012, $188,556 was expensed to stock-based compensation. The Company also granted 10,000 stock options to consultants of the Company exercisable for one common share each at a price of $0.60 per share for a five year period. These stock options vested immediately. The grant date fair value of $3,487 was assigned to the stock options as estimated by using the Black-Scholes valuation model described above. For the nine months ended September 30, 2012, $3,487 was expensed to stock-based compensation. The Company also granted 1,000 stock options to a consultant of the Company exercisable for one common share each at a price of $0.60 per share for a five year period. These stock options will vest at the rate of 50% immediately and 50% at 6 months after the date of grant. The grant date fair value of $349 was assigned to the stock options as estimated by using the Black-Scholes valuation model described above. For the nine months ended September 30, 2012, $198 was expensed to stock-based compensation.

iv. The weighted average grant date fair value of the total options granted during the nine months ended September 30, 2012 was $0.67.

v. The weighted average share price on the date of exercise during the nine months ended September 30, 2012 was $0.67.

(Expressed in Canadian Dollars)

The following are the stock options outstanding as at September 30, 2012:

Expiry Date	Options Outstanding	Exercise Price		Remaining Contractual Life (Yrs)	Options Exercisable
November 24, 2014	2,803,100	$	0.50	2.15	2,803,100
January 8, 2015	50,000	$	1.25	2.27	50,000
February 8, 2015	65,000	$	1.44	2.36	65,000
March 29, 2015	615,000	$	1.60	2.49	615,000
July 7, 2015	295,000	$	1.24	2.77	295,000
January 6, 2016	125,000	$	3.54	3.27	125,000
January 24, 2016	125,000	$	3.10	3.32	125,000
February 25, 2016	1,365,000	$	2.70	3.41	1,130,000
August 1, 2016	177,500	$	2.52	3.84	88,750
September 29, 2016	500,000	$	1.53	4.00	500,000
January 10, 2017	1,054,250	$	1.26	4.28	263,563
January 16, 2017	1,750,000	$	1.38	4.30	1,281,250
September 6, 2017	1,011,000	$	0.60	4.94	510,500
	9,935,850			2.90	7,341,663

11. Loss per Share

The calculation of basic and diluted loss per share for the nine months ended September 30, 2012 was based on the loss attributable to common shareholders of $19,767,244 (nine months ended September 30, 2011 - $27,731,773) and the weighted average number of common shares outstanding of 124,363,398 (nine months ended September 30, 2011 – 107,937,274). Diluted loss per share did not include the effect of 9,935,850 share purchase options, and 5,486,517 warrants as they are anti-dilutive.

The calculation of basic and diluted loss per share for the three months ended September 30, 2012 was based on the loss attributable to common shareholders of $4,090,818 (three months ended September 30, 2011 - $10,225,693) and the weighted average number of common shares outstanding of 132,033,106 (three months ended September 30, 2011 – 108,046,034). Diluted loss per share did not include the effect of 9,935,850 share purchase options, and 5,486,517 warrants as they are anti-dilutive.

(Expressed in Canadian Dollars)

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:

	9/30/2012	12/31/2011
Travel expenses reimbursed to officers and directors of the Company,	$ 26,245	$ 24,519
Administrative expenses reimbursed to officers and directors of the Company,	583	191
Administrative, occupancy and salary expenses reimbursable to a company controlled by a Vice President of the Company, P. Greg Barnes	45,094	72,480
	$ 71,922	$ 97,190

b) The Company had the following related party transactions during the nine months ended September 30, 2012:

	9/30/2012	9/30/2011
Travel expenses reimbursed to officers and directors of the Company,	$ 167,866	$ 194,986
Administrative expenses reimbursed to officers and directors of the Company,	11,256	29,015
Administrative, occupancy and salary expenses reimbursable to a company controlled by a Vice President of the Company, P. Greg Barnes	311,663	569,740
	$ 490,785	$ 793,741

c) Remuneration of Directors and key management of the Company was as follows:

	9/30/2012	9/30/2011
Salaries and benefits for management	$ 972,231	$ 1,347,234
Directors fees	137,336	81,750
Share based payments	1,607,392	2,376,844
	$ 2,716,959	$ 3,805,828

(Expressed in Canadian Dollars)

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
	$ 10,312,942	$ 1,795,251	$ 28,726,420	$ 40,834,613

September 30, 2012	Canada	United States	Guyana	Total
Current assets	$ 14,975,809	$ 618,764	$ 360,401	$ 15,954,974
Non-current assets	42,189	69,247	27,805,452	27,916,888
	$ 15,017,998	$ 688,011	$ 28,165,853	$ 43,871,862

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 Guyanese dollar equivalent of US$250,000 in years 2013, 2014 and 2015 if commercial production is not commenced. If commercial production has not 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 US$20,000,000. In addition, the Company is required to spend US$250,000 on exploration and development during the year ending December 31, 2012 under the Alphonso joint venture.