DURAN VENTURES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED

JUNE 30, 2012

(Unaudited)

(Expressed in Canadian dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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JUNE 30, 2012

(Unaudited)

(Expressed in Canadian dollars)

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

	June 30, 2012 $	December 31, 2011 $
ASSETS		
CURRENT		
Cash	**1,255,752**	1,290,618
Marketable securities (Note 6)	**40,000**	36,000
Prepaid expenses and advances	**44,113**	60,906
Amounts receivable	**126,311**	644,123
TOTAL CURRENT ASSETS	**1,466,176**	2,031,647
PROPERTY, PLANT AND EQUIPMENT (Note 7)	**234,212**	245,992
EXPLORATION AND EVALUATION ASSETS (Notes 8 and 11)	**1,746,153**	1,746,153
TOTAL ASSETS	**3,446,541**	4,023,792
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**207,952**	232,996
DEFERRED TAX LIABILITY	**421,300**	421,300
TOTAL LIABILITIES	**629,252**	654,296
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 9)	**47,364,025**	45,928,588
WARRANT RESERVE (Note 9)	**1,511,256**	1,437,911
SHARE-BASED PAYMENT RESERVE (Note 10)	**2,248,183**	2,074,545
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	**(127,000)**	(99,000)
DEFICIT	**(48,179,175)**	(45,972,548)
TOTAL SHAREHOLDERS' EQUITY	**2,817,289**	3,369,496
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,446,541**	4,023,792

ONGOING OPERATIONS (Note 2)

COMMITMENTS AND CONTINGENCIES (Note 14)

APPROVED ON BEHALF OF THE BOARD:

Signed "Joseph Del Campo" , Director

Signed "Jeffrey Reeder" , Director

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three-Months Ended June 30 $		Six-Months Ended June 30 $	
	2012	2011	**2012**	2011
EXPENSES				
Share-based compensation (Note 10)	**222,800**	362,000	**429,305**	1,649,927
Management and consulting fees (Note 13)	**89,926**	82,600	**175,652**	142,533
General and administrative	**71,806**	75,089	**128,746**	141,794
Advertising and public relations	**5,891**	38,682	**46,516**	67,456
Professional fees	**57,069**	46,349	**93,111**	79,179
Rent	**7,488**	(4,335)	**20,220**	3,165
Foreign exchange (gain) loss	**(3,891)**	2,093	**23,033**	77,956
Amortization	**7,621**	5,171	**15,248**	7,985
Exploration and evaluation expenditures (Note 11)	**802,612**	1,263,792	**1,476,281**	1,945,229
Loss before the under-noted	**1,261,322**	1,871,441	**2,408,112**	4,115,224
Interest income	**-**	(5,204)	**-**	(9,091)
LOSS FOR THE PERIOD BEFORE INCOME TAXES	**1,261,322**	1,866,237	**2,408,112**	4,106,133
DEFERRED INCOME TAX EXPENSE	**-**	-	**-**	5,250
NET LOSS FOR THE PERIOD	**1,261,322**	1,866,237	**2,408,112**	4,111,383
Other comprehensive loss	**40,000**	-	**28,000**	36,750
COMPREHENSIVE LOSS	**1,301,322**	1,866,237	**2,436,112**	4,148,133
Loss per share – basic and diluted	**0.007**	0.010	**0.013**	0.023
Weighted average number of common shares Outstanding	**187,459,106**	181,362,035	**185,492,499**	178,680,919

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

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

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three-Months Ended June 30 $		Six-Months Ended June 30 $	
	2012	2011	2012	2011
Accumulated other comprehensive (loss) income at beginning of period	**(87,000)**	2,625	(99,000)	39,375
Unrealized gain (loss) on marketable securities, net of deferred income tax of $Nil (2011 – $5,250)	**(40,000)**	-	(28,000)	(36,750)
Accumulated other comprehensive (loss) income at end of period	**(127,000)**	2,625	(127,000)	2,625

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE-MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011 AND THE YEAR ENDED DECEMBER 31, 2011
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Common Shares	Warrants				
	Amount $	Reserve Amount $	Share-based Payment Reserve $	Accumulated Other Comp. Income $	Deficit $	Total Shareholders' Equity $
Balance, December 31, 2010	43,365,227	1,465,046	771,976	39,375	(38,313,467)	7,328,157
Issued for cash	717,464	175,000	-	-	-	892,464
Issued as finder's fee	-	30,043	-	-	-	30,043
Warrants exercised	1,638,606	(230,906)	-	-	-	1,407,700
Options exercised	207,291	-	(72,791)	-	-	134,500
Value of warrants and options expired	-	(1,272)	(224,408)	-	225,680	-
Share-based compensation expense	-	-	1,649,927	-	-	1,649,927
Unrealized loss on marketable securities	-	-	-	(36,750)	-	(36,750)
Net loss	-	-	-	-	(4,111,383)	(4,111,383)
Balance, June 30, 2011	45,928,588	1,437,911	2,124,704	2,625	(42,199,170)	7,294,658
Value of warrants and options expired	-	-	(50,159)	-	50,159	-
Unrealized loss on marketable securities	-	-	-	(101,625)	-	(101,625)
Net loss	-	-	-	-	(3,823,537)	(3,823,537)
Balance, December 31, 2011	45,928,588	1,437,911	2,074,545	(99,000)	(45,972,548)	3,369,496
Issued for cash	1,172,855	72,900	-	-	-	1,245,755
Issued as finder's fee	3,900	445	-	-	-	4,345
Options exercised	143,682	-	(54,182)	-	-	89,500
Value of options expired	-	-	(201,485)	-	201,485	-
Share-based compensation expense	-	-	429,305	-	-	429,305
Issued for property acquisition (Note 11)	115,000	-	-	-	-	115,000
Unrealized gain on marketable securities	-	-	-	(28,000)	-	(28,000)
Net loss	-	-	-	-	(2,408,112)	(2,408,112)
Balance, June 30, 2012	47,364,025	1,511,256	2,248,183	(127,000)	(48,179,175)	2,817,289

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three-Months Ended June 30 $		Six-Months Ended June 30 $	
	2012	2011	**2012**	2011
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss for the period	**(1,261,322)**	(1,866,237)	**(2,408,112)**	(4,111,383)
Add items not requiring cash:				
Amortization	**7,621**	5,171	**15,248**	7,985
Share-based compensation	**222,800**	362,000	**429,305**	1,649,927
Shares issued for property acquisition (Note 11)	**115,000**	-	**115,000**	-
Option payment received as shares	**-**	-	**(32,000)**	(90,000)
Deferred income tax	**-**	-	**-**	5,250
Change in non-cash operating working capital:				
(Increase) decrease in prepaids and advances	**(2,366)**	(24,415)	**16,793**	(73,646)
Decrease (increase) in amounts receivable	**153,165**	(5,599)	**517,811**	(24,865)
Decrease in accounts payable and accrued liabilities	**(69,130)**	(23,189)	**(25,044)**	(26,406)
Cash flows used in operating activities	**(834,232)**	(1,552,269)	**(1,370,999)**	(2,663,138)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Property, plant and equipment	**-**	(63,840)	**(3,467)**	(155,793)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of private placement units for cash	**1,259,600**	-	**1,259,600**	1,001,000
Finder's fees	**(9,500)**	-	**(9,500)**	(65,065)
Issue costs	**-**	-	**-**	(13,428)
Exercise of options	**-**	114,000	**89,500**	134,500
Exercise of warrants	**-**	1,008,700	**-**	1,407,700
Cash flows from financing activities	**1,250,100**	1,122,700	**1,339,600**	2,464,707
Increase (decrease) in cash	**415,868**	(493,409)	**(34,866)**	(354,224)
Cash, beginning of period	**839,884**	6,141,986	**1,290,618**	6,002,801
Cash, end of period	**1,255,752**	5,648,577	**1,255,752**	5,648,577
SUPPLEMENTARY INFORMATION:				
Private placement units issued as finder's fees (Note 9)	**4,345**	-	**4,345**	-
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 to Ontario 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 in Peru. 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 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 properties 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 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.

3. 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, Laramarca Exploraciones 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Please refer to the December 31, 2011 audited consolidated financial statements and accompanying notes for a description of the significant accounting policies used by the Company. The policies set out in the Company's December 31, 2011 financial statements were consistently applied to all periods presented unless otherwise noted below. These condensed consolidated interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2011.

The policies applied in these condensed consolidated interim financial statements are based on the IFRS issued and effective as of June 30, 2012. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2012 could result in restatement of these interim consolidated financial statements. These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on August 28, 2012.

(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 except for marketable securities which are measured at fair value.

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

IAS 1 - Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. 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. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

IFRS 9 *Financial Instruments: Classification and Measurement* ("IFRS 9") issued in December 2009, effective for annual periods beginning on or after January 1, 2015, 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, 2015.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 no later than the accounting period beginning on January 1, 2013.

IFRS 12 *Disclosures of Interests in Other Entities* ("IFRS 12") includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

IFRS 13 *Fair Value Measurement* ("IFRS 13") 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 no later than the accounting 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 Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies and sources of estimation uncertainty that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the condensed consolidated interim financial statements within the next financial year are the same as those that applied to the Company's 2011 annual financial statements.

6. MARKETABLE SECURITIES

The Company's marketable securities, classified as available-for-sale investment, consist of common shares of Viper Gold Ltd. ("Viper"), and therefore has no fixed maturity date or coupon rate. The fair value of the listed available-for-sale investment has been determined directly by reference to published price quotations in an active market.

(Expressed in Canadian dollars)

7. PROPERTY, PLANT AND EQUIPMENT

Cost	**Office furniture and equipment**	**Computer equipment**	**Field equipment**	**Camp 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 June 30, 2012	41,128	27,297	68,854	163,060	300,339

Amortization and impairment	**Office furniture and equipment**	**Computer equipment**	**Field equipment**	**Camp and buildings**	**Total**
	$	$	$	$	$
Balance at December 31, 2011	6,888	13,573	17,903	12,516	50,880
Additions	2,096	2,804	3,449	6,899	15,248
Balance at June 30, 2012	8,984	16,377	21,352	19,415	66,128

Carrying amounts	**Office furniture and equipment**	**Computer equipment**	**Field equipment**	**Camp and buildings**	**Total**
	$	$	$	$	$
At December 31, 2011	34,240	10,257	50,951	150,544	245,992
At June 30, 2012	32,144	10,920	47,502	143,645	234,211

8. EXPLORATION AND EVALUATION ASSETS

	December 31, 2010 $	Additions (Recoveries) $	December 31, 2011 $	Additions (Recoveries) $	June 30, 2012 $
Peru					
Hatum Minas Properties	1,746,153	-	1,746,153	-	1,746,153
Total Exploration Properties	1,746,153	-	1,746,153	-	1,746,153

Hatum Minas Properties
In July 2010, the Company acquired certain mineral properties in Peru (the “Hatum Minas Properties”) from 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) and Subsequent Events (Note 15).

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 June 30, 2012 and December 31, 2011 and changes during the periods then ended are presented below:

(Expressed in Canadian dollars)

9. CAPITAL STOCK AND OTHER EQUITY (Continued)

	Shares #	Amount $
Balance, December 31, 2010	167,198,958	43,365,227
Issued on exercise of warrants (i)	7,001,000	1,407,700
Value assigned to exercised warrants	-	230,906
Issued in private placements (net of share issue costs) (i)	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 (i)	1,150,000	134,500
Value assigned to options exercised	-	72,791
Balance, December 31, 2011	183,049,958	45,928,588
Issued in private placements (net of share issue costs) (ii)	15,793,750	1,250,100
Value assigned to warrants issued in private placements, net of costs (Note 9(b))	-	(73,345)
Issued on exercise of options (iii)	670,000	89,500
Value assigned to options exercised	-	54,182
Issued for property acquisition (Note 11)	1,000,000	115,000
Balance, June 30, 2012	200,513,708	47,364,025

(i) In January 2011, the Company closed the second and final 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. 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 $78,493 were paid. The net proceeds were allocated $892,464 to the common shares and $175,000 to the share purchase warrants.

During the year ended December 31, 2011, 7,001,000 warrants issued in April 2009 were exercised for proceeds of $1,407,700.

During the year ended December 31, 2011, 1,150,000 stock options were exercised for proceeds of $134,500.

(ii) 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 (valued at $4,345) and $9,500 was paid as finder's fees. The net proceeds were allocated $1,172,855 to the common shares and $72,900 to the share purchase warrants.

(iii) During the six months ended June 30, 2012, 670,000 stock options were exercised for proceeds of $89,500.

b) Share Purchase Warrants

A summary of warrants outstanding as at June 30, 2012 and December 31, 2011 and changes during the periods then ended are presented below:

(Expressed in Canadian dollars)

9. CAPITAL STOCK AND OTHER EQUITY (Continued)

	Warrants #	Amount $	Weighted average exercise price $
Balance, December 31, 2010	33,119,945	1,465,046	0.19
Issued in private placements (Note 9(b)(i))	3,850,000	196,000	0.20
Issue costs	-	(21,000)	-
Compensation warrants (Note 9(b)(i))	500,500	30,043	0.13
Exercised	(7,001,000)	(230,906)	0.20
Expired	(45,000)	(1,272)	0.20
Balance, December 31, 2011	30,424,445	1,437,911	0.19
Issued in private placements (Note 9(b)(ii))	7,896,875	74,845	0.12
Issue costs	-	(1,500)	-
Balance, June 30, 2012	38,321,320	1,511,256	0.18

(i) 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 year ended December 31, 2011 was $0.05.

(ii) As a result of the $1,259,600 private placement in June 2012, the Company issued 7,896,875 common share purchase warrants 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 weighted assumptions: expected dividend yield of 0%; expected volatility of 105%; risk-free interest rate of 0.98% and an expected life of one year.

The following common share purchase warrants are outstanding at June 30, 2012:

Date Issued	Warrants Outstanding #	Exercise Price $	Expiry Date
December 23, 2010	22,853,000	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
June 4, 2012	3,750,000	0.12	June 4, 2013
June 25, 2012	4,146,875	0.12	June 25, 2013
	38,321,320		

As at June 30, 2012, the weighted average remaining contractual life of warrants outstanding was 0.59 years (December 31, 2011 – 0.99 years).

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.

(Expressed in Canadian dollars)

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

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 June 30, 2012 and December 31, 2011, and changes during the periods ended on those dates are presented below:

	Number of options #	Weighted average exercise price $
Balance, December 31, 2010	7,060,000	0.21
Granted	8,510,000	0.27
Exercised	(1,150,000)	0.12
Expired	(595,000)	1.01
Balance, December 31, 2011	13,825,000	0.22
Granted	5,250,000	0.14
Exercised	(670,000)	0.13
Expired	(1,370,000)	0.25
Balance, June 30, 2012	17,035,000	0.19

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.

In June 2011, the Company granted 2,510,000 options exercisable at $0.215 for a period of five years. The grant included 1,850,000 options to eight individuals who are directors, senior officers, or both, and 660,000 options to employees of the Company.

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.

Total share-based payment expense of $429,305 (2011 - $1,649,927) was incurred for the six months ended June 30, 2012.

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

	2012	2011
Risk-free interest rate	0.99%	1.67%
Expected life	5 years	5 years
Expected volatility	98%	102%
Expected dividend yield	nil%	nil%

(Expressed in Canadian dollars)

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

As at June 30, 2012, the Company had outstanding share options issued to directors, officers and employees of the Company as follows:

Date of Grant	Options Outstanding #	Options Vested #	Exercise Price $	Expiry Date
September 1, 2009	2,290,000	2,290,000	0.10	September 1, 2014
May 27, 2010	200,000	200,000	0.11	May 27, 2015
July 9, 2010	1,500,000	1,500,000	0.15	July 9, 2015
March 14, 2011	5,600,000	5,600,000	0.29	March 14, 2016
June 29, 2011	2,195,000	2,195,000	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	3,550,000	3,550,000	0.10	June 28, 2017
	17,035,000	17,035,000		

The weighted average remaining contractual life of options issued and outstanding as at June 30, 2012 was 3.83 years.

See Subsequent Events (Note 15).

11. EXPLORATION AND EVALUATION EXPENDITURES

Total exploration and evaluation expenditures are as follows:

	Minera Aguila $	Corongo $	Hatum Minas $	Laramarca $	Total $
Balance, December 31, 2011	14,325,289	311,701	417,081	7,489	15,061,560
Additions	919,916	69,236	290,821	219,708	1,508,281
Recoveries	-	(32,000)	-	-	(32,000)
Balance, June 30, 2012	15,245,205	348,937	707,902	227,197	16,537,841

During the six months ended June 30, 2012, the Company incurred net exploration and evaluation expenditures of $1,476,281. In addition to these expenditures, the Company has also incurred capital expenditures of $300,339 up to June 30, 2012, with a net book value of $234,212 as at June 30, 2012. See Property, Plant and Equipment (Note 7).

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 Pasacancha Project), and 15 additional staked exploration claims.

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.

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. By June 30, 2012, Viper had completed all of its obligations under the Corongo Agreement.

(Expressed in Canadian dollars)

11. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

As at June 30, 2012, the Company was in the process of issuing shares in Corongo Exploraciones SAC to Viper, representing 50% ownership interest.

Hatum Minas Properties
The Hatum Minas Properties consist of 11 staked concessions which total approximately 5,438 hectares, and 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 Assets (Note 8) and Subsequent Events (Note 15).

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 property is held by the Company's wholly-owned Peruvian subsidiary, Laramarca Exploraciones SAC.

In April 2012, the Company acquired from Barrick Gold Corp. ("Barrick") the historical geological and drill data on the Company's wholly owned Minasnioc Gold Property. Furthermore, the Company acquired three additional concessions (Azura Azul 6, 7 and 8) from Barrick totaling an additional 2,000 hectares. The Company issued 1,000,000 common shares (valued at $115,000) 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.

Mamaniña Property
The Company was awarded the Mamaniña 1 and 2 concessions in the Province of Huaylas in the Department of Ancash, Peru by way of a closed-bid government auction held on April 13, 2011. The concessions are located approximately 14 kilometres to the south of the Company's flagship Aguila Copper-Molybdenum Porphyry Project. The Company now holds a total of approximately 1,800 hectares in three contiguous concessions. Title to the Mamaniña property is held by the Company's wholly-owned Peruvian subsidiary, Minera Aguila de Oro SAC.

12. LOSS PER SHARE

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

	Three-Months Ended June 30,		Six-Months Ended June 30,	
	2012	2011	2012	2011
Comprehensive loss for the period	1,261,322	1,866,237	2,408,112	4,111,383
Weighted average number of common shares outstanding	187,459,106	181,362,035	185,492,499	178,680,919
Loss per share	0.01	0.01	0.01	0.02

b) Diluted
Diluted loss per common share is equal to the basic loss per common share as the stock options and warrants outstanding for the three month periods are anti-dilutive.

(Expressed in Canadian dollars)

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.

The remuneration of key management personnel and a related party of the Company for the six months ended June 30, 2012 and 2011 were as follows.

	2012 $	2011 $
Aggregate cash compensation	245,502	232,033
Share-based compensation	242,893	1,397,440
	488,395	1,629,473

The related parties were awarded the following stock options under the Company's stock option plan during the six months ended June 30, 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	3,550,000	$0.10	June 28, 2017

The related parties were awarded the following stock options under the Company's stock option plan during the six months ended June 30, 2011:

Date of grant	Number of options	Exercise price	Expiry date
March 14, 2011	5,200,000	$0.29	March 14, 2016
June 29, 2011	1,950,000	$0.215	June 29, 2016

14. COMMITMENTS AND CONTINGENCIES

Lease agreement
The Company signed a lease agreement for 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.

Management contracts
Effective January 1, 2012, 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 $720,000 be made upon the occurrence of certain events such as a change of control.

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.

15. SUBSEQUENT EVENTS

Options
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 one consultant and 200,000 options to one employee of the Company. The options vested 100% on the date of grant.

15. SUBSEQUENT EVENTS (Continued)

Hatum Minas Properties

In August 2012, the Company signed a Letter of Intent ("LOI") with a private Peruvian mining company (the "Optionee") to earn a 70% interest in the Don Pancho silver-lead-zinc polymetallic project for total cash consideration of US$2,030,000 (US$30,000 paid upon signing the LOI). In addition to the cash option payments, the Optionee is obligated to undertake a diamond drill program, commence an economic study on the project, and incur total exploration costs of at least US$3,500,000.