DURAN VENTURES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (REVISED)

FOR THE THREE-MONTH PERIOD ENDED

MARCH 31, 2011

(Unaudited)

(Expressed in Canadian dollars)

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CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	As at March 31, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
		(Note 18)	(Note 18)
ASSETS			
CURRENT			
Cash and cash equivalents	**6,141,986**	6,002,801	772,964
Marketable securities (Note 6)	**138,000**	90,000	-
Prepaid expenses and advances	**61,325**	12,094	49,378
Amounts receivable	**40,840**	21,574	6,763
	6,382,151	6,126,469	829,105
PROPERTY, PLANT AND EQUIPMENT (Note 7)	**188,899**	99,760	111,196
EXPLORATION AND EVALUATION ASSETS (Notes 8 and 11)	**1,268,102**	1,268,102	-
	7,839,152	7,494,331	940,301
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	**219,708**	222,925	117,672
DEFERRED TAX LIABILITY	**421,300**	421,300	-
	641,008	644,225	117,672
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (Note 9)	**44,574,806**	43,365,227	35,592,626
WARRANT RESERVE (Note 9)	**1,611,591**	1,465,046	664,101
SHARE BASED PAYMENT RESERVE (Note 10)	**2,045,786**	771,976	948,546
ACCUMULATED OTHER COMPREHENSIVE INCOME	**2,625**	39,375	-
DEFICIT	**(41,036,664)**	(38,791,518)	(36,382,644)
	(41,034,039)	(38,752,143)	(36,382,644)
	7,198,144	6,850,106	822,629
	7,839,152	7,494,331	940,301

ONGOING OPERATIONS (Note 3)

EXPLORATION AND EVALUATION EXPENDITURES (Note 11)

COMMITMENTS AND CONTINGENCIES (Note 16)

APPROVED ON BEHALF OF THE BOARD:

Signed "Joseph Del Campo" , Director

Signed "Jeffrey Reeder" , Director

See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2011 AND MARCH 31, 2010
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	2011 $	2010 $
		(Note 18)
EXPENSES		
Share-based compensation (Note 10)	**1,287,927**	43,510
Management and consulting fees (Note 15)	**59,933**	37,540
General and administrative	**142,568**	22,715
Advertising and public relations	**28,774**	88,992
Professional fees	**32,830**	20,597
Rent	**7,500**	9,750
Amortization	**2,814**	2,862
Exploration and evaluation expenditures (Note 11)	**681,437**	507,636
Loss before the under-noted	**2,243,783**	733,602
Interest income	**(3,887)**	-
LOSS FOR THE PERIOD BEFORE INCOME TAXES	**2,329,896**	733,602
DEFERRED INCOME TAX EXPENSE	**5,250**	-
NET LOSS FOR THE PERIOD	**2,245,146**	733,602
Other comprehensive loss	**2,625**	-
COMPREHENSIVE LOSS	**2,247,771**	733,602
Loss per share – basic and diluted	**0.01**	0.01
Weighted average number of common shares outstanding	**175,970,014**	93,188,279

See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME ("AOCI")

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2011 AND MARCH 31, 2010
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	2011 **$**	2010 $
		(Note 18)
Accumulated other comprehensive income at beginning of period	**39,375**	**-**
Unrealized loss on marketable securities, net of deferred income tax of $5,250 (2010 - $Nil)	**(36,750)**	**-**
Accumulated other comprehensive income at end of period	**2,625**	**-**

See accompanying notes to the unaudited condensed consolidated interim financial statements.

DURAN VENTURES INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2011 AND 2010 AND THE YEAR ENDED DECEMBER 31, 2010

(Unaudited – Prepared by Management)

	Common Shares		Warrants					
	Shares #	Amount $	Number #	Reserve Amount $	Share-based Payment Reserve $	Accumulated Other Comp. Income ("AOCI") $	Deficit $	Total Shareholders' Equity $
Balance, January 1, 2010	91,801,612	35,592,626	29,657,500	664,101	948,546	-	(36,382,644)	822,629
Warrants exercised	1,900,000	219,925	(1,900,000)	(29,925)	-	-	-	190,000
Value of warrants and options expired	-	-	-	-	(119,954)	-	119,954	-
Share-based compensation expense	-	-	-	-	43,510	-	-	43,510
Net loss	-	-	-	-	-	-	(733,602)	(733,602)
Balance, March 31, 2010	93,701,612	35,812,551	27,757,500	634,176	872,102	-	(36,996,292)	322,537
Warrants exercised	14,551,000	1,692,092	(14,551,000)	(230,742)	--	-	-	1,461,350
Issued pursuant to business combination	9,393,346	1,268,102	-	-	-	-	-	1,268,102
Issued pursuant to private placement	49,553,000	4,592,482	24,776,500	1,126,000	-	-	-	5,718,482
Compensation warrants issued	-	-	3,220,945	194,285	-	-	-	194,285
Value of warrants and options expired	-	-	(8,084,000)	(258,673)	(362,526)	-	621,199	-
Share-based compensation expense	-	-	-	-	262,400	-	-	262,400
Unrealized gain on marketable securities	-	-	-	-	-	39,375	-	39,375
Net loss	-	-	-	-	-	-	(2,416,425)	(2,416,425)
Balance, December 31,2010	167,198,958	43,365,227	33,119,945	1,465,046	771,976	39,375	(38,791,518)	6,850,106
Balance, January 1, 2011	167,198,958	43,365,227	33,119,945	1,465,046	771,976	39,375	(38,791,518)	6,850,106
Issued for cash	7,700,000	717,464	3,850,000	175,000	-	-	-	892,464
Issued as finder's fee	-	-	500,500	30,043	-	-	-	30,043
Warrants exercised	2,070,000	457,498	(2,070,000)	(58,498)	-	-	-	399,000
Options exercised	200,000	34,617	-	-	(14,117)	-	-	20,500
Share-based compensation expense	-	-	-	-	1,287,927	-	-	1,287,927
Unrealized loss on marketable securities	-	-	-	-	-	(36,750)	-	(36,750)
Net loss	-	-	-	-	-	-	(2,245,146)	(2,245,146)
Balance, March 31, 2011	177,168,958	44,574,806	35,400,445	1,611,591	2,045,786	2,625	(41,036,664)	7,198,144

See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2011 AND 2010
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	2011 **$**	2010 $
		(Note 18)
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the period	**(2,245,146)**	(733,602)
Add items not requiring cash:		
Amortization	**2,814**	2,862
Share-based compensation	**1,287,927**	43,510
Option payment received as shares	**(90,000)**	-
Deferred income tax	**5,250**	-
Change in non-cash operating working capital:		
(Increase) in prepaids and advances	**(49,231)**	(16,842)
(Increase) in amounts receivable	**(19,266)**	(5,704)
(Decrease) increase in accounts payable and accrued liabilities	**(3,217)**	15,410
Cash flows used in operating activities	**(1,110,869)**	(694,366)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Equipment	**(91,953)**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of private placement units for cash	**1,001,000**	-
Finder's fees	**(65,065)**	-
Issue costs	**(13,428)**	-
Exercise of options	**20,500**	-
Exercise of warrants	**399,000**	190,000
Cash flows from financing activities	**1,342,007**	190,000
Increase (decrease) in cash and cash equivalents	**139,185**	(504,366)
Cash and cash equivalents, beginning of period	**6,002,801**	772,964
Cash and cash equivalents, end of period	**6,141,986**	268,598
SUPPLEMENTARY INFORMATION:		
Compensation warrants issued for services (Note 9)	**30,043**	-

1. GENERAL INFORMATION

Duran Ventures Inc. ("Duran" or "the Company") is a publicly listed company originally incorporated in British Columbia and subsequently continued under the Canada Business Corporations Act. The Company's common shares have been listed and trading on the TSX Venture Exchange since July 4, 2007 under the trading symbol "DRV". The Company, directly and with exploration partners, is engaged in the exploration of mineral properties primarily in South America. The Company's registered head office is located at 40 University Avenue, Suite 710, Toronto, Ontario, Canada M5J 1T1 and substantially all of the Company's operating expenses are incurred in Canada.

2. BASIS OF CONSOLIDATION

These unaudited condensed consolidated interim financial statements include the accounts of the Company, which is incorporated in Canada under the Canada Business Corporations Act, its wholly owned subsidiaries, Duran Resources ULC and 1546806 Alberta Ltd., which are incorporated in Canada under the Business Corporations Act (Alberta), and its wholly owned subsidiaries, Minera Aguila de Oro SAC, Corongo Exploraciones SAC, Exploraciones Laramarca SAC and Hatum Minas SAC, all of which are incorporated in Peru. All inter-company balances and transactions have been eliminated. The condensed consolidated interim financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

3. GOING CONCERN

These unaudited 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. Because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. These unaudited condensed consolidated interim financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) International Financial Reporting Standards ("IFRS")

These are the Company's first IFRS unaudited condensed consolidated interim financial statements for the first quarter of the first IFRS annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2011. IFRS 1, First-time Adoption of IFRS ("IFRS 1") has been applied and the impact of the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS is explained in Note 18. Previously, the Company prepared its financial statements in accordance with Canadian GAAP.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). They do not include all of the information required for full annual financial statements.

The accounting policies set out below have been applied consistently to all periods presented and in preparing the opening balance sheet at January 1, 2010 (Note 18) for purposes of transition to IFRS. Where material, the condensed interim consolidated financial statements also include annual IFRS disclosure if the same disclosure was not previously made under Canadian GAAP. The policies applied in these condensed interim consolidated financial statements are based on the IFRS issued and effective as of June 24, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December

31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

(b) Basis of preparation

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars. The financial statements are prepared on the historical cost basis or the fair value basis for marketable securities with changes in fair value recorded in other comprehensive (loss) income.

(c) Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve.

Upon expiry of stock options, the recorded value is transferred to deficit from share-based payment reserve.

(d) Deferred taxes

The Company uses the balance sheet liability method of accounting for income taxes, under which deferred income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities.

Deferred income tax assets and liabilities are measured using income tax rates in effect for the period in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in income tax rates or laws is recognized as part of the provision for income taxes in the period the changes are considered substantively enacted.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(e) Exploration and evaluation assets and expenditures

Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination. Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

(f) Property, plant and equipment

Property, plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the assets to a working condition for their intended use, the initial estimate of the rehabilitation provisions, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Where an item of property, plant and equipment or mine properties comprises significant components with different useful lives, the components are accounted for as separate items of property, plant and equipment. The equipment noted below is amortized over their estimated useful lives using the following annual rates and methods.

Office furniture and equipment	10% straight line
Computer equipment	25% straight line
Field equipment	10% straight line
Camp equipment and buildings	10% straight line

An impairment loss is recognized when the undiscounted cash flows expected from use and the eventual disposition of the asset are less than the carrying amount of the asset. An impairment charge is recorded to reduce the carrying value of the asset to its fair value.

(g) Impairment of non-financial assets

At each balance sheet reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of loss and comprehensive loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been

recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

(h) Foreign currencies

The functional and reporting currency of the Company is the Canadian dollar. The Company's foreign subsidiaries are considered extensions of the parent company. Monetary assets and liabilities are translated to Canadian dollars at the rate in effect at the balance sheet date. Non-monetary items are translated at historical rates. Revenue and expenses are translated at the average exchange rate for the period. The resulting gain or loss is included in the statement of loss and comprehensive loss.

(i) Financial assets and liabilities

Financial assets are classified as either financial assets at fair value through the statement of loss and comprehensive loss, loans and receivables, held-to-maturity investments, or available-financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

The Company's financial assets and liabilities include cash, marketable securities, amounts receivable, prepayments and accounts payable and accrued liabilities.

The Company has designated its cash and amounts receivable as loans and receivables, which are measured at amortized cost. Marketable securities have been classified as available-for-sale ("AFS") and are recorded at their fair values with changes in fair value included in other comprehensive (loss) income until the asset is removed from the balance sheet or until impairment is assessed as other than temporary. Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Transaction costs associated with fair value through the statement of loss and comprehensive loss financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and other financial liabilities are included in the initial carrying amount of the asset or the liability.

Fair values are determined directly by reference to published price quotations in an active market. Changes in the fair value of these instruments are reflected in other comprehensive income and included in shareholders' equity on the balance sheet. All other non-derivative financial instruments were recorded at amortized cost, subject to impairment reviews.

(j) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable and prepayments, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an

allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of loss and comprehensive loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of loss and comprehensive loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through the statement of loss and comprehensive loss are not reversed through the statement of loss and comprehensive loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity. The Company does not have any derivative financial instruments.

Financial instruments recorded at fair value on the condensed consolidated inteirm balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2011 and December 31, 2010, the Company had marketable securities that were classified as Level 1.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and short-term deposits with original maturities of three months or less. The deposits are held in a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank. As at March 31, 2011, the Company had cash of $1,620,875 and cash equivalents of $4,521,161. The Company did not have any cash equivalents at December 31, 2010 and January 1, 2010.

(l) Decommissioning and restoration provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against the statement of loss and comprehensive loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized costs. Costs rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of the mine.

The Company did not have any decommissioning and restoration provisions as of March 31, 2011, December 31, 2010 and January 1, 2010.

Other provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash flow and timing can be reliably estimated.

(m) Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

(n) Comprehensive income (loss)

Comprehensive income or loss includes unrealized gains and losses on available-for-sale marketable securities.

(o) Joint ventures

A portion of the Company's exploration activities may be conducted jointly with others wherein the Company enters into agreements that provide for specified percentage interests in mineral properties. Joint venture accounting, which reflects the Company's proportionate interest in the exploration and evaluation expenditures, is applied by the Company only when the parties have earned their respective interests and enter into formal comprehensive agreements for ownership and exploration participation.

(p) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues, incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The Company operates in one business segment, mineral exploration and two geographical segments, Peru and Canada, as at March 31, 2011 and December 31, 2010.

(q) Accounting standards and interpretations issued but not yet adopted

IFRS 7 Financial instruments - Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011

IFRS 9, *Financial Instruments: Classification and Measurement*, issued in December 2009, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2013.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 *Consolidated and Separate Financial Statements*. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013.

IFRS 11 Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a

separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 *Investments in Associates* and IAS 36 *Impairment of Assets*. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013.

IFRS 13 *Fair Value Measurement* converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company intends to adopt IFRS 13 in its financial statements for the annual period beginning on January 1, 2013

The Company has not yet determined the impact of such standards and amendments on its financial statements.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these condensed consolidated interim financial statements requires management to make estimates 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. The 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. the recoverability of exploration and evaluation assets which are included in the condensed consolidated interim balance sheet;
ii. the inputs used in accounting for valuation of warrants and stock options which are included in the condensed consolidated interim balance sheet;
iii. the inputs used in accounting for share-based compensation expense in the condensed consolidated interim statement of loss and comprehensive loss;
iv. the nil provision for decommissioning and restoration provisions which is included in the condensed consolidated interim balance sheet; and
v. the nil provision for income taxes which is included in the condensed consolidated interim statements of loss and comprehensive loss and composition of deferred income tax assets and liabilities included in the condensed consolidated interim balance sheet.

6. MARKETABLE SECURITIES

As at March 31, 2011, the Company has received 600,000 common shares of Viper Gold Ltd. ("Viper") as per the terms of the Corongo property option agreement (see Note 11).

The Company classifies its marketable securities in public companies as available for sale which are reported at the fair market value based on bid prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss until the investment is derecognized or impaired. As at March 31, 2011, the fair market value of marketable securities was $138,000 (December 31, 2010 - $90,000, January 1, 2010 - $nil).

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Office furniture and equipment	Computer equipment	Field equipment	Camp and buildings	Camp and buildings under construction	Total
Balance January 1, 2010	17,138	16,349	45,977	49,077	-	128,541
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at Dec. 31, 2010	17,138	16,349	45,977	49,077	-	128,541
Additions	-	5,153	5,426	-	81,374	91,953
Disposals	-	-	-	-	-	-
Balance March 31, 2011	17,138	21,502	51,403	49,077	81,374	220,494

Amortization and impairment	Office furniture and equipment	Computer equipment	Field equipment	Camp and buildings	Camp and buildings under construction	Total
Balance January 1, 2010	2,005	5,890	7,708	1,742	-	17,345
Additions	1,714	3,587	4,690	1,445	-	11,436
Disposals	-	-	-	-	-	-
Balance at Dec. 31, 2010	3,719	9,477	12,398	3,187	-	28,781
Additions	418	896	1,147	353	-	2,814
Disposals	-	-	-	-	-	-
Balance March 31, 2011	4,137	10,373	13,545	3,540	-	31,595

Carrying amounts	Office furniture and equipment	Computer equipment	Field equipment	Camp and building s	Camp and buildings under construction	Total
At January 1, 2010	15,133	10,459	38,269	47,335	-	111,196
At December 31, 2010	13,419	6,872	33,579	45,890	-	99,760
At March 31, 2011	13,001	11,129	37,858	45,537	81,374	188,899

8. EXPLORATION AND EVALUATION ASSETS

	January 1, 2010 $	Additions (Recoveries) $	December 31, 2010 $	Additions (Recoveries) $	March 31, 2011 $
Peru					
Acquisition	-	1,268,102	1,268,102	-	1,268,102
Total Exploration Properties	-	1,268,102	1,268,102	-	1,268,102

Double Jack Properties
In July 2009, the Company agreed to acquire certain mineral properties in Peru (the "Double Jack Properties") from Double Jack Mines Limited ("Double Jack"). On July 8, 2010, the Company completed the acquisition of the Double Jack Properties and received regulatory approval to close the transaction. The Company issued 9,393,346 common shares (valued at $1,268,102) to the Double Jack shareholders as consideration.

The Double Jack Properties include the Panteria porphyry copper project, the Ichuña copper-silver project, and the Santa Rita/Coricancha and Don Pancho silver-lead-zinc polymetallic projects. Title to the Double Jack properties is held by the Company's wholly-owned Peruvian subsidiary, Hatum Minas SAC.

See Exploration and Evaluation Expenditures (Note 11).

9. CAPITAL STOCK AND OTHER EQUITY

a) Authorized, Issued and Outstanding shares

Authorized - unlimited number of common shares with no par value,
- 100,000,000 preferred shares with no par value

A summary of common shares outstanding as at March 31, 2011, December 31, 2010 and January 1, 2010 and changes during the periods are presented below:

	Shares #	Amount $
Balance, January 1, 2010	91,801,612	35,592,626
Issued pursuant to business combination (Note 8)	9,393,346	1,268,102
Issued on exercise of warrants (i)	16,451,000	1,651,350
Value assigned to exercised warrants	-	260,667
Issued in private placements (net of share issue costs) (i)	49,553,000	5,718,482
Value assigned to warrants issued in private placements, net of costs (Note 9(b))	-	(1,126,000)
Balance, December 31, 2010	167,198,958	43,365,227
Issued on exercise of warrants (ii)	2,070,000	399,000
Value assigned to exercised warrants	-	58,498
Issued in private placements (net of share issue costs) (ii)	7,700,000	892,464
Value assigned to warrants issued in private placements, net of costs (Note 9(b))	-	(175,000)
Issued on exercise of options	200,000	20,500
Value assigned to options exercised	-	14,117
Balance, March 31, 2011	177,168,958	44,574,806

9. CAPITAL STOCK AND OTHER EQUITY (Continued)

(i) On December 23, 2010, the Company closed the first tranche of a private placement. The Company issued 49,553,000 units at $0.13 per unit for gross proceeds of $6,441,890 of which 1,750,000 units for gross proceeds of $227,500 were subscribed for by five officers and/or directors and one employee of the Company. Each unit consisted of one common share and one half of one common share purchase warrant, with one full warrant entitling the holder to obtain one common share of the Company for $0.20 for a period of two years. These shares are subject to a four-month hold period from the date of issue. In relation to this private placement, 3,220,945 compensation warrants exercisable at $0.13 for a period of two years (valued at $194,285) were issued and commission and issue costs of $529,123 were paid. The net proceeds were allocated $4,592,482 to the common shares and $1,126,000 to the share purchase warrants.

During the fiscal year ended December 31, 2010, 125,000 warrants issued in April 2009 were exercised at $0.15 per warrant for proceeds of $18,750. An additional 16,326,000 warrants issued in August 2009 were exercised at $0.10 per warrant for proceeds of $1,632,600 to the Company.

(ii) In January 2011, the Company closed the second tranche of a private placement. The Company issued 7,700,000 units at $0.13 per unit for gross proceeds of $1,001,000. Each unit consisted of one common share and one half of one common share purchase warrant whereby one full warrant entitles the holder to obtain one common share of the Company for $0.20 for a period of two years. These shares are subject to a four-month hold period from the date of issue. In relation to this private placement, 500,500 compensation warrants exercisable at $0.13 for a period of two years (valued at $30,043) were issued and commission and issue costs of $69,965 were paid.

During the three months ended March 31, 2011, 2,070,000 warrants issued in April 2009 were exercised for proceeds of $399,000.

During the three months ended March 31, 2011, 200,000 stock options were exercised for proceeds of $20,500.

See Note 17 Subsequent Events.

b) Share Purchase Warrants

A summary of warrants outstanding as at March 31, 2011,December 31, 2010 and January 1, 2010 and changes during the periods are presented below:

	Warrants \#	Amount $	Weighted average exercise price $
Balance, January 1, 2010	29,657,500	664,101	0.14
Issued in private placements (Note 9(b)(i))	24,776,500	1,268,000	0.20
Issue costs	-	(142,000)	-
Compensation warrants (Note 9(b)(i))	3,220,945	194,285	0.13
Expired	(8,084,000)	(258,673)	0.17
Exercised	(16,451,000)	(260,667)	0.10
Balance, December 31, 2010	33,119,945	1,465,046	0.19
Issued in private placements (Note 9(b)(ii))	3,850,000	196,000	0.20
Issue costs	-	(21,000)	-
Compensation warrants (Note 9(b)(ii))	500,500	30,043	0.13
Exercised	(2,070,000)	(58,498)	0.19
Balance, March 31, 2011	35,400,445	1,611,591	0.19

9. CAPITAL STOCK AND OTHER EQUITY (Continued)

(i) As a result of the $6,441,890 private placement in December 2010, the Company issued 24,776,500 common share purchase warrants with an exercise price of $0.20 and 3,220,945 compensation warrants with an exercise price of $0.13 expiring December 2012. The fair value of these warrants issued in this private placement was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted assumptions: expected dividend yield of 0%; expected volatility of 123%; risk-free interest rate of 1.69% and an expected life of two years. The weighted average grant date fair value of the warrants granted during year ended December 31, 2010 was $0.07.

(ii) As a result of the $1,001,000 private placement in January 2011, the Company issued 3,850,000 common share purchase warrants with an exercise price of $0.20 and 500,500 compensation warrants with an exercise price of $0.13 expiring January 2013. The fair value of these warrants issued in this private placement was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted assumptions: expected dividend yield of 0%; expected volatility of 122%; risk-free interest rate of 1.71% and an expected life of two years. The weighted average grant date fair value of the warrants granted during the three months ended March 31, 2011 was $0.05.

The following common share purchase warrants are outstanding at March 31, 2011:

Date Issued	Warrants Outstanding #	Exercise Price $	Expiry Date
April 17, 2009	1,191,250	0.15	April 17, 2011
April 17, 2009	1,641,250	0.25	April 17, 2011
April 29, 2009	110,000	0.15	April 29, 2011
April 29, 2009	110,000	0.25	April 29, 2011
December 23, 2010	24,776,500	0.20	December 23, 2012
December 23, 2010	3,220,945	0.13	December 23, 2012
January 7, 2011	3,850,000	0.20	January 7, 2013
January 7, 2011	500,500	0.13	January 7, 2013
	35,400,445		

As at March 31, 2011, the weighted average remaining contractual life of warrants outstanding was 1.59 years (2010 – 1.19 years).

10. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the options are determined by the Board of Directors.

The aggregate number of stock options shall not exceed 10% of the issued and outstanding common shares of the Company, and if any option granted under the plan expires or terminates for any reason in accordance with the terms of the plan without being exercised, that option shall again be available for the purpose of the plan. In addition, the exercise price of options granted under the plan shall not be lower than the exercise price permitted by the TSX Venture Exchange, and all options granted under the plan will have a term not to exceed five years and expire up to five years after issuance.

10. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN (Continued)

A summary of the status of the Plan as at March 31, 2011 and as at December 31, 2010, and changes during the periods ended on those dates are presented below:

	Number of options #	Weighted average exercise price $
Balance, January 1, 2010	5,754,500	0.39
Granted	2,700,000	0.14
Expired	(1,394,500)	0.82
Balance, December 31, 2010	7,060,000	0.21
Granted	6,000,000	0.29
Exercised	(200,000)	0.10
Balance, March 31, 2011	12,860,000	0.24

In May 2010, the Company granted 250,000 options exercisable at $0.11 for a period of five years. The grant included 200,000 options to a director and 50,000 options to an employee of the Company. The options vested 100% on the date of grant.

In June 2010, the Company granted 400,000 options exercisable at $0.11 for a period of one year to a consultant of the Company. The options vested 100% on the date of grant.

In July 2010, the Company granted 2,050,000 options exercisable at $0.15 for a period of five years. The grant included 1,625,000 options to eight individuals who are directors, senior officers, or both, and 425,000 options to an employee of the Company and five employees of its Peruvian subsidiary. The options vested 100% on the date of grant.

In March 2011, the Company granted 6,000,000 options exercisable at $0.29 for a period of five years. The grant included 5,000,000 options to eight individuals who are directors, senior officers, or both, and 1,000,000 options to employees of the Company. The options vested 100% on the date of grant.

A share-based payment cost of $1,287,927 for the options granted in the three months ended March 31, 2011 (2010 - nil) was recognized in the three months ended March 31, 2011. Total share-based payment expense of $1,287,927 (2010 - $43,510) was incurred for the three months ended March 31, 2011.

The grant date fair value of the options granted was estimated using the Black-Scholes option pricing model, using the following range of assumptions:

	2011	2010
Risk-free interest rate	1.67%	1.72%
Expected life	5 years	4.4 years
Expected volatility	102%	104%
Expected dividend yield	nil%	nil%

As at March 31, 2011, the Company had stock options issued to directors, officers and employees of the Company outstanding as follows:

Date of Grant	Options Outstanding #	Options Vested #	Exercise Price $	Expiry Date
April 4, 2008	150,000	150,000	1.04	April 4, 2011
June 9, 2008	375,000	375,000	1.00	June 9, 2011
January 16, 2009	800,000	800,000	0.25	January 16, 2012
September 1, 2009	3,110,000	2,960,000	0.10	September 1, 2014
May 27, 2010	250,000	200,000	0.11	May 27, 2015
June 1, 2010	400,000	400,000	0.11	June 1, 2011
July 9, 2010	1,975,000	1,975,000	0.15	July 9, 2015
March 14, 2011	6,000,000	6,000,000	0.29	March 14, 2016
	12,860,000	12,860,000		

The weighted average remaining contractual life of options issued and outstanding as at March 31, 2011 was 3.88 years.

11. EXPLORATION AND EVALUATION EXPENDITURES

	January 1, 2010 $	Additions $	(Recoveries) $	December 31, 2010 $	Additions $	(Recoveries) $	March 31, 2011 $
Peru							
Total Exploration Expenditures	7,989,724	2,401,319	(329,323)	10,061,720	771,437	(90,000)	10,743,157

Minera Aguila de Oro SAC Properties
The Company holds a 100% interest in the Aguila and Pasacancha Projects located in north central Peru (the “Peru Projects”). Title to the mineral properties in Peru is held by the Company’s wholly owned subsidiary, Minera Aguila de Oro SAC. The Peru Projects include the El Halcon concession (the Aguila Project), the Pasacancha 1 concession (the Pasachanca Project), and 15 additional staked exploration claims.

Corongo Property - Property Option
The Corongo Property consists of the KFC and 10 additional staked exploration claims, which are held by Corongo Exploraciones SAC., a wholly owned subsidiary of the Company.

The Company signed a property option agreement (the “Corongo Agreement”) with Viper in March 2010, and subsequently amended in August 2010, whereby Viper can acquire a 50% interest in the Corongo Property. Under the terms of the Corongo Agreement, Viper may acquire a 50% interest by paying the Company US$25,000 (paid - $25,348) on signing the Corongo Agreement; incurring exploration expenditures of not less than US$1,000,000 (US$318,141 or $308,470 incurred as of March 31, 2011) prior to March 10, 2012; and issuing the Company an aggregate amount of 1,000,000 common shares of Viper as to: (a) 300,000 common shares on August 17, 2010 (received; valued at $45,000); (b) 300,000 common shares on March 10, 2011 (received; valued at $90,000); and (c) 400,000 on or prior to to March 10, 2012, subject to regulatory approval. Viper is the operator of the project. Duran receives a 10% management fee based on exploration expenditures.

Properties acquired from Double Jack
The Double Jack Properties consist of 11 staked concessions which total 5,437.88 hectares, and include the Panteria porphyry copper project, the Ichuña copper-silver project, and the Santa Rita/Coricancha and Don Pancho silver-lead-zinc polymetallic projects. Title to the Double Jack properties is held by the Company’s wholly-owned Peruvian subsidiary, Hatum Minas SAC.

See Exploration and Evaluation Assets (Note 8).

Minasnioc Property
The Company acquired the Minasnioc Gold Project in a closed-bid government auction on May 20, 2010, and paid an aggregate amount of Peruvian Nuevo Soles (“S/.”) S/.194,085 ($69,859) and finder’s fees of $2,614. The concession is located in the Department of Huancavelica, approximately 300 kilometres southeast of Lima. Title to the Minasnioc Gold Project property is held by the Company’s wholly-owned Peruvian subsidiary, Exploraciones Laramarca SAC.

12. LOSS PER SHARE

a) Basic

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares in issue during the period.

	Three-Months Ended March 31,	
	2011	2010
Net loss for the period	2,245,146	733,602
Weighted average number of common shares outstanding	175,970,014	93,188,279
Loss per share	0.01	0.01

b) Diluted

Diluted loss per common share has not been presented as the stock options and warrants outstanding for the three month periods are anti-dilutive.

13. FINANCIAL RISK FACTORS

a) Credit risk management

Credit risk relating to accounts receivable arises from the possibility that any counterparty to an instrument fails to perform. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of cash and cash equivalents and receivables.

b) Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

As of March 31, 2011, the Company had a cash and cash equivalents balance of $6,141,986 (December 31, 2010 - $6,002,801, January 1, 2010 - $772,964) to settle current accounts payable and accrued liabilities of $219,708 (December 31, 2010 - $222,925, January 1, 2010 - $117,672). The Company's other current assets consist of marketable securities of $138,000 (December 31, 2010 - $90,000, January 1, 2010 - $Nil), amounts receivable of $40,840 (December 31, 2010 - $21,574, January 1, 2010 - $6,763) and prepaid expenses and advances of $61,325 (December 31, 2010 - $12,094, January 1, 2010 - $49,378).

c) Market risk

At the present time, the Company does not hold any interest in a mining property that is in production. The Company's viability and potential success depends on its ability to develop, exploit, and generate revenue from the development of mineral deposits. Revenue, cash flow, and profits from any future mining operations in which the Company is involved will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices can fluctuate widely and are affected by numerous factors beyond the Company's control. The fair value of the Company's marketable securities is also influenced by these factors and is therefore subject to market risk.

The Company's investment in public companies are sensitive to a plus or minus 5% change in Canadian equity prices which would affect comprehensive income (loss) by approximately $6,900.

13. FINANCIAL RISK FACTORS (Continued)

d) Foreign exchange risk

The Company's financings are in Canadian dollars. Certain of the Company's transactions with its subsidiaries are incurred in foreign currencies and are therefore subject to gains or losses due to fluctuations in exchange rates.

As at March 31, 2011, the Company had cash and cash equivalents balances of $3,284,699 (US$3,387,684) (December 31, 2010 - $1,107,273 (US$1,113,284), January 1, 2010 - $136,001 (US$129,402) in U.S. dollars and accounts payable of $121,324 (S./348,109) (December 31, 2010 – $56,151 (S./160,171), January 1, 2010 - $56,827 (S./157,945) in Peruvian Nuevo Soles .

Sensitivity to a plus or minus 5% change in the foreign exchange rate would have affected the net loss by approximately $158,169 in the three month period ended March 31, 2011.

The Company does not undertake currency hedging activities to mitigate its foreign currency risk.

e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's cash and cash equivalents balances earn interest at fixed rates over the next three to twelve months. It is management's opinion that the Company is not exposed to significant interest rate risk. The Company has no interest bearing debt.

A sensitivity analysis has determined that an interest rate fluctuation of 1% would not have resulted in significant fluctuation in the interest income during the three month period ended March 31, 2011.

f) Fair value of financial assets and liabilities

The book values of the cash and cash equivalents, prepaid expenses and advances, accounts receivable and accounts payable and accrued liabilities, approximate their respective fair values due to the short-term nature of these instruments.

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
	As at March 31, 2011		As at December 31, 2010		As at January 1, 2010	
	$	$	$	$	$	$
Cash and cash equivalents	6,141,986	6,141,986	6,002,801	6,002,801	772,964	772,964
Marketable securities	138,000	138,000	90,000	90,000	-	-
Advances	61,325	61,325	12,094	12,094	49,378	49,378
Amounts receivable	40,840	40,840	21,574	21,574	6,763	6,763
Accounts payable and accrued liabilities	(219,708)	(219,708)	(222,925)	(222,925)	(117,672)	(117,672)

14. CAPITAL RISK MANAGEMENT

The Company defines capital as shareholders' equity which at March 31, 2011 was $7,198,144 (December 31, 2010 - $6,850,106, January 1, 2010 - $822,629). The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support its exploration, development and operations activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at March 31, 2011, the Company had no bank debt.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the three month period ended March 31, 2011. The Company and its subsidiaries are not subject to externally imposed capital requirements.

15. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of directors and key management of the Company for the three months ended March 31, 2011 and 2010 was as follows.

	2011	2010
Aggregate cash compensation	$ 92,433	$ 67,540
Share-based compensation	$1,073,273	$ 25,879

The directors and key management were awarded the following stock options under the employee stock option plan during the three months ended March 31, 2011:

Date of grant	Number of options	Exercise price	Expiry
March 14, 2011	5,000,000	$0.29	March 14, 2016

The Company did not grant any options during the three month period ended March 31, 2010.

16. COMMITMENTS AND CONTINGENCIES

In February 2011, the Company signed a lease agreement for a new office space commencing June 1, 2011. The term of the lease is for a period of five years, expiring on May 31, 2016. The annual lease payments are approximately $135,000. As part of the agreement, the Company paid a rental deposit of $12,629 to be applied to the first rental payment due and an additional $25,608 to be held as a security deposit.

Environmental matters

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

17. SUBSEQUENT EVENTS

a) Warrants

Subsequent to March 31, 2011, 4,931,000 warrants were exercised for cash proceeds of $1,008,700.

In April 2011, 45,000 warrants expired unexercised.

b) Options

Subsequent to March 31, 2011, 950,000 options were exercised for cash proceeds of $114,000.

In April 2011, 150,000 options expired unexercised. In June 2011, an additional 375,000 options expired unexercised.

18. TRANSITION TO IFRS

As stated in Significant Accounting Policies Note 4(a), these are the Company's first unaudited condensed consolidated interim financial statements prepared in accordance with IAS 34, using accounting policies consistent with IFRS.

The policies set out in the Significant Accounting Policies section have been applied in preparing the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2011, the comparative information presented in these unaudited condensed consolidated interim financial statements for the three months ended March 31, 2010 and in the preparation of an opening IFRS balance sheet at January 1, 2010, the Company's "Transition Date".

IFRS Exemptions

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS balance sheet as at January 1, 2010, the Company's "Transition Date".

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date. In accordance with IFRS – 1 if a Company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS balance sheet as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company's Transition Date IFRS unaudited condensed consolidated interim balance sheet is included as comparative information in the unaudited condensed consolidated interim balance sheet in these financial statements.

Reconciliation of consolidated balance sheet:

		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
	Notes	January 1, 2010			March 31, 2010			December 31, 2010		
Assets										
Currents assets										
Cash and cash equivalents		772,964	-	772,964	268,598	-	268,598	6,002,801	-	6,002,801
Marketable securities		-	-	-	-	-	-	90,000	-	90,000
Prepaid expenses and advances		49,378	-	49,378	66,220	-	66,220	12,094	-	12,094
Amounts receivable		6,763	-	6,763	12,467	-	12,467	21,574	-	21,574
		829,105	-	829,105	347,285	-	347,285	6,126,469	-	6,126,469
Property, plant and equipment		-	111,196	111,196	-	108,334	108,334	-	99,760	99,760
Exploration and evaluation assets	*a)*	8,118,265	(8,118,265)	-	8,625,901	(8,625,901)	-	11,458,363	(10,190,261)	1,268,102
Total assets		8,947,370	(8,007,069)	940,301	8,973,186	(8,517,567)	455,619	17,584,832	(10,090,501)	7,494,331
Liabilities and Shareholders' Equity										
Current liabilities										
Accounts payable and accrued liabilities		117,672	-	117,672	133,082	-	133,082	222,925	-	222,925
Deferred tax liability		-	-	-	-	-	-	421,300	-	421,300
		117,672	-	117,672	133,082	-	133,082	644,225	-	644,225
Shareholders' Equity										
Capital stock		35,592,626	-	35,592,626	35,812,551	-	35,812,551	43,365,227	-	43,365,227
Warrant reserves		664,101	-	664,101	634,176	-	634,176	1,465,046	-	1,465,046
Share-based payment reserves	*b) & c)*	3,752,639	(2,804,093)	948,546	3,812,639	(2,940,537)	872,102	4,412,312	(3,640,336)	771,976
Accumulated other comprehensive income		-	-	-	-	-	-	39,375	-	39,375
Deficit	*d)*	(31,179,668)	(5,202,976)	(36,382,644)	(31,419,262)	(5,577,030)	(36,996,292)	(32,341,353)	(6,450,165)	(38,791,518)
Total equity		8,829,698	(8,007,069)	822,629	8,840,104	(8,517,567)	214,203	16,940,607	(10,090,501)	6,850,106
Total liabilities and equity		8,947,370	(8,007,069)	940,301	8,973,186	(8,517,567)	445,619	17,584,832	(10,090,501)	7,494,331

Reconciliation of loss and comprehensive loss for the three months period ended March 31, 2010 and year ended December 31, 2010:

		Three months period ended March 31, 2010			Year ended December 31, 2010		
	Notes	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
Expenses							
Share based payments	*b)*	60,000	(16,490)	43,510	401,000	(95,090)	305,910
Management, director and Consulting fees		37,540	-	37,540	163,970	-	163,970
General and administrative		22,715	-	22,715	171,690	-	171,690
Advertising and investor relations		88,992	-	88,992	229,671	-	229,671
Professional fees		20,597	-	20,597	159,729	-	159,729
Rent		9,750	-	9,750	41,250	-	41,250
Amortization		-	2,862	2,862	-	11,436	11,436
Exploration and evaluation expenditures	*a)*	-	507,636	507,636	-	2,071,996	2,071,996
		239,594	494,008	733,602	1,167,310	1,988,342	3,155,652
Loss before taxes		(239,594)	(494,008)	(733,602)	(1,167,310)	(1,988,342)	(3,155,652)
Recovery of deferred income tax		-	-	-	(5,625)	-	(5,625)
Net loss for the period		(239,594)	(494,008)	(733,602)	(1,161,685)	(1,988,342)	(3,150,027)
Other comprehensive income		-	-	-	39,375	-	39,375
Comprehensive loss for the period		(239,594)	(494,008)	(733,602)	(1,122,310)	(1,988,342)	(3,110,652)
Loss per share:							
Basic and diluted loss per share		(0.00)		(0.01)	(0.01)		(0.03)
Weighted average number of common shares outstanding		93,188,279		93,188,279	107,622,193		107,622,193

Notes to the reconciliation of balance sheet and net loss and comprehensive loss

a) Deferred mineral exploration costs

Pursuant to IFRS 6 *Exploration for, and Evaluation of, Mineral Resources,* the Company has elected to change its accounting policy to retrospectively expense all pre-feasibility exploration and evaluation expenditures. Property, plant and equipment previously grouped with deferred exploration expenditures under Canadian GAAP have been reclassified as property, plant and equipment under IFRS.

The effects of this transitional change are as follows: (i) a decrease in deferred exploration assets of $8,118,265, an increase to property, plant and equipment of $111,196 and an increase in deficit of $8,007,069 as at January 1, March 31, and December 31, 2010, (ii) a decrease in deferred exploration assets of $507,637 and an increase in net loss by the same amount as at and for the three-month period ended March 31, 2010 and (iii) a decrease in deferred exploration assets of $2,071,996 and an increase in net loss by the same amount as at and for the year ended December 31, 2010. An increase in amortization expense related to the property, plant and equipment of $2,862 and $11,436 was recorded for the three month period ended March 31, 2010 and the year ended December 31, 2010, respectively.

b) Share based payments

Under IFRS graded vesting awards are accounted for as though each installment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis. Straight line basis is permissible under Canadian GAAP. Under IFRS, the estimates of the number of equity-settled awards that vest are adjusted to the actual number that vests, unless forfeitures are due to market-based conditions. There is no choice to accrue compensation cost as if all instruments granted were expected to vest and recognize the effect of the forfeitures as they occur as elected by the Company under Canadian GAAP.

The impact of transition to IFRS with respect to options granted after November 7, 2002 that vest after the date of transition, is (i) an increase in deficit and decrease in share-based payment reserve at January 1, 2010 of $116,840, (ii) an increase in deficit and decrease in share-based payment reserve at March 31, 2010 of $100,350, and a decrease in share-based payment expense of $16,490 in the unaudited consolidated interim statement of loss and comprehensive loss for the three months ended March 31, 2010 and (iii) an increase in deficit and decrease in share-based payment reserve at December 31, 2010 of $29,720, and a decrease in share-based payment expense of $95,090 in the unaudited consolidated interim statement of loss and comprehensive loss for the year ended December 31, 2010.

c) Expired warrants and options

On transition to IFRS the Company elected to change its accounting policy for the treatment of expired options and warrants whereby amounts recorded for expired unexercised stock options are transferred to deficit. Previously these amounts were kept in the contributed surplus.

The impact of the above difference is as follows: (i) value assigned to expired share purchase warrants and options as of January 1, 2010, in the amount of $2,920,933 has been reclassified from contributed surplus to deficit as at January 1, March 31, and December 31, 2010, (ii) value assigned to expired share purchase warrants and options for the three months ended March 31, 2010 in the amount of $119,954 has been reclassified from contributed surplus to deficit as of March 31, 2010, and (iii) value assigned to expired share purchase warrants and options for the year ended December 31, 2010 in the amount of $741,153 has been reclassified from contributed surplus to deficit as of December 31, 2010

d) Impact on deficit

The effect of the above adjustments on deficit is as follows:

	Notes	March 31, 2010	January 1, 2010	December 31, 2010
Canadian GAAP		(31,419,262)	(31,179,668)	(32,341,353)
Exploration and evaluation expenditures	*a)*	(8,625,901)	(8,118,265)	(10,190,261)
Property, plant and equipment	*a)*	108,334	111,196	99,760
Share based payments	*b)*	(100,350)	(116,840)	(21,750)
Expired warrants and options	*c)*	3,040,887	2,920,933	3,662,086
IFRS		(36,996,292)	(36,382,644)	(38,791,518)

e) Impact on cash flows

The change in policy under IFRS to expense exploration and evaluation expenditures had the following impact on the Company's cash flows from operating and investing activities:

	Notes	Three months ended March 31, 2010	Year ended December 31, 2010
Cash flows from operating activities			
Canadian GAAP		(202,480)	(637,908)
Exploration and evaluation expenditures	*a)*	(491,886)	(1,697,213)
IFRS		(694,366)	(2,335,121)
Cash flows from investing activities			
Canadian GAAP		(491,886)	(1,696,372)
Exploration and evaluation expenditures	*a)*	491,886	1,697,213
IFRS		-	841