

# **DURAN VENTURES INC.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

**(Expressed in Canadian dollars)**

**DURAN VENTURES INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Duran Ventures Inc.

We have audited the accompanying consolidated financial statements of Duran Ventures Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of loss and comprehensive loss, consolidated statements of accumulated other comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Duran Ventures Inc. and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended December 31, 2013 and a working capital deficiency as at December 31, 2013. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants  
Licensed Public Accountants

TORONTO, Canada  
April 30, 2014

DURAN VENTURES INC.  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)  
AS AT

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	December 31, 2013 \$	December 31, 2012 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	68,857	1,809,122
Marketable securities (Note 6)	10,000	30,000
Prepaid expenses and advances	23,163	40,619
Amounts receivable	41,661	31,978
<b>TOTAL CURRENT ASSETS</b>	<b>143,681</b>	<b>1,911,719</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b> (Note 7)	<b>190,326</b>	<b>219,345</b>
<b>EXPLORATION AND EVALUATION ASSETS</b> (Notes 8 and 11)	<b>1,470,906</b>	<b>1,470,906</b>
<b>TOTAL ASSETS</b>	<b>1,804,913</b>	<b>3,601,970</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	495,599	273,272
<b>DEFERRED TAX LIABILITY</b> (Note 17)	<b>111,000</b>	<b>181,300</b>
<b>TOTAL LIABILITIES</b>	<b>606,599</b>	<b>454,572</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b> (Note 9(a))	<b>49,844,141</b>	<b>49,542,440</b>
<b>WARRANT RESERVE</b> (Note 9(b))	<b>220,269</b>	<b>681,856</b>
<b>SHARE-BASED PAYMENT RESERVE</b> (Note 10)	<b>2,264,550</b>	<b>2,387,705</b>
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS</b>	<b>(157,000)</b>	<b>(137,000)</b>
<b>DEFICIT</b>	<b>(50,973,646)</b>	<b>(49,327,603)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,198,314</b>	<b>3,147,398</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,804,913</b>	<b>3,601,970</b>
<b>GOING CONCERN</b> (Note 2)		
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 16)		
<b>SUBSEQUENT EVENTS</b> (Note 18)		
APPROVED ON BEHALF OF THE BOARD:		
<i>Signed "Joseph Del Campo"</i> , Director		
<i>Signed "Jeffrey Reeder"</i> , Director		

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31,

	2013	2012
	\$	\$
<b>EXPENSES</b>		
Share-based payments (Note 10)	44,620	574,371
Management and consulting fees	239,061	477,104
Professional fees	231,752	184,524
Accounting and administration	66,939	73,441
Shareholder and filing fees	76,405	169,323
Office and general	10,701	16,281
Insurance	34,609	37,888
Telephone and communication	15,608	16,673
Travel	42,397	60,871
Rent	48,176	45,165
Foreign exchange loss/(gain)	8,533	(8,201)
Amortization	29,019	30,114
Exploration and evaluation expenditures (Note 11)	<u>1,544,482</u>	<u>3,294,524</u>
<b>LOSS FOR THE YEAR BEFORE INCOME TAXES</b>	<b>2,392,302</b>	<b>4,972,078</b>
<b>DEFERRED INCOME TAX RECOVERY (Note 17)</b>	<b>(137,600)</b>	<b>(240,000)</b>
<b>NET LOSS FOR THE YEAR</b>	<b>2,254,702</b>	<b>4,732,078</b>
Other comprehensive loss	<u>20,000</u>	<u>38,000</u>
<b>COMPREHENSIVE LOSS FOR THE YEAR</b>	<b><u>2,274,702</u></b>	<b><u>4,770,078</u></b>
<b>Loss per share – basic and diluted (Note 12)</b>	<b><u>0.01</u></b>	<b><u>0.02</u></b>
<b>Weighted average number of common shares outstanding</b>	<b><u>226,235,316</u></b>	<b><u>196,385,787</u></b>

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31,

	<b>2013</b>	2012
	<b>\$</b>	<b>\$</b>
<b>Accumulated other comprehensive loss at beginning of year</b>	<b>137,000</b>	99,000
Items that will subsequently be reclassified to net loss		
Unrealized loss on marketable securities, net of deferred income tax of \$Nil (2012 – \$Nil)	<b>20,000</b>	38,000
<b>Accumulated other comprehensive loss at end of year</b>	<b>157,000</b>	137,000

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31

	Common Shares	Warrants				
	Amount	Reserve Amount	Share-based Payment Reserve	Accumulated Other Comp. Income	Deficit	Total Shareholders' Equity
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2011	45,928,588	1,437,911	2,074,545	(99,000)	(45,972,548)	3,369,496
Issued for cash	3,155,170	413,939	-	-	-	3,569,109
Options exercised	143,682	-	(54,182)	-	-	89,500
Value of warrants and options expired	-	(1,169,994)	(207,029)	-	1,377,023	-
Share-based payments expense	-	-	574,371	-	-	574,371
Issued for property acquisition (Note 11)	315,000	-	-	-	-	315,000
Unrealized loss on marketable securities	-	-	-	(38,000)	-	(38,000)
Net loss	-	-	-	-	(4,732,078)	(4,732,078)
Balance, December 31, 2012	49,542,440	681,856	2,387,705	(137,000)	(49,327,603)	3,147,398
Issued for cash	301,701	46,597	-	-	-	348,298
Value of options expired	-	-	(167,775)	-	167,775	-
Value of warrants expired	-	(508,184)	-	-	508,184	-
Tax effect of warrants expired	-	-	-	-	(67,300)	(67,300)
Share-based payments expense	-	-	44,620	-	-	44,620
Unrealized loss on marketable securities	-	-	-	(20,000)	-	(20,000)
Net loss	-	-	-	-	(2,254,702)	(2,254,702)
Balance, December 31, 2013	49,844,141	220,269	2,264,550	(157,000)	(50,973,646)	1,198,314

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31,

	2013	2012
	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Net (loss) for the year	(2,254,702)	(4,732,078)
Add items not requiring cash:		
Income tax recovery	(137,600)	(240,000)
Amortization	29,019	30,114
Share-based compensation	44,620	574,371
Shares issued for property acquisition (Note 11)	-	315,000
Option payment received in shares	-	(32,000)
Change in non-cash operating working capital:		
Decrease in prepaids and advances	17,456	20,287
(Increase) decrease in amounts receivable	(9,683)	612,145
Increase in accounts payable and accrued liabilities	222,327	40,276
<b>Cash flows used in operating activities</b>	<b>(2,088,563)</b>	<b>(3,411,885)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	-	275,247
Property, plant and equipment	-	(3,467)
<b>Cash flows from investing activities</b>	<b>-</b>	<b>271,780</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of private placement units for cash	359,100	3,775,470
Issue costs	(10,802)	(206,361)
Exercise of options	-	89,500
<b>Cash flows from financing activities</b>	<b>348,298</b>	<b>3,658,609</b>
(Decrease) increase in cash	(1,740,265)	518,504
Cash, beginning of year	1,809,122	1,290,618
Cash, end of year	68,857	1,809,122
<b>SUPPLEMENTARY INFORMATION:</b>		
Private placement units issued as finder's fees (Note 9)	-	3,900
Compensation warrants issued for services (Note 9)	800	25,984

See accompanying notes to the consolidated financial statements.



## **1. GENERAL INFORMATION**

Duran Ventures Inc. (“Duran” or “the Company”) is a publicly listed company originally incorporated in British Columbia and subsequently continued in Ontario under the Canada Business Corporations Act. The Company’s common shares have been listed on the TSX Venture Exchange since July 4, 2007, and on the Risk Capital Segment of the Lima Stock Exchange (Segmento de Capital de Riesgo de la Bolsa de Valores de Lima) in Peru, since September 21, 2012, and trade under the symbol “DRV” on both exchanges. The Company, directly and with exploration partners, is engaged in the exploration of mineral properties in Peru. The Company’s principal office is located at 40 University Avenue, Suite 606, Toronto, Ontario, Canada M5J 1T1 and substantially all of the Company’s corporate and administrative expenses are incurred in Canada.

## **2. GOING CONCERN**

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company’s assets are subject to increases in taxes and royalties, renegotiation of contracts, expropriation, currency exchange fluctuations and political uncertainty.

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 government licensing registration or regulations, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

These consolidated 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. As a result, there is significant doubt as to whether the Company will be able to continue as a going concern and realize its assets and pay its liabilities as they fall due. These consolidated financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classification that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material. See Note 18.

## **3. BASIS OF CONSOLIDATION**

These consolidated 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 were incorporated in Canada under the Business Corporations Act (Alberta), and its wholly owned subsidiaries, Minera Aguila de Oro SAC, Corongo Exploraciones SAC, Empresa Querco SAC (formerly Laramarca Exploraciones SAC) and Hatum Minas SAC, all of which were incorporated in Peru. All inter-company balances and transactions have been eliminated. The consolidated 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.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) International Financial Reporting Standards (“IFRS”)

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The Company has consistently applied the accounting policies used in preparation of these consolidated financial statements throughout all the periods presented. Significant accounting judgments and estimates used by management in the preparation of these consolidated financial statements are presented in Note 5.

The consolidated financial statements were approved by the Board of Directors for issue on April 28, 2014.

##### (b) Basis of preparation

The consolidated financial statements are presented in Canadian dollars. The financial statements are prepared on the historical cost basis except for marketable securities which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

##### (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 estimated at the grant date and each tranche is recognized on a graded vesting basis over the period during which the options vest. The fair value of the options granted is estimated using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized in profit and loss 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 share options, the recorded value is transferred to deficit from share-based payment reserve.

##### (d) Income taxes

Income tax for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

##### Deferred taxes

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.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Income taxes (Continued)**

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 based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. 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. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current tax

This is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end adjusted for amendments to tax payable with regards to previous years.

**(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.

**(f) Property, plant and equipment**

Property, plant and equipment is carried at cost, less accumulated amortization 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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(g) Impairment of non-financial assets**

At each statement of financial position reporting date the carrying amounts of the Company's property, plant and equipment and exploration and evaluation 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 consolidated statement of loss for the period.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. This generally results in the Company evaluating its non-financial assets on a geographical or license basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of 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 statement of financial position 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 consolidated statement of loss.

##### **(i) Financial assets and liabilities**

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale 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 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 until the asset is removed from the statement of financial position 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 profit and 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.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(h) Financial assets and liabilities (Continued)**

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 loss and included in shareholders' equity on the statement of financial position. All other non-derivative financial instruments were recorded at amortized cost, subject to impairment reviews.

Financial instruments recorded at fair value on the consolidated statement of financial position 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 December 31, 2013 and 2012, the Company had marketable securities that were classified as Level 1.

##### **(j) Impairment of financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimate future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### **(k) 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 consolidated statement of 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.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(k) Decommissioning and restoration provisions (Continued)**

The Company did not have any significant decommissioning and restoration provisions as of December 31, 2013 and December 31, 2012.

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.

**(l) 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. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

**(m) 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 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. The Company did not enter into any joint ventures as of December 31, 2013 and 2012.

**(n) 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 December 31, 2013 and December 31, 2012.

**(o) Accounting standards and interpretations issued but not yet adopted**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 or later periods. Many are not applicable or do not have significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Accounting standards and interpretations issued but not yet adopted (Continued)**

IAS 32 – Financial Instruments (“IAS 32”) was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are reflective for annual periods beginning on or after January 1, 2014.

IAS 36 – Impairments of Assets (“IAS 36”) was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014.

IFRIC 21 – Levies (“IFRIC 21”) was issued in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

**(p) Changes in accounting policies**

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 7 — Financial Instruments: Disclosures (“IFRS 7”) was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are offset in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The adoption of this standard did not result in any changes to the Company’s disclosure of its financial instruments.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) was issued by the IASB in May 2011 and will replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect returns. The adoption of this standard did not result in any changes in the consolidation status of the Company’s subsidiaries.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(p) Changes in accounting policies (Continued)**

IFRS 11 – Joint Arrangements (“IFRS 11”) was issued by the IASB in May 2011 and will replace IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. Joint ventures are accounted for using the equity method. The adoption of this standard did not result in any changes to the Company’s financial statements.

IFRS 12 – Disclosure of Interests in Other Entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles and off balance sheet vehicles. The adoption of this standard did not result in any changes to the Company’s disclosure requirements for interests in other entities.

IFRS 13 – Fair Value Measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. It also establishes disclosures about fair value measurement. The adoption of this standard did not result in any significant changes to the Company’s disclosures of its financial instruments. IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended by the IASB in June 2011. As a result of the amendment, items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. Amendments have been made to the statement of accumulated other comprehensive loss for all periods presented in these financial statements to reflect the presentation changes required under the amended IAS 1. Since these changes are reclassifications within the statement of accumulated other comprehensive loss, there is no net impact on loss or comprehensive loss.

IAS 28 - Investments in Associates and Joint Ventures (“IAS 28”) was issued by the IASB in May 2011 and supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. The adoption of this standard did not result in any changes to the Company’s investments in joint ventures.



## 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges  
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.
- Capitalization of exploration and evaluation costs  
Management has determined that capitalized exploration and evaluation costs have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 8 for details of capitalized exploration and evaluation costs.
- Mineral reserve estimates  
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.
- Impairment of exploration and evaluation assets  
While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

**5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)**

- Estimation of decommissioning and restoration costs and the timing of expenditure  
Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- Income taxes and recoverability of potential deferred tax assets  
The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.
- Share-based payments  
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.
- Contingencies  
See Note 16.

**6. MARKETABLE SECURITIES**

The Company's marketable securities, classified as an available-for-sale investment, consist of 1,000,000 common shares (2012 – 1,000,000 common shares) of Viper Gold Ltd. ("Viper"). The fair value of the listed available-for-sale investment has been determined directly by reference to published price quotations in an active market.

In 2012, the Company received 400,000 of the above common shares of Viper as per the terms of the Corongo property option agreement (see Note 11).

**7. PROPERTY, PLANT AND EQUIPMENT**

Cost	Office furniture and equipment	Computer equipment	Field equipment	Camp equipment and buildings	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2011	41,128	23,830	68,854	163,060	296,872
Additions	-	3,467	-	-	3,467
Balance at December 31, 2012	41,128	27,297	68,854	163,060	300,339
Additions	-	-	-	-	-
Balance at December 31, 2013	41,128	27,297	68,854	163,060	300,339

Amortization and impairment	Office furniture and equipment	Computer equipment	Field equipment	Camp equipment and buildings	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2011	6,888	13,573	17,903	12,516	50,880
Additions	5,254	4,066	6,919	13,875	30,114
Balance at December 31, 2012	12,142	17,639	24,822	26,391	80,994
Additions	4,224	3,984	6,923	13,888	29,019
Balance at December 31, 2013	16,366	21,623	31,745	40,279	110,013

Carrying amounts	Office furniture and equipment	Computer equipment	Field equipment	Camp equipment and buildings	Total
	\$	\$	\$	\$	\$
At December 31, 2012	28,986	9,658	44,032	136,669	219,345
At December 31, 2013	24,762	5,674	37,109	122,781	190,326

**8. EXPLORATION AND EVALUATION ASSETS**

	December 31, 2011	Additions (Recoveries)	December 31, 2012	Additions (Recoveries)	December 31, 2013
	\$	\$	\$	\$	\$
Peru					
Hatum Minas Properties	1,746,153	(275,247)	1,470,906	-	1,470,906
Total Exploration Properties	1,746,153	(275,247)	1,470,906	-	1,470,906

**Hatum Minas Properties**

In July 2010, the Company acquired certain mineral properties in Peru (the "Hatum Minas Properties") through an amalgamation with Double Jack Mines Limited ("Double Jack"). The Company issued 9,393,346 common shares (valued at \$1,268,102) to the Double Jack shareholders as consideration.

The Hatum Minas Properties include the Ichuña copper-silver project, the Panteria porphyry copper project, and the Santa Rita/Coricancha and Don Pancho silver-lead-zinc polymetallic projects. Title to the Hatum Minas 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 WARRANT RESERVE**

**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 December 31, 2013 and 2012 and changes during the years then ended are presented below:

	Shares #	Amount \$
Balance, December 31, 2011	183,049,958	45,928,588
Issued in private placements (net of share issue costs) (i)	35,641,477	3,569,109
Value assigned to warrants issued in private placements, net of costs (Note 9(b))	-	(413,939)
Issued for property acquisition (ii)	3,000,000	315,000
Issued on exercise of options (iii)	670,000	89,500
Value assigned to options exercised	-	54,182
Balance, December 31, 2012	222,361,435	49,542,440
Issued in private placements (net of share issue costs) (iv)	11,970,000	348,298
Value assigned to warrants issued in private placements, net of costs (Note 9 (b))	-	(46,597)
Balance, December 31, 2013	234,331,435	49,844,141

- (i) In June 2012, the Company closed a private placement by issuing 15,745,000 units at \$0.08 per unit for gross proceeds of \$1,259,600. 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 \$0.12 for a period of one year. In relation to this private placement, 48,750 units were issued (valued at \$3,900) and \$9,500 was paid as finder's fees, and \$9,375 was paid as issue costs.

In September 2012, the Company closed a private placement with Rio Alto Mining Limited ("Rio Alto") by issuing 5,000,000 units at \$0.15 per unit for gross proceeds of \$750,000. Each unit consisted of one common share and two half warrants; the "Series A" warrants and the "Series B" warrants. Each whole Series A warrant is exercisable to acquire one common share at an exercise price of \$0.25 per share. Each whole Series B warrant is exercisable to acquire one common share at an exercise price of \$0.35. Issue costs of \$3,750 were paid. (See Note 18 – Subsequent Events).

In December 2012, the Company completed a fully marketed private placement with purchasers residing outside North America by issuing 14,847,727 units at US\$0.12 per unit for gross proceeds of US \$1,781,727 (\$1,765,870). Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of \$0.20 per share for a period of twelve months from the date of closing. In connection with this private placement, the Company paid a cash commission equal to 7% of gross proceeds (valued at US\$124,721 – \$123,611) from units sold and issued 1,039,341 broker warrants (valued at US\$26,217 - \$25,984). Each broker warrant entitles the holder to purchase one common share at an exercise price of \$0.20 per common share for a period of twelve months. Issue costs of \$47,500 were also incurred with this private placement.

**9. CAPITAL STOCK AND WARRANT RESERVE (Continued)**

**a) Authorized, Issued and Outstanding shares (Continued)**

- (ii) In April 2012, the Company issued 1,000,000 shares to acquire the historical geological and drill data on its wholly owned Minasnioc Gold Property and three additional concessions adjacent to the Minasnioc Gold Property concessions (see Note 11). The shares were valued at \$115,000 based on the market price of the shares on the date of issuance.

In December 2012, the Company issued 2,000,000 shares for the acquisition of the three adjacent exploration concessions immediately to the north, east and southeast of the Company's Aguila project (see Note 11). The shares were valued at \$200,000 based on the market price of the shares on the date of issuance.

- (iii) During the year ended December 31, 2012, 670,000 stock options were exercised for proceeds of \$89,500.
- (iv) In September 2013, the Company closed a private placement by issuing 11,970,000 units at \$0.03 per unit for gross proceeds of \$359,100. 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 \$0.06 for a period of one year from the closing of the Offering and thereafter at an exercise price of \$.10 until the date that is two years from the closing of the Offering. In relation to this private placement 66,667 finders share purchase warrants exercisable under the same terms as the common share purchase warrant were issued, (valued at \$800) and commissions and issue costs of \$10,802 were paid.

**b) Share Purchase Warrants**

A summary of warrants outstanding as at December 31, 2013 and 2012 and changes during the years then ended are presented below:

	Warrants #	Amount \$	Weighted average exercise price \$
Balance, December 31, 2011	30,424,445	1,437,911	0.19
Issued in private placements (Note 9(b)(i)(ii))	21,360,079	439,427	0.12
Issue costs	-	(25,488)	-
Expired	<u>(26,073,945)</u>	<u>(1,169,994)</u>	0.20
Balance December 31, 2012	25,710,579	681,856	0.19
Issued in private placements (Note 9(b)(iv))	5,985,000	45,797	0.06
Issued as finders warrants	66,667	800	0.06
Expired	<u>(20,710,579)</u>	<u>(508,184)</u>	
Balance December 31, 2013	<u>11,051,667</u>	<u>220,269</u>	0.17

- (i) As a result of the \$1,259,600 private placement in June 2012, the Company issued 7,896,875 common share purchase warrants (valued at \$139,108) with an exercise price of \$0.12 expiring June 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 assumptions: expected dividend yield of 0%; expected volatility of 104%; risk-free interest rate of 0.99% and an expected life of one year.

**9. CAPITAL STOCK AND WARRANT RESERVE (continued)**

**b) Share Purchase Warrants (continued)**

- (ii) As a result of the \$750,000 private placement in September 2012, the Company issued 2,500,000 Series A warrants (valued at \$79,605) and 2,500,000 Series B warrants (valued at \$94,507) to Rio Alto. Each Series A warrant is exercisable to acquire one common share at an exercise price of \$0.25 per share until the date that is the earlier of (i) the date that is eighteen (18) months following the issuance thereof, and (ii) the date that is thirty (30) days following the date notice is given to Rio Alto that the common shares have closed at or above \$0.25 per share for a period of 20 consecutive trading days on the TSX Venture Exchange (the "TSXVE") so long as such period occurs after twelve (12) months from the date of issuance of the Series A warrants. Each Series B warrant is exercisable to acquire one common share at an exercise price of \$0.35 per share until the date that is the earlier of (i) the date that is thirty (30) months following the issuance thereof, and (ii) the date that is thirty (30) days following the date notice is given to Rio Alto that the common shares of Duran have closed at or above the price of \$0.35 per share for a period of 20 consecutive trading days on the TSXVE so long as such period occurs after twenty four (24) months from the date of issuance of the Series B warrant. (See Note 18 – Subsequent Events.)

In the event that Rio Alto is precluded from exercising the warrants due to trading restrictions imposed pursuant to applicable securities laws or by the Company under any applicable policy respecting restrictions on trading in its securities, the expiry dates of the Series A warrants and Series B warrants may be extended for a period of ten (10) business days from the end of any such restricted period (subject to regulatory approvals). The fair value of these warrants (\$174,112) issued in this private placement was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 101%; risk-free interest rate of 1.21% and an expected life of eighteen (18) months for the Series A warrants and thirty (30) months for the Series B warrants.

- (iii) As a result of the US\$1,781,727 (Cdn\$1,765,870) private placement in December 2012, the Company issued 7,423,864 warrants (valued at \$100,223) with an exercise price of \$0.20 expiring December 6, 2013. The Company also issued 1,039,340 compensation warrants (valued at \$25,984). The fair value of the warrants issued in this private placement was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 107%; risk-free interest rate of 1.05%; and an expected life of twelve (12) months.
- (iv) As a result of \$359,100 private placement in September 2013, the Company issued 5,985,000 warrants (valued at \$45,797) with an exercise price of \$0.06 for a period of one year from the closing of the Offering and an exercise price of \$0.10 until the date that is two years from the closing of the Offering. The Company issued 66,667 broker warrants (valued at \$800) having the same terms as the warrants issued as part of the private placement. The fair value of the warrants and broker warrants issued in this private placement were estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 122%; risk-free interest rate of 0.99%; and an expected life of twenty-four (24) months.

**9. CAPITAL STOCK AND WARRANT RESERVE (continued)**

**b) Share Purchase Warrants (continued)**

Expected volatility is estimated considering historic average share price volatility.

The weighted average grant date fair value of the warrants granted during the year ended December 31, 2013 was \$0.07 (2012 - \$0.19).

The following common share purchase warrants are outstanding at December 31, 2013:

Date Issued	Warrants Outstanding #	Exercise Price \$	Expiry Date
September 28, 2012	2,500,000	0.25	March 28, 2014
September 28, 2012	2,500,000	0.35	March 28, 2015
August 16, 2013 <sup>(1)</sup>	2,000,000	0.06	August 16, 2015
September 12, 2013 <sup>(1)</sup>	3,668,333	0.06	September 12, 2015
September 26, 2013 <sup>(1)</sup>	383,334	0.06	September 26, 2015
	<u>11,051,667</u>		

As at December 31, 2013, the weighted average remaining contractual life of warrants outstanding was 0.34 years (December 31, 2012 – 0.50 years).

<sup>(1)</sup>Exercisable at \$0.06 for one year and at \$0.10 for the second year.

**10. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN**

The Company has adopted a share 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 share 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 after issuance. All options issued since May 2010 have vested 100% on the date of grant.

A summary of the status of the Plan as at December 31, 2013 and 2012, and changes during the years ended on those dates are presented below:

	Number of options #	Weighted average exercise price \$
Balance, December 31, 2011	13,825,000	0.22
Granted	7,150,000	0.13
Exercised	(670,000)	0.13
Expired	(1,415,000)	0.25
Balance, December 31, 2012	<u>18,890,000</u>	0.20
Granted	600,000	0.10
Expired	(1,495,000)	0.16
Balance, December 31, 2013	<u>17,995,000</u>	0.19

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

In January 2012, the Company granted 1,200,000 options exercisable at \$0.24 for a period of five years. The grant included 300,000 options to one director and 900,000 options to five consultants of the Company. The options vested 100% on the date of grant.

In April 2012, the Company granted 500,000 options exercisable at \$0.15 for a period of five years. The grant was to a newly appointed senior officer of the Company. The options vested 100% on the date of grant.

In June 2012, the Company granted 3,550,000 options exercisable at \$0.10 for a period of five years. The grant included 2,900,000 options to eight individuals who are directors, senior officers, or both, and 650,000 options to six employees of the Company. The options vested 100% on the date of grant.

In August 2012, the Company granted 950,000 options exercisable at \$0.10 for a period of five years. The grant included 750,000 options to a consultant and 200,000 options to an employee of the Company. The options vested 100% on the date of grant.

In October 2012, the Company granted 950,000 options exercisable at \$0.15 for a period of five years. The grant was for two new members of the Board. The options vested 100% on the date of grant.

In March 2013, the Company granted 600,000 options exercisable at \$0.10 for a period of five years. The grant was to employees and consultants of the Company. The options vested 100% on the date of grant.

Total share-based payment expense of \$44,620 (2012 - \$574,371) was incurred for the year ended December 31, 2013. Expected volatility is estimated considering historic average share price volatility.

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

	<u>2013</u>	<u>2012</u>
Risk-free interest rate	1.2%	1.10%
Expected life	5 years	5 years
Expected volatility	124%	100%
Expected dividend yield	nil%	nil%

As at December 31, 2013, the Company had outstanding share options issued to directors, officers, employees and consultants of the Company as follows:

Date of Grant	Options Outstanding #	Options Vested #	Exercise Price \$	Expiry Date
September 1, 2009	2,070,000	2,070,000	0.10	September 1, 2014
May 27, 2010	200,000	200,000	0.11	May 27, 2015
July 9, 2010	1,350,000	1,350,000	0.15	July 9, 2015
March 14, 2011	5,400,000	5,400,000	0.29	March 14, 2016
June 29, 2011	2,075,000	2,075,000	0.215	June 29, 2016
January 11, 2012	1,200,000	1,200,000	0.24	January 10, 2017
April 18, 2012	500,000	500,000	0.15	April 18, 2017
June 28, 2012	3,450,000	3,450,000	0.10	June 28, 2017
August 20, 2012	950,000	950,000	0.10	August 20, 2017
October 1, 2012	200,000	200,000	0.15	October 1, 2017
March 4, 2013	600,000	600,000	0.10	March 4, 2018
	<u>17,995,000</u>	<u>17,995,000</u>		

The weighted average remaining contractual life of options issued and outstanding as at December 31, 2013 was 2.53 years (2012 – 3.5 years).



**11. EXPLORATION AND EVALUATION EXPENDITURES**

Total exploration and evaluation expenditures are as follows:

	\$
Balance, December 31, 2011	15,061,560
Additions	3,326,524
Option payments received	<u>(32,000)</u>
Balance, December 31, 2012	18,356,084
Additions	<u>1,544,482</u>
Balance, December 31, 2013	<u><u>19,900,566</u></u>

During the year ended December 31, 2013, the Company incurred net exploration and evaluation expenditures of \$1,544,482 (2012 - \$3,294,524). In addition to these expenditures, the Company has also incurred capital expenditures of \$nil during the year ended December 31, 2013 (2012 - \$300,339), with a net book value of \$190,326 as at December 31, 2013 (2012 - \$219,345). See Property, Plant and Equipment (Note 7).

**Minera Aguila de Oro SAC Properties**

The Company holds a 100% interest in the Aguila Copper–Molybdenum Porphyry Project, the Pasacancha Project, and the Mamaniña Project, all located in north central Peru. Title to these mineral properties is held by the Company’s wholly owned subsidiary, Minera Aguila de Oro SAC (“Madosac”).

In December 2012, the Company entered into an option agreement to acquire the Cashapampa concessions, which became part of the Aguila Project. The Cashapampa concessions are three adjacent exploration concessions immediately to the north, east and southeast of the Aguila Project. The terms of the Cashapampa option agreement allow for staged payments to the local Peruvian vendor consisting of cash (US\$2,650,000; US\$100,000 paid in December 2012) and Duran common shares (2,000,000 shares valued at \$200,000 based on the quoted market price of the shares on the date of grant; issued in December 2012). In December 2013, the Optionor agreed to defer all staged payments by six months. In order to earn a 100% interest in these concessions, the remaining obligations are:

<u>Date</u>	<u>Amount \$USD</u>
June 2014	125,000
December 2014	125,000
June 2015	250,000
December 2015	250,000
June 2016	600,000
December 2016	600,000
June 2017	<u>600,000</u>
	<u><u>2,550,000</u></u>

The Cashapampa concessions are subject to a 1% NSR.

Subsequent to December 31, 2013, the Company entered into an agreement to sell its interest in these properties. See Note 18.

**Corongo Property**

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

## 11. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

### Corongo Property (Continued)

The Company signed a property option agreement (the "Corongo Agreement") with Viper in 2010, whereby Viper could acquire a 50% interest in the Corongo Property. Under the terms of the Corongo Agreement, Viper could 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 (incurred) prior to March 10, 2012; and issuing the Company an aggregate amount of 1,000,000 common shares of Viper. As at December 31, 2012, Viper had completed all of its obligations under the Corongo Agreement. Subsequent to December 31, 2013, the agreement the Option and Joint Venture Agreement between Viper and the Company was terminated. See Note 18.

### Hatum Minas Properties

The Hatum Minas Properties include the Ichuña copper-silver project, the Panteria porphyry copper project, and the Don Pancho silver-lead-zinc polymetallic project. Title to the Hatum Minas Properties is held by the Company's wholly-owned Peruvian subsidiary, Hatum Minas SAC. The Company acquired the Hatum Minas Properties in July 2010. See Exploration and Evaluation Assets (Note 8).

#### Ichuña Project

In January 2013, the Company signed a Definitive Agreement with Rio Alto whereby Rio Alto had the option to earn a 65% interest in the Ichuña project within a four (4) year period by:

- Incurring a total of US\$8,000,000 in exploration costs within a four (4) year period, which shall include a drill program of 8,000 metres, of which a minimum of 4,000 metres must be drilled in the first year;
- Making a cash payment to Duran of \$500,000; and
- Exercising all of the Series A and Series B warrants it received in the financings discussed in Note 9(a)(i).

In July 2013 Rio Alto advised the Company that it has relinquished the option on the Ichuña project.

#### Don Pancho Project

In December 2012, the Company entered into a Definitive Agreement with a private Peruvian mining company (the "Optionee") whereby the Optionee can earn a 70% interest in the Company's Don Pancho Project for total cash consideration of US\$2,030,000, payable as follows:

- USD\$30,000 upon signing the letter of intent (received - \$29,700);
- USD\$250,000 upon signing the definitive agreement (received - \$248,200 on December 4, 2012);
- USD\$750,000 on the 18 month anniversary date of the definitive agreement; and
- USD\$1,000,000 on the 42 month anniversary date of the definitive agreement.

The Optionee is also required to

- Perform at least 3,000 metres of diamond drilling within 18 months of signing the definitive agreement;
- Incur USD\$3,500,000 in exploration expenditures during the first 24 months after signing the definitive agreement; and
- Prepare an economic study within 6 months following the completion of the exploration program.

Upon earning a 70% interest, the Company and the Optionee will enter into a joint venture agreement for the Don Pancho project.

### Minasnioc Property

The Minasnioc Gold Project concession is located in the Department of Huancavelica, approximately 300 kilometres southeast of Lima. Title to the Minasnioc Gold Project ("Minasnioc") concessions is held by the Company's wholly-owned Peruvian subsidiary, Empresa Querco SAC.

**11. EXPLORATION AND EVALUATION EXPENDITURES (Continued)**

**Minasnioc Property (Continued)**

In April 2012, the Company acquired from Barrick Gold Corp. ("Barrick") the historical geological and drill data for Minasnioc. Furthermore, the Company acquired three additional concessions (Aura Azul 6, 7 and 8) from Barrick. The Company issued 1,000,000 common shares (valued at \$115,000 based on the quoted market price of the shares on the date of issuance) to Barrick as consideration paid for the data acquired and transfer of concessions. These concessions are subject to a 2% Net Smelter Return. The existing concession held by the Company is not subject to any royalty.

In January 2013, the Company signed a Definitive Agreement with Rio Alto whereby Rio Alto has the option to acquire a 51% interest in the Minasnioc property within a three (3) year period by:

- Performing all necessary exploration work in order to define a mineral resource and commission a technical report;
- Making a cash payment to Duran of \$500,000; and
- Exercising all of the Series A and Series B warrants it received in the financing discussed in Note 9(a)(ii).

Rio Alto may earn an additional 19% interest in the Minasnioc property within the subsequent two (2) year period by undertaking all necessary actions required to prepare the Minasnioc property for a production decisions, and making a payment to Duran of \$500,000.

Upon Rio Alto earning the 70% interest, they will be deemed to have entered into a joint venture with the Company.

**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 year.

	Twelve-Months Ended December 31,	
	2013	2012
Net loss for the year	2,254,702	4,732,078
Weighted average number of common shares outstanding	<u>226,235,316</u>	<u>196,385,787</u>
Loss per share	<u>0.01</u>	<u>0.02</u>

**b) Diluted**

Diluted loss per common share is equal to the basic loss per common share as all of the stock options and warrants outstanding are anti-dilutive.

**13. RELATED PARTY TRANSACTIONS**

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

**13. RELATED PARTY TRANSACTIONS (Continued)**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including the directors of the Company. The remuneration of key management personnel and a related party of the Company for the years ended December 31, 2013 and 2012 were as follows.

	2013	2012
	\$	\$
Aggregate cash compensation	528,884	686,376
Share-based payments	-	378,647
	<u>528,884</u>	<u>1,065,023</u>

The related parties were awarded the following stock options under the Company's stock option plan during the year ended December 31, 2012:

Date of grant	Number of options	Exercise price	Expiry date
January 11, 2012	300,000	\$0.24	January 10, 2017
April 18, 2012	500,000	\$0.15	April 18, 2017
June 28, 2012	2,950,000	\$0.10	June 28, 2017
August 20, 2012	750,000	\$0.10	August 20, 2017
October 1, 2012	950,000	\$0.15	September 30, 2017
	<u>5,450,000</u>		

During 2013, a relative of a director of the Company was granted 50,000 of the options disclosed in Note 10.

As at December 31, 2013, there was a balance of \$77,444 due to certain officers of the Company (2012 - \$91,500). The amount is unsecured, non-interest bearing with no fixed terms of repayment.

Certain officers and directors of the Company subscribed for 2,600,000 units in connection with the private placement financing in September 2013 as disclosed in Note 9(a)(iv).

Certain officers and directors of the Company subscribed for 1,775,000 units in connection with the private placement financing in June 2012 as disclosed in Note 9(a)(i).

**14. FINANCIAL RISK FACTORS**

The Company may be exposed to risks of varying degrees of significance that could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

**a) Credit risk management**

Credit risk relating to cash and amounts 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 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.

#### **14. FINANCIAL RISK FACTORS (Continued)**

Cash includes cash on hand and balances with banks. The deposits are held in a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank.

As of December 31, 2013, the Company had a cash balance of \$68,857 (2012 - \$1,809,122) to settle current accounts payable and accrued liabilities of \$495,599 (2012 - \$273,272). The Company's other current assets consist of marketable securities of \$10,000 (2012 - \$30,000), amounts receivable of \$41,661 (2012 - \$31,978) and prepaid expenses and advances of \$23,163 (2012 - \$40,619).

##### **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.

A change of plus or minus 5% in Canadian equity prices would affect comprehensive income (loss) by approximately \$500 based on the fair value of marketable securities held at December 31, 2013.

##### **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 December 31, 2013, the Company had cash balances of \$51,650 (US\$47,157) (2012 - \$1,278,666 (US\$1,284,264)) in U.S. dollars and accounts payable of \$212,000 (S/.557,741) (2012 - \$82,095 (S/.210,607)) 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 \$9,500 for the year ended December 31, 2013 based on the net foreign currency monetary assets as at December 31, 2013.

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 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 year ended December 31, 2013.

##### **f) Fair value of financial assets and liabilities**

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

**14. FINANCIAL RISK FACTORS (Continued)**

**f) Fair value of financial assets and liabilities (Continued)**

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

	Carrying amount	Fair Value	Carrying amount	Fair Value
	As at December 31, 2013		As at December 31, 2012	
	\$	\$	\$	\$
Cash	68,857	68,857	1,809,122	1,809,122
Marketable securities	10,000	10,000	30,000	30,000
Amounts receivable	41,661	41,661	31,978	31,978
Accounts payable and accrued liabilities	(495,599)	(495,599)	(273,272)	(273,272)

**15. CAPITAL RISK MANAGEMENT**

The Company defines capital as shareholders' equity which at December 31, 2013 was \$1,198,314 (2012 - \$3,147,398). The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support its exploration, development and operation 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 December 31, 2013 and 2012, 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 years ended December 31, 2013 and 2012. The Company and its subsidiaries are not subject to externally imposed capital requirements.

**16. COMMITMENTS AND CONTINGENCIES**

**Lease agreements**

The Company has a lease agreement for office space expiring on May 31, 2016. Annual lease payments, before sub-lease revenue, are approximately \$136,000. Effective December 1, 2013, the Company entered into an agreement to sub-lease this office space for annual lease payments receivable of approximately \$125,200, expiring on May 31, 2016.

Effective December 1, 2013 the Company entered into an agreement to sub-lease additional office space expiring on July 30, 2016. The annual lease payment, before sub-lease income is approximately \$48,800.

**Management contracts**

Effective July 1, 2013, the Company entered into certain management and consulting contracts. Minimum annual commitments under the agreements are approximately \$405,000. These contracts also require that additional payments of up to \$1,035,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

**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

**16. COMMITMENTS AND CONTINGENCIES (Continued)**

**Environmental matters (Continued)**

restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

**Advisory agreement**

On July 31, 2013, the Company engaged an exclusive financial advisor and capital markets advisor (the "Advisor") in connection with the certain strategic and financial alternatives for the Company. As compensation for its services, the Advisor is entitled to a monthly fee of \$25,000 until the end of the contact term which is March 31, 2014. The Advisor is also entitled to certain fees upon the completion of certain events, including placement fees upon the completion of certain financings by the Company, and additional fees upon the completion of certain other transactions. No amounts have been recorded in these consolidated financial statements for such fees as at December 31, 2013. Subsequent to December 31, 2013, the Company entered into an agreement to sell certain properties. The Advisor will earn a fee of 5% of the proceeds on sale. See Note 18.

**Legal proceeding**

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2013 and 2012, no amounts have been accrued related to such matters.

**17. INCOME TAXES**

**a) Provision for Income Taxes**

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 26.5% (2012 – 26.5%) were as follows:

	2013 \$	2012 \$
Loss before income taxes	<u>(2,392,302)</u>	<u>(4,972,078)</u>
Expected income tax recovery based on statutory rate	(634,000)	(1,318,000)
Adjustments to expected income tax benefit:		
Share-based payments	12,000	152,000
Expiry and use of non-capital losses	23,000	3,000
Change in tax rates	-	(294,000)
Effect of tax rates in foreign jurisdictions	(194,000)	(168,000)
Foreign exchange	196,000	(155,000)
Other	(209,600)	302,000
Tax benefits not recognized	669,000	1,238,000
Income tax (recovery)	<u>(137,600)</u>	<u>(240,000)</u>
Deferred taxes recognized directly in equity	<u>67,300</u>	<u>-</u>
Total taxation	<u>(70,300)</u>	<u>(240,000)</u>

**17. INCOME TAXES (Continued)**

**b) Deferred Income Tax Balances**

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities approximate the following:

Recognized deferred tax assets and liabilities

	2013 \$	2012 \$
Non-capital losses	69,000	40,000
Exploration and evaluation assets	(180,000)	(221,300)
Total	<u>(111,000)</u>	<u>(181,300)</u>

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following temporary differences:

	2013 \$	2012 \$
Non-capital loss carry-forwards	8,727,000	8,068,000
Capital losses	1,244,000	1,244,000
Share issue costs	303,000	483,000
Exploration and evaluation assets	27,753,000	27,491,000
Marketable securities	137,000	152,000
Other	111,000	107,000
	<u>38,275,000</u>	<u>37,545,000</u>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

**c) Tax Loss Carry-Forwards**

As at December 31, 2013, the Company had resource pools of approximately \$12,000,000 in Canada and \$16,920,000 (S/. 44,977,000) in Peru, which under certain circumstances, may be utilized to reduce taxable income of future years. The Company has approximately \$8,164,900 of non-capital losses in Canada and approximately \$2,186,000 (S./ 5,849,000) of non-capital losses in Peru, which can be used to reduce taxable income in future years. If not utilized, the non-capital losses in Canada and Peru will expire as follows:

Year of Expiry	Canada Amount \$	Peru Amount S./	Peru Amount \$
2014	573,600	160,000	60,000
2015	568,900	221,000	82,000
2016	-	42,000	16,000
2017	-	573,000	217,000
2026	505,600	-	-
2027	964,300	-	-
2028	742,300	-	-
2029	798,000	-	-
2030	1,021,700	-	-
2031	740,500	-	-
2032	1,592,700	-	-
2033	657,300	-	-
	<u>8,164,900</u>	<u>996,000</u>	<u>375,000</u>

The Company also has non-capital losses of S/. 4,815,000 (\$1,811,000) in Peru that can be carried-forward indefinitely.



## **18. SUBSEQUENT EVENTS**

In March 2014, the Company extended the expiry date of the 2,500,000 Series A warrants issued in September 2012. These warrants were set to expire on March 28, 2014, however the expiry date has been extended to December 31, 2014. The amendment is limited to the expiry date of the warrants without changes to the exercise price of \$0.25 per warrant share.

Subsequent to December 31, 2013, the Company raised \$58,000 by the issuance of unsecured promissory notes bearing interest at an annual rate of 18% and repayable on demand.

In April, 2014 the Company's shareholders approved the sale of the Aguila asset and related exploration camp and storage facilities, and the Company's 50% interest in the Corongo project to an international mining company for net proceeds to the Company of US\$7,000,000. The transaction is subject to various regulatory approvals and is expected to close no later than May 31, 2014.