

DURAN VENTURES INC.
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

**DURAN VENTURES INC.
(A Development Stage Company)**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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AUDITORS' REPORT

To the Shareholders of
DURAN VENTURES INC.
(A Development Stage Company)

We have audited the consolidated balance sheets of Duran Ventures Inc. (A Development Stage Company) as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss, accumulated other comprehensive income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

A handwritten signature in black ink that reads 'McGovern, Hurley, Cunningham, LLP'.

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 6, 2010, except for Note 13(a)
which is as at April 14, 2010

DURAN VENTURES INC.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31,

| | 2009 \$ | 2008 \$ |
|---|-------------------------|-------------------------|
| | | (See Note 1) |
| ASSETS | | |
| CURRENT | | |
| Cash | 772,964 | 1,010,090 |
| Prepaid expenses and advances | 49,378 | 14,454 |
| Amounts receivable (Note 6) | 6,763 | 83,473 |
| | <u>829,105</u> | <u>1,108,017</u> |
| EXPLORATION PROPERTIES (Note 3) | <u>8,118,265</u> | <u>6,732,109</u> |
| | <u>8,947,370</u> | <u>7,840,126</u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities (Note 6) | <u>117,672</u> | <u>642,015</u> |
| SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK (Note 4(b)) | 35,592,626 | 33,898,027 |
| WARRANTS (Note 4(d)) | 664,101 | 745,075 |
| CONTRIBUTED SURPLUS (Note 4(f)) | 3,752,639 | 2,527,564 |
| DEFICIT (Note 8) | <u>(31,179,668)</u> | <u>(29,972,555)</u> |
| | <u>8,829,698</u> | <u>7,198,111</u> |
| | <u>8,947,370</u> | <u>7,840,126</u> |
| ONGOING OPERATIONS (Note 1) | | |
| COMMITMENTS (Note 3) | | |
| CONTINGENT LIABILITIES (Note 12) | | |
| APPROVED ON BEHALF OF THE BOARD: | | |
| <u>Signed "Joseph Del Campo" , Director</u> | | |
| <u>Signed "John P. Thompson" , Director</u> | | |

DURAN VENTURES INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

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| | 2009 | 2008 |
|--|--------------------------|-------------------|
| | \$ | \$ |
| | | (See Note 1) |
| EXPENSES | | |
| Stock-based compensation (Note 4(c)) | 480,000 | 505,100 |
| Management and consulting fees (Note 6) | 184,048 | 195,626 |
| General and administrative | 127,320 | 102,654 |
| Investor relations | 128,275 | 82,758 |
| Professional fees | 103,688 | 38,063 |
| Rent (Note 6) | 28,000 | 30,000 |
| Exploration property expenditures written-off (Note 3(b)) | 157,921 | 405,254 |
| Loss before the under-noted | 1,209,252 | 1,359,455 |
| Interest income | (2,139) | (51,779) |
| Loss on sale of available for sale marketable securities (Note 7) | - | 52,295 |
| LOSS FROM CONTINUING OPERATIONS | 1,207,113 | 1,359,971 |
| Loss from discontinued operations (Note 8) | - | 4,908,767 |
| NET LOSS FOR THE YEAR (Note 8) | 1,207,113 | 6,268,738 |
| Loss per share from continuing operations – basic and diluted | <u>0.02</u> | <u>0.02</u> |
| Loss per share from discontinued operations – basic and diluted (Note 8) | <u>0.00</u> | <u>0.09</u> |
| Loss per share – basic and diluted | <u>0.02</u> | <u>0.11</u> |
| Weighted average number of common shares outstanding | <u>70,951,734</u> | <u>58,368,803</u> |

See accompanying notes to the consolidated financial statements.

DURAN VENTURES INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31,

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| | 2009 \$ | 2008 \$ (See Notes 1 and 8) |
|---------------------------|--------------------|--------------------------------------|
| Net loss for the year | (1,207,113) | (6,268,738) |
| Other comprehensive loss | - | (1,069,700) |
| COMPREHENSIVE LOSS | (1,207,113) | (7,338,438) |

DURAN VENTURES INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME ("AOCI")
AS AT DECEMBER 31,

| | 2009 \$ | 2008 \$ (See Notes 1 and 8) |
|--|------------|--------------------------------------|
| Accumulated other comprehensive income at beginning of year | - | 1,069,700 |
| Unrealized loss on marketable securities, net of future income tax expense of \$Nil (2008 - expense of \$219,000) | - | (1,707,635) |
| Reclassification of realized loss included in discontinued operations (Note 8) | - | 537,664 |
| Reclassification of realized loss included in operations | - | 100,271 |
| Accumulated other comprehensive income at end of year | - | - |

See accompanying notes to the consolidated financial statements.

DURAN VENTURES INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31,

| | Common Shares | | Warrants | | Contributed Surplus \$ | Accumulated Other Comp. Income ("AOCI") \$ | Deficit \$ | Total Deficit And "AOCI" \$ | Total Shareholders' Equity \$ |
|--|---------------|--------------|-------------|--------------|------------------------------|--|---------------|---|--|
| | Shares # | Amount \$ | Number # | Amount \$ | | | | | |
| Balance, December 31, 2007 (See Note 1) | 55,675,162 | 31,984,376 | 6,287,515 | 1,218,638 | 1,209,109 | 1,069,700 | (20,673,511) | (19,633,811) | 14,808,312 |
| Distribution of capital on spin-out of assets (Note 8) | - | - | - | - | - | - | (3,030,306) | (3,030,306) | (3,030,306) |
| Issued on private placement | 1,000,000 | 827,250 | 500,000 | 167,000 | - | - | - | - | 994,250 |
| Issued on property option agreement | 50,000 | 69,000 | - | - | - | - | - | - | 69,000 |
| Warrants exercised | 2,014,000 | 1,410,402 | (2,014,000) | (163,402) | - | - | - | - | 1,247,000 |
| Warrants expired | - | - | (2,396,500) | (477,161) | 477,161 | - | - | - | - |
| Stock options exercised | 122,350 | 47,900 | - | - | (17,312) | - | - | - | 30,588 |
| Amalgamation transaction costs (Note 1) | - | (440,901) | - | - | - | - | - | - | (440,901) |
| Stock-based compensation expense | - | - | - | - | 858,606 | - | - | - | 858,606 |
| Unrealized loss on marketable Securities | - | - | - | - | - | (1,707,635) | - | (1,707,635) | (1,707,635) |
| Reclassification adjustment for Losses | - | - | - | - | - | 100,271 | - | 100,271 | 100,271 |
| Net loss | - | - | - | - | - | 537,664 | (6,268,738) | (5,731,074) | (5,731,074) |
| Balance, December 31, 2008 | 58,861,512 | 33,898,027 | 2,377,015 | 745,075 | 2,527,564 | - | (29,972,555) | (29,972,555) | 7,198,111 |
| Issued for cash | 30,672,500 | 1,469,694 | 30,672,500 | 680,400 | - | - | - | - | 2,150,094 |
| Issued as finder's fee | 1,202,600 | 100,856 | - | - | - | - | - | - | 100,856 |
| Issued on property option agreement | 50,000 | 5,000 | - | - | - | - | - | - | 5,000 |
| Warrants exercised | 1,015,000 | 119,049 | (1,015,000) | (16,299) | - | - | - | - | 102,750 |
| Warrants expired | - | - | (2,377,015) | (745,075) | 745,075 | - | - | - | - |
| Stock-based compensation expense | - | - | - | - | 480,000 | - | - | - | 480,000 |
| Net loss | - | - | - | - | - | - | (1,207,113) | (1,207,113) | (1,207,113) |
| Balance, December 31, 2009 | 91,801,612 | 35,592,626 | 29,657,500 | 664,101 | 3,752,639 | - | (31,179,668) | (31,179,668) | 8,829,698 |

See accompanying notes to the consolidated financial statements.

DURAN VENTURES INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

| | 2009 \$ | 2008 \$ |
|---|--------------------|--------------------|
| | | (See Note 1) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the year from continuing operations | (1,207,113) | (1,359,971) |
| Add items not requiring cash: | | |
| Loss on sale of available for sale marketable securities (Note 7) | - | 52,295 |
| Write-off of exploration expenditures | 157,921 | 405,254 |
| Stock-based compensation | 480,000 | 505,100 |
| Change in non-cash operating working capital: | | |
| (Increase) in prepaids and advances | (34,924) | (12,888) |
| Decrease (Increase) in amounts receivable | 76,710 | (31,735) |
| (Decrease) increase in accounts payable and accrued liabilities | (242,936) | 279,859 |
| Cash flows from operating activities | <u>(770,342)</u> | <u>(162,086)</u> |
| Cash flows from discontinued operating activities (Note 8) | <u>-</u> | <u>(677,487)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of marketable securities (Note 7) | - | 44,705 |
| Exploration property expenditures | (1,820,484) | (4,444,016) |
| Cash flows from investing activities | <u>(1,820,484)</u> | <u>(4,399,311)</u> |
| Cash flows from discontinued investing activities (Note 8) | <u>-</u> | <u>(2,553,700)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issuance of private placement units for cash | 2,337,250 | 1,000,000 |
| Finder's fees | (86,300) | (5,750) |
| Transaction costs | - | (440,901) |
| Exercise of options | - | 30,588 |
| Exercise of warrants | 102,750 | 1,247,000 |
| Cash flows from financing activities | <u>2,353,700</u> | <u>1,830,937</u> |
| Cash transferred upon spin out (Note 8) | <u>-</u> | <u>(1,111,922)</u> |
| (Decrease) in cash | (237,126) | (7,073,569) |
| Cash, beginning of year | 1,010,090 | 8,083,659 |
| Cash, end of year | <u>772,964</u> | <u>1,010,090</u> |
| SUPPLEMENTARY INFORMATION: | | |
| Interest paid | - | - |
| Taxes paid | - | - |
| Common shares issued for option on exploration property (Note 3(b)) | 5,000 | 69,000 |
| Common shares issued as finders' fees (Note 4(b)(ii)) | 100,856 | - |
| Change in accrued exploration property expenditures | (281,407) | 309,949 |
| Net non-cash assets transferred pursuant to spin-out (Note 8) | - | 1,918,384 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. BASIS OF PRESENTATION AND ONGOING OPERATIONS

Duran Ventures Inc. (the "Company" or "Duran") is a publicly listed company originally incorporated in British Columbia and subsequently continued under the Canada Business Corporations Act. The Company's common shares have been listed and trading on the TSX Venture Exchange since July 4, 2007 under the trading symbol "DRV". The Company, directly and with exploration partners, is engaged in the exploration of mineral properties primarily in North and South America and considers itself to be a development stage company, as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11. The Company's head office is located in Canada and substantially all of the Company's operating expenses are incurred in Canada.

In October 2008, the Company acquired the remaining 50% interest in the Aguila and Pasacancha Projects in Peru (the "Peruvian Property") by way of an amalgamation pursuant to which MacMillan Gold Corp. ("MacMillan") amalgamated with a newly incorporated, wholly owned subsidiary of the Company. Prior to the acquisition, MacMillan spun out its Mexican properties so that at the time of the amalgamation, MacMillan's only material assets were \$1,000,000 of working capital and its 50% interest in the Peruvian subsidiary that holds the Peru properties. All of the outstanding common shares of MacMillan were exchanged for 31,027,369 common shares of the Company on the basis of 0.5 of the Company's common shares for each MacMillan common share held. The transaction resulted in no substantive change in control over the Peruvian Property, the sole property interest of the combined entity, and at the time of the transaction, five officers or directors of the Company were also officers of MacMillan. The transfer was accounted for under the continuity-of-interests method of accounting, maintaining the carrying value of the assets and liabilities of the combined entities. This method of accounting is in accordance with the CICA Emerging Issues Committee ("EIC") Abstract 89 "Exchanges of Ownership Interest Between Enterprises Under Common Control – Wholly and Partially-Owned Subsidiaries". Accordingly, these financial statements have been prepared to reflect the financial position and results of operations and cash flows for all periods presented as if the Company and MacMillan had been combined since their inception.

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. Substantially all of the Company's exploration properties are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. 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. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and their basis of application is consistent with that of the previous year, except where disclosed below. Outlined below are those policies considered particularly significant:

New Accounting Pronouncements

Effective January 1, 2009, the Company adopted the following new accounting standards, issued by the CICA.

(i) EIC-174 – Mining Exploration Costs

On March 27, 2009 the EIC issued EIC-174. In this EIC the Committee reached a consensus that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company has adopted EIC-174 and the adoption of this standard had no material impact on the Company's consolidated financial statements.

(ii) EIC 173 - Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009, the CICA approved EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. Adoption of this standard had no material impact on the Company's consolidated financial statements. The Company is continually evaluating its counterparties and their credit risks.

(iii) Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 - Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value under Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) 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) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of the new standard resulted in additional disclosures in the notes to the consolidated financial statements. At December 31, 2009, the Company's financial instruments that are carried at fair value, consisting of cash, have been classified as Level 1 within the fair value hierarchy.

Future Accounting Changes

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

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company is required to apply all of those IFRS standards which are effective for fiscal year ending December 31, 2011 and apply them to its opening January 1, 2010 balance sheet.

The Company has completed the initial diagnostic phase and will continue to update its disclosures throughout 2010 to reflect specific actions taken to facilitate changeover to IFRS effective January 1, 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Section 1582 – Business Combinations

CICA Handbook Section 1582 “Business Combinations”, replaces Section 1581 - “Business Combinations” and provides the Canadian equivalent to IFRS 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company expects to adopt this standard on January 1, 2011 and is currently assessing the impact of this standard on its consolidated financial statements.

(iii) Section 1601 – Consolidations and Section 1602 – Non-Controlling Interests

CICA Handbook Section 1601 “Consolidations” and Section 1602 “Non-Controlling Interests” replace Section 1600 “Consolidated Financial Statements”. Section 1602 provides the Canadian equivalent to International Accounting Standard 27 - “Consolidated and Separate Financial Statements”, for non-controlling interests. The Company expects to adopt these standards on January 1, 2011 and is currently assessing the impact of this standard on its consolidated financial statements.

Other Accounting Policies

Principles 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 subsidiary, Duran Resources ULC, which is incorporated in Canada under the Business Corporations Act (Alberta), and its wholly owned subsidiary, Minera Aguila de Oro SAC, which is incorporated in Peru. All inter-corporate transactions are eliminated on consolidation.

Financial Instruments

The Company has designated its cash as held-for-trading and measured at fair value on the balance sheet. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Marketable securities have been classified as available-for-sale and are recorded at their fair values with changes in fair value included in other comprehensive (loss) income until the asset is removed from the balance sheet or until impairment is assessed as other than temporary. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Fair values are determined directly by reference to published price quotations in an active market. Investments in equity instruments that do not have a quoted market price in an active market are reported at a nominal value. Changes in the fair value of these instruments are reflected in other comprehensive income and included in shareholders’ equity on the balance sheet. All other non-derivative financial instruments were recorded at amortized cost, subject to impairment reviews.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income

CICA Handbook Section 1530 – *Comprehensive Income or (Loss)*

Comprehensive income or (loss) is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net loss to be presented in accumulated other comprehensive income or (loss) until it is considered appropriate to recognize into net loss.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and balances with banks and short-term deposits with original maturities of three months or less. The deposits are held in a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank. As at December 31, 2009 and 2008, the Company did not have any cash equivalents.

Exploration Properties

Property acquisition costs and related direct exploration costs less recoveries are deferred until such time as the properties are either placed into commercial production, sold, determined not to be economically viable, or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful lives of the properties following the commencement of production, or written off if the properties are sold, allowed to lapse or abandoned. General exploration expenditures, which do not relate to specific resource properties, are charged to operations in the year incurred.

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

The cost of exploration properties includes any cash consideration paid and the fair market value of shares issued, if any, on the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values. From time-to-time, the Company receives shares and or cash payments from exploration partners pursuant to property option agreements. The carrying value of the exploration properties by country is reduced by option proceeds received until such time as the property cost and deferred exploration expenditures are reduced to nominal amounts, and any excess is included in the statement of operations.

The Company reviews capitalized costs on its property interests on a periodic basis and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Continued...

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Expenditures on these properties are capitalized to exploration properties. Joint venture accounting, which reflects the Company's proportionate interest in exploration properties, 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.

Asset Retirement Obligations

Pursuant to the CICA Handbook Section 3110, "Asset Retirement Obligations", the fair values of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. The Company did not have any asset retirement obligations as of December 31, 2009 and 2008.

Stock-Based Compensation

The Company has adopted an incentive stock option plan, which is described in Note 4(c)). The Company follows the recommendations of the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. These recommendations require that compensation for all awards be measured and recorded in the financial statements at their fair value. The fair value of each option is accounted for over the vesting period of the options, and the related credit is included in contributed surplus. Upon the exercise of stock options, consideration paid and the fair value amounts previously credited to contributed surplus are recorded as share capital.

Income Taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the enacted or substantively enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

Foreign Currency Translation

The Company's subsidiaries are integrated foreign operations and their accounts are translated using the temporal method. The Canadian dollar is the functional and reporting currency of all of the Company's operations. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at the average exchange rate for the period.

Loss Per Share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. See Notes 4(c) and (d) for potentially dilutive securities as at December 31, 2009 and 2008. As at December 31, 2009 and 2008, the outstanding stock options and warrants were not included in the computation of the diluted loss per share because the effect was anti-dilutive.

Continued...

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The most significant estimates are related to the recoverability of exploration properties, and valuation of stock-based compensation, warrants, asset retirement obligations and future tax assets and liabilities. Actual results may differ from those estimates. Management believes that the estimates are reasonable.

3. EXPLORATION PROPERTIES

| | December 31, 2007 \$ | Additions (Recoveries) \$ | Write-off \$ | December 31, 2008 \$ | Additions (Recoveries) \$ | Write-off \$ | December 31, 2009 \$ |
|-----------------------------------|----------------------------|---------------------------------|------------------|----------------------------|---------------------------------|------------------|----------------------------|
| a) Peru | | | | | | | |
| Acquisition | 330,000 | - | - | 330,000 | 16,425 | - | 346,425 |
| Deferred exploration expenditures | 1,754,477 | 4,517,571 | - | 6,272,048 | 1,531,810 | - | 7,803,858 |
| Recoveries | - | - | - | - | (32,018) | - | (32,018) |
| | <u>2,084,477</u> | <u>4,517,571</u> | <u>-</u> | <u>6,602,048</u> | <u>1,516,217</u> | <u>-</u> | <u>8,118,265</u> |
| b) Canada | | | | | | | |
| Acquisition costs | 308,961 | 120,825 | (216,484) | 213,302 | 30,000 | (243,302) | - |
| Deferred exploration expenditures | 71,667 | 184,569 | (188,770) | 67,466 | 1,220 | (68,686) | - |
| Recoveries | (20,000) | - | - | (20,000) | (3,360) | 23,360 | - |
| Option payments - received | (130,707) | - | - | (130,707) | - | 130,707 | - |
| | <u>229,921</u> | <u>305,394</u> | <u>(405,254)</u> | <u>130,061</u> | <u>27,860</u> | <u>(157,921)</u> | <u>-</u> |
| Total Exploration Properties | <u>2,314,398</u> | <u>4,822,965</u> | <u>(405,254)</u> | <u>6,732,109</u> | <u>1,544,077</u> | <u>(157,921)</u> | <u>8,118,265</u> |

(a) PERU:

In June 2003, the Company entered into an agreement with MacMillan, amended December 2006, to earn a 50% interest in the Aguila and Pasacancha Projects located in north central Peru (the "Peru Projects"). The Peru Projects include the El Halcon concession, the Pasacancha 1 concession, and seventeen additional staked exploration claims. Effective January 1, 2008, the Company received confirmation from MacMillan that the Company had earned its 50% interest in the Peru Projects by making cash payments of \$80,000, spending US\$1,000,000 on qualified exploration activities, and issuing 1,000,000 common shares of the Company to MacMillan. Duran received 50% of the shares of Minera Aguila de Oro SAC, which was incorporated in 2006 and is the Peruvian closed corporation which holds title to the mineral properties in Peru.

The acquisition of the remaining 50% interest in this Peruvian property was effected in October 2008 by way of an amalgamation pursuant to which MacMillan amalgamated with a newly incorporated, wholly owned subsidiary of the Company named Duran Resources ULC. Prior to the acquisition, MacMillan spun out its Mexican properties so that at the time of the amalgamation, MacMillan's only material assets were \$1,000,000 of working capital and its 50% interest in the Peruvian subsidiary, which holds the Peru properties. All of the outstanding common shares of MacMillan were exchanged for 31,027,369 common shares of the Company on the basis of 0.5 of the Company's common shares for each MacMillan common share held.

Continued...

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

3. EXPLORATION PROPERTIES (Continued)

(a) PERU (Continued)

Corongo Property - Property Option Letter Agreement

In March 2009, the Company signed a Letter Agreement with Centurion Minerals Ltd. ("Centurion"), an arm's length corporation. The Company received a non-refundable commitment fee of US\$25,000 (CDN\$32,018) due upon execution of the Letter Agreement as an advance towards Centurion's first year exploration expenditure commitment. Centurion was to be appointed as operator and the Company as manager, entitled to a 10% management fee calculated on exploration expenditures. In April 2009, Centurion notified the Company that it would not proceed with the Corongo Property Option. The Company applied the US\$25,000 non-refundable commitment fee as a recovery to Peru exploration properties and retains 100% control of the Corongo Properties.

See Subsequent Events Note 13(b).

Double Jack Lock-Up Agreement

In July 2009, the Board of Directors approved, subject to regulatory approval, the acquisition of 100% of the shares of Hatum Minas SAC ("Hatun"), a wholly owned Peruvian subsidiary of Double Jack Mines Limited ("Double Jack"), a private Alberta company with 22 shareholders that holds a 100% interest in the Double Jack-Hatum properties. This will be completed by either the direct acquisition of 100% of the shares of Hatun from Double Jack or by the acquisition of 100% of the shares of Double Jack. Double Jack has 11,850,000 shares outstanding and has agreed to complete the transaction with a maximum of 12,000,000 shares issued and outstanding. In August 2009, the Company received confirmation from Double Jack that it has obtained a lock up agreement from 100% of Double Jack shareholders.

The Company has the right to acquire a 100% interest in Double Jack / Hatun for the issuance of \$1,200,000 worth of common shares to be valued at the average May 2010 closing price subject to an average price calculation of a \$0.10 minimum (maximum 12,000,000 shares) and a \$0.20 maximum (minimum 6,000,000 shares). The issuance of these common shares is subject to regulatory approval.

The Hatun properties include the Panteria porphyry copper project, the Ichunya copper-silver project, and the Santa Rita/Coricancha and Don Pancho silver-lead-zinc polymetallic projects. The Company has agreed to complete exploration expenditures of US\$100,000 on the Panteria Property by May 31, 2010 and reimburse Double Jack for 2009 maintenance fees of US\$15,000 (CDN\$16,425 - paid).

If the Company fails to obtain regulatory approval or complete the transaction, the Company has agreed to pay the 2010 maintenance fees for the properties and pay a break fee of 500,000 common shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

3. EXPLORATION PROPERTIES (Continued)

(b) CANADA:

Saskatchewan

During 2006, the Company staked six contiguous blocks of claims located in the Athabasca Basin in northern Saskatchewan. This property covers portions of the Athabasca Basin along a trend from numerous previously developed uranium targets. During 2007, this property was optioned to RPT Uranium Corp. ("RPT") (formerly "Rampart Ventures Inc."), giving RPT the right to earn a 70% working interest in this property. Under the terms of the agreement, RPT was required to pay the Company \$100,000 in cash (received) and issue 500,000 RPT common shares, with 200,000 common shares issuable upon closing (received - see Note 7), and 100,000 common shares due on November 30, 2007, 2008, and 2009 (100,000 received - see Note 7). RPT was also required to spend a cumulative \$3,000,000 on exploration activities on the property over five years with the first \$400,000 to be spent by February 10, 2008. The Company had the right of first refusal on any offer to acquire RPT's rights under this option agreement.

If RPT did not complete the 70% earn-in, the property and any new properties acquired in a defined area of interest are to revert 100% to the Company. In April 2008, the Company received written notification from RPT that they wished to terminate the signed option agreement. The Company wrote off the related expenditures during the year ended December 31, 2008 and the claims reverted 100% to the Company.

British Columbia

During 2007, the Company entered into an option agreement to acquire a 100% interest in the JD Property in the Toadoggone area of British Columbia, Canada. The property was located immediately north of the Toadoggone River in northern B.C. and consisted of eight claim blocks. Under the terms of the agreement, the Company was required to spend \$2,000,000 in exploration activities over a five year period, make a series of cash payments totaling \$250,000 (\$35,000 paid) over a four year period, issue 200,000 common shares of the Company (issued and valued at \$180,000) and pay the vendors four anniversary payments of \$100,000 each or the equivalent in common shares of the Company. The property would then become subject to a 2.5% Net Smelter Royalty ("NSR") payable to the vendors. The NSR could be reduced to 1.0% for a payment of \$1,500,000 to the vendors prior to the commencement of commercial production, or \$3,000,000 thereafter. On August 19, 2008, the Company announced that it had terminated this option agreement. The Company wrote off the related exploration expenditures of \$405,254 as at December 31, 2008.

New Brunswick

In March 2008, the Company signed a letter of intent to acquire a 100% interest in certain mineral claims located in New Brunswick. Under the terms of the agreement, the Company could earn a 100% interest in the properties by making aggregate cash payments of \$250,000 (\$75,000 paid), issuing 50,000 common shares within 10 days of regulatory approval (issued and valued at \$69,000), \$200,000 worth of common shares by March 31, 2011 (50,000 issued and valued at \$5,000), and incurring cumulative exploration expenditures of \$250,000 before March 31, 2011. The properties would be subject to a 2% Net Smelter Royalty. In 2009, the terms of the agreement were amended to reflect current market conditions. The \$200,000 worth of common shares due by March 31, 2011 was amended to 200,000 common shares due by March 31, 2011. Extensions were also granted for the remaining cash payments of \$200,000 (\$25,000 paid) and cumulative spending requirement of \$250,000 originally due by March 31, 2011, to September 30, 2011. In December 2009, the Company terminated this option agreement and wrote off the related exploration expenditures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

4. CAPITAL STOCK, COMMON SHARE OPTIONS AND WARRANTS

a) Authorized

Unlimited common shares without par value
100,000,000 preferred shares without par value

b) Common Shares Issued

| | Shares # | Amount \$ |
|---|-------------------|-------------------|
| Balance, December 31, 2007 | 55,675,162 | 31,984,376 |
| Issued on property option agreement (Note 3(b)) | 50,000 | 69,000 |
| Issued on exercise of options | 122,350 | 30,588 |
| Value assigned to exercised options | - | 17,312 |
| Issued on exercise of warrants | 2,014,000 | 1,247,000 |
| Value assigned to exercised warrants | - | 163,402 |
| Issued in private placements (net of share issue costs) (i) | 1,000,000 | 994,250 |
| Amalgamation transaction costs (Note 1) | - | (440,901) |
| Value assigned to warrants issued in private placements (Note 4(d)) | - | (167,000) |
| | <hr/> | <hr/> |
| Balance, December 31, 2008 | 58,861,512 | 33,898,027 |
| Issued on property option agreement (Note 3(b)) | 50,000 | 5,000 |
| Issued on exercise of warrants (ii) | 1,015,000 | 102,750 |
| Value assigned to exercised warrants | - | 16,299 |
| Issued in private placements (net of share issue costs) (ii) | 30,672,500 | 2,150,094 |
| Issued as finder's fee (ii) | 1,202,600 | 100,856 |
| Value assigned to warrants issued in private placements, net of costs (Note 4(d)) | - | (680,400) |
| | <hr/> | <hr/> |
| Balance, December 31, 2009 | <u>91,801,612</u> | <u>35,592,626</u> |

- (i) In April 2008, the Company completed a private placement of 1,000,000 units at \$1.00 per unit for gross proceeds of \$1,000,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each full warrant entitles the holder to obtain one common share of the Company until April 4, 2011. The entire private placement was subscribed for by MacMillan, a corporation with five officers in common with the Company, of which two were also directors of Duran at the time of the transaction. The gross proceeds were allocated \$833,000 to the common shares and \$167,000 to the share purchase warrants. MacMillan's investment in these units were spun out pursuant to the transaction described in Note 8.
- (ii) On April 29, 2009, the Company closed a private placement of 5,272,500 units at \$0.10 per unit for gross proceeds of \$527,250 of which 687,500 units for gross proceeds of \$68,750 were subscribed for by six directors, two senior officers, and two employees of the Company. Each unit consists of one common share, one half of one common share purchase warrant whereby one full warrant entitles the holder to obtain one common share of the Company for \$0.15 for a period of two years, 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 \$0.25 for a period of two years. In relation to this private placement, 398,000 common shares valued at \$43,780 were issued as finder's fees. The net proceeds were allocated \$334,470 to the common shares and \$149,000 to the share purchase warrants.

On August 26, 2009, the Company closed a private placement of 20,000,000 units at \$0.05 per unit for gross proceeds of \$1,000,000 of which 970,000 units for gross proceeds of \$48,500 were subscribed for by three directors and three senior officers. Each unit consists of one common share and one common share purchase warrant whereby one warrant entitles the holder to obtain one common share of the Company for \$0.10 for a period of two years. These shares are subject to a four-month hold period from the date of issue. In relation to this private placement, \$32,000 was paid and 724,600 common shares valued at \$43,476 were issued as finder's fees. The net proceeds were allocated \$609,524 to the common shares and \$315,000 to the share purchase warrants.

Continued...

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

4. CAPITAL STOCK, COMMON SHARE OPTIONS AND WARRANTS

b) Common Shares Issued

On December 2, 2009, the Company closed a private placement of 5,000,000 units at \$0.15 per unit for gross proceeds of \$750,000. Each unit consists of one common share and one common share purchase warrant whereby one warrant entitles the holder to obtain one common share of the Company for \$0.20 for a period of one year. These shares are subject to a four-month hold period from the date of issue. In relation to this private placement, \$48,000 was paid and 80,000 common shares valued at \$13,600 were issued as finder's fees. The net proceeds were allocated \$486,400 to the common shares and \$202,000 to the share purchase warrants.

On December 18, 2009, the Company closed a private placement of 400,000 units at \$0.15 per unit for gross proceeds of \$60,000. Each unit consists of one common share and one common share purchase warrant whereby one warrant entitles the holder to obtain one common share of the Company for \$0.20 for a period of one year. These shares are subject to a four-month hold period from the date of issue. In relation to this private placement, \$6,300 was paid as finder's fees. The net proceeds were allocated \$39,300 to the common shares and \$14,400 to the share purchase warrants.

During the fiscal year ended December 31, 2009, 25,000 warrants issued in April 2009 were exercised at \$0.15 per warrant for proceeds of \$3,750 to the Company. An additional 990,000 warrants issued in August 2009 were exercised at \$0.10 per warrant for proceeds of \$99,000.

c) Common Share Options and Stock-Based Compensation

Under the Company stock option plan, the aggregate number of common stock options shall not exceed 10% of the issued and outstanding common shares of the Company, and if any option granted under the plan expires or terminates for any reason in accordance with the terms of the plan without being exercised, that option shall again be available for the purpose of the plan. In addition, the exercise price of options granted under the plan shall not be lower than the exercise price permitted by the TSX Venture Exchange, and all options granted under the plan will have a term not to exceed five years. Options vest over eighteen months and expire up to five years after issuance. A summary of changes in stock options during 2008 and 2009 is as follows:

| | Number of options # | Weighted average exercise price \$ |
|----------------------------|---------------------------|--|
| Balance, December 31, 2007 | 4,074,850 | 0.64 |
| Granted | 1,026,500 | 1.03 |
| Exercised | (122,350) | 0.25 |
| Expired | (271,850) | 1.00 |
| Forfeited | (242,650) | 1.00 |
| Balance, December 31, 2008 | 4,464,500 | 0.69 |
| Granted | 4,310,000 | 0.14 |
| Expired | (2,771,750) | 0.49 |
| Forfeited | (248,250) | 0.34 |
| Balance, December 31, 2009 | 5,754,500 | 0.39 |

As at December 31, 2009, the weighted average remaining contractual life of options outstanding was 3.07 years (2008 - 1.42 years).

In April 2008, the Company granted 500,000 stock options at \$1.04 per share of which 150,000 options were granted to the three directors, 325,000 options were granted to seven officers, and 25,000 options were granted to two consultants. The options expire three years from the date of grant of approval.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

4. CAPITAL STOCK, COMMON SHARE OPTIONS AND WARRANTS (Continued)

c) Common Share Options and Stock-Based Compensation (Continued)

On June 9, 2008, the Company granted 526,500 stock options exercisable at \$1.00 of which 62,500 expired December 31, 2008 and the remaining 464,000 expire June 9, 2011. Of these options, 262,500 were granted to three consultants and the remaining 264,000 were granted to individuals employed by or acting as consultants to Minera Aguila de Oro SAC in Peru.

During the year ended December 31, 2008, 122,350 options were exercised for proceeds of \$30,588 to the Company.

In January 2009, the Company granted 1,200,000 options exercisable at \$0.25 for a period of three years. The grant included 700,000 options to the seven directors, 400,000 options to five senior officers of the Company and its Peruvian subsidiary, and 100,000 options to two consultants of the Company.

In September 2009, the Company granted 3,110,000 options exercisable at \$0.10 for a period of five years. The grant included 1,860,000 options to six individuals who are directors, senior officers, or both, and 1,250,000 options to three consultants of the Company.

As at December 31, 2009, the following options granted to directors, officers, employees, and key consultants of the Company remain outstanding:

| Date of Grant | Options Granted # | Options Outstanding # | Options Vested # | Exercise Price \$ | Expiry Date |
|--------------------|-------------------------|-----------------------------|------------------------|-------------------------|--------------------|
| March 30, 2007 | 845,000 | 545,000 | 545,000 | 0.74 | March 30, 2010 |
| September 5, 2007 | 927,500 | 490,000 | 490,000 | 1.00 | September 5, 2010 |
| September 28, 2007 | 162,500 | 50,000 | 50,000 | 1.02 | September 28, 2010 |
| December 28, 2007 | 87,500 | 62,500 | 62,500 | 1.20 | December 28, 2010 |
| December 31, 2007 | 50,000 | 50,000 | 50,000 | 1.50 | December 31, 2010 |
| April 4, 2008 | 500,000 | 240,000 | 240,000 | 1.04 | April 4, 2011 |
| June 9, 2008 | 464,000 | 407,000 | 407,000 | 1.00 | June 9, 2011 |
| January 16, 2009 | 1,200,000 | 800,000 | 520,000 | 0.25 | January 16, 2012 |
| September 1, 2009 | 3,110,000 | 3,110,000 | 933,000 | 0.10 | September 1, 2014 |
| | <u>7,346,500</u> | <u>5,754,500</u> | <u>3,297,500</u> | | |

As at December 31, 2009, the weighted average exercise price of exercisable options was \$0.60.

The weighted average grant date fair value of the options granted during the year ended December 31, 2009 was \$0.08 (2008 - \$0.48). The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0% (2008 - 0%); expected volatility of 103% (2008 - 81%); risk-free interest rate of 1.16% (2008 - 3.4%); and an expected life of 4.4 years (2008 - 2.85 years). Stock-based compensation is amortized using the straight-line method over the 18-month vesting period with the related credit included in contributed surplus.

The Black-Scholes option pricing model used by the Company to determine fair values was developed for use in estimating the value of freely traded options, which are fully transferable. The Company's stock options are not transferable, cannot be traded and are subject to exercise restrictions, which would tend to reduce the fair value of the Company's stock options. Changes to subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

Continued...

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

4. CAPITAL STOCK, COMMON SHARE OPTIONS AND WARRANTS (Continued)

d) Warrants

A summary of changes in warrants during 2008 and 2009 is as follows:

| | Warrants # | Amount \$ | Weighted average exercise price \$ |
|--|---------------|--------------|--|
| Balance, December 31, 2007 | 6,287,515 | 1,218,638 | 0.83 |
| Issued in private placements (Note 4(b)(i)) | 500,000 | 167,000 | 1.50 |
| Expired | (2,396,500) | (477,161) | 1.00 |
| Exercised | (2,014,000) | (163,402) | 0.62 |
| Balance, December 31, 2008 | 2,377,015 | 745,075 | 1.47 |
| Issued in private placements (Note 4(b)(ii)) | 30,672,500 | 739,000 | 0.13 |
| Issue costs | - | (58,600) | - |
| Expired | (2,377,015) | (745,075) | 1.47 |
| Exercised (Note 4(b)(ii)) | (1,015,000) | (16,299) | 0.10 |
| Balance, December 31, 2009 | 29,657,500 | 664,101 | 0.14 |

As at December 31, 2009, the weighted average remaining contractual life of warrants outstanding was 1.45 years (2008 - 0.98 years).

As a result of the \$1,000,000 private placement in April 2008, the Company issued 500,000 warrants to purchase common shares of the Company at a price of \$1.50 until October 2009. 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 111%; risk-free interest rate of 3.75% and an expected life of 18-months. In October 2009, these warrants expired unexercised.

As a result of the \$527,250 private placement in April 2009, the Company issued 2,636,250 common share purchase warrants at a price of \$0.15 and 2,636,250 common share purchase warrants at a price of \$0.25 until April 2011. The warrants at a price of \$0.15 have a force exercise provision whereby the warrants will expire 30 days after a news release announcing the earlier expiry date if the closing price of the common shares is \$0.25 or higher for ten consecutive trading days. The warrants at a price of \$0.25 have a force exercise provision whereby the warrants will expire 60 days after a news release announcing the earlier expiry date if the closing price of the common shares is \$0.40 or higher for ten consecutive trading days.

The weighted average grant date fair value of the warrants granted during the year ended December 31, 2009 was \$0.02 (2008 - \$0.33). 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 120%; risk-free interest rate of 1.13% and an expected life of two years.

Continued...

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

4. CAPITAL STOCK, COMMON SHARE OPTIONS AND WARRANTS (Continued)

d) Warrants (Continued)

As a result of the \$1,000,000 private placement in August 2009, the Company issued 20,000,000 common share purchase warrants at a price of \$0.10 until August 2011. These warrants have a force exercise provision whereby the warrants will expire 30 days after a news release announcing the earlier expiry date if the closing price of the common shares is \$0.15 or higher for ten consecutive trading days. 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 126%; risk-free interest rate of 1.33% and an expected life of two years.

As a result of the \$750,000 private placement in December 2009, the Company issued 5,000,000 common share purchase warrants at a price of \$0.20 until December 2010. These warrants have a force exercise provision whereby the warrants will expire 30 days after a news release announcing the earlier expiry date if the closing price of the common shares is \$0.30 or higher for ten consecutive trading days. 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 114%; risk-free interest rate of 1.22% and an expected life of one year.

As a result of the \$60,000 private placement in December 2009, the Company issued 400,000 common share purchase warrants at a price of \$0.20 until December 2010. 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 114%; risk-free interest rate of 1.30% and an expected life of one year.

As at December 31, 2009, the following warrants remain outstanding:

| Date Issued | Warrants Issued # | Warrants Outstanding # | Exercise Price \$ | Expiry Date |
|--------------------|-------------------|------------------------|-------------------|-------------------|
| April 17, 2009 | 2,183,750 | 2,158,750 | 0.15 | April 17, 2011 |
| April 17, 2009 | 2,183,750 | 2,183,750 | 0.25 | April 17, 2011 |
| April 29, 2009 | 452,500 | 452,500 | 0.15 | April 29, 2011 |
| April 29, 2009 | 452,500 | 452,500 | 0.25 | April 29, 2011 |
| August 5, 2009 | 4,564,800 | 3,624,800 | 0.10 | August 5, 2011 |
| August 26, 2009 | 15,435,200 | 15,385,200 | 0.10 | August 26, 2011 |
| November 13, 2009* | 1,700,000 | 1,700,000 | 0.20 | November 13, 2010 |
| December 2, 2009 | 3,300,000 | 3,300,000 | 0.20 | December 2, 2010 |
| December 18, 2009 | 400,000 | 400,000 | 0.20 | December 18, 2010 |
| | 30,672,500 | 29,657,500 | | |

*Issued as the first tranche of the \$750,000 private placement that closed in December 2009.

e) Escrow Shares

As at December 31, 2009 and 2008, there were 348,133 common shares issued to a former officer and director of the Company, which are held in escrow subject to the direction or determination of certain regulatory authorities.

Continued...

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

4. CAPITAL STOCK, COMMON SHARE OPTIONS AND WARRANTS (Continued)

f) Contributed Surplus

| | 2009 \$ | 2008 \$ |
|--|------------------|------------------|
| Balance, beginning of year | 2,527,564 | 1,209,109 |
| Value of stock options exercised | - | (17,312) |
| Stock-based compensation expense – continuing operations | 480,000 | 505,100 |
| Stock-based compensation expense – discontinued operations | - | 353,506 |
| Warrants expired (Note 4(d)) | 745,075 | 477,161 |
| | <u>3,752,639</u> | <u>2,527,564</u> |
| Balance, end of the year | <u>3,752,639</u> | <u>2,527,564</u> |

Contributed surplus was increased by \$480,000 (2008 - \$858,606) for the fiscal year ended December 31, 2009 to reflect the stock-based compensation expense for the vesting of stock options during the year.

5. 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 33% (2008 – 33.5%) were as follows:

| | 2009 \$ | 2008 \$ |
|---|--------------------|--------------------|
| Loss from continuing operations before income taxes | <u>(1,207,113)</u> | <u>(1,359,971)</u> |
| Expected income tax benefit based on statutory rate | (398,300) | (455,600) |
| Adjustments to benefit resulting from: | | |
| Expiring non-capital losses (Canada) | 113,100 | 15,900 |
| Share issue costs | (21,600) | (3,400) |
| Use of non-capital losses (Peru) | 63,800 | - |
| Non-deductible expenses (Peru) | 18,500 | - |
| Stock based compensation expense | 158,400 | 169,200 |
| Transaction costs | - | (89,300) |
| Change in tax rates | 360,900 | 47,000 |
| Other | (37,900) | 14,000 |
| Change in valuation allowance | (256,900) | 302,200 |
| | <u>-</u> | <u>-</u> |

b) Future Tax Balances

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

| | 2009 \$ | 2008 \$ |
|-----------------------------|-------------|-------------|
| Future income tax assets | | |
| Non-capital losses (Canada) | 1,097,200 | 1,002,100 |
| Non-capital losses (Peru) | 218,500 | 300,800 |
| Exploration properties | 2,351,600 | 2,565,000 |
| Share issue costs | 101,500 | 154,000 |
| Equipment | 23,600 | 27,400 |
| Valuation allowance | (3,792,400) | (4,049,300) |
| | <u>-</u> | <u>-</u> |

Continued...

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

5. INCOME TAXES (Continued)

c) Tax Loss Carry-Forwards

As at December 31, 2009, the Company had approximately \$4,849,900 and \$6,993,200 of Canadian development and exploration expenditures and foreign resource expenditures respectively, which under certain circumstances, may be utilized to reduce Canadian taxable income of future years. The Company has approximately \$4,477,100 of non-capital losses in Canada and approximately \$728,429 of non-capital loss in Peru, which can be used to reduce taxable income in future years. If not utilized, the non-capital losses in Canada will expire as follows:

| Year of Expiry | Amount \$ |
|----------------|------------------|
| 2010 | 537,900 |
| 2014 | 573,700 |
| 2015 | 568,900 |
| 2026 | 487,400 |
| 2027 | 944,900 |
| 2028 | 619,900 |
| 2029 | 744,400 |
| | <u>4,477,100</u> |

6. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2009, management, director and consulting fees of \$129,648 (2008 - \$50,100) and office rent of \$28,000 (2008 - \$30,000) were paid to officers and directors or companies controlled by them. Included in amounts receivable as at December 31, 2009 was \$594 (2008 - \$Nil) owing from these related parties. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

During the year ended December 31, 2009, the Company incurred \$122,000 (2008 - \$88,635) for consulting fees provided by officers and directors of the Company that were charged to exploration property expenditures. Included in accounts payable and accrued liabilities at December 31, 2009 is \$3,538 (2008 - \$193,288) owing to these related parties. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

The above transactions were in the normal course of business and were measured at the exchange amount which is the amount agreed to by the related parties.

See Notes 1, 3(a), 4(b)(i) and 4(b)(ii).

7. MARKETABLE SECURITIES

As part of RPT's 70% earn-in option agreement on the Company's Saskatchewan uranium property (See Note 3(b)), the Company received 200,000 common shares of RPT in 2006 and 100,000 common shares in 2007. The cost of these marketable securities at the date of receipt was \$0.32 per share, or \$64,000 in 2006 and \$0.33 per share or \$33,000 in 2007. In April 2008, all RPT shares were sold for net proceeds of \$44,705 resulting in a loss on the sale of marketable securities of \$52,295.

8. SPIN OUT TRANSACTION

In October 2008 immediately prior to the amalgamation disclosed in Note 1, MacMillan effected the spin-out of its Mexican mineral property interests by transferring to MacMillan Minerals Inc. ("MMI"), a wholly owned subsidiary of MacMillan, all of MacMillan's right, title, interest and obligations in the Mexican Property. In exchange, MMI has agreed to assume all of MacMillan's obligations and liabilities relating to the Mexican Property and to issue to MacMillan, one MMI common share for each two MacMillan common shares held. The MMI common shares issued to MacMillan were distributed to the shareholders of MacMillan as a capital distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

8. SPIN OUT TRANSACTION (Continued)

Pursuant to CICA Handbook Section 3475 "Disposal of Long-Lived Assets and Discontinued Operations", the consolidated financial statements of the Company have been reclassified to reflect discontinued operations relating to the Mexican Property. Accordingly, administrative expenses, assets and liabilities and cash flows of discontinued operations have been segregated in the Consolidated Statements of Operations, Cash Flows and Consolidated Balance Sheets.

The aggregate carrying amount of the net assets transferred pursuant to the spin-out is as follows:

| | |
|--|--------------------|
| Cash and cash equivalents | \$ 1,111,922 |
| Marketable securities | 886,253 |
| Other non-cash working capital | 104,883 |
| Investments | 20,002 |
| Interests in mineral properties | 1,140,278 |
| Accounts payable and accrued liabilities | <u>(233,032)</u> |
| Net Assets | <u>\$3,030,306</u> |

The Company's consolidated statements of operations reported a loss from discontinued operations relating to the spin out of \$4,908,767 net of a future income tax provision of \$240,300 for the year ended December 31, 2008. Included in this amount was an unrealized loss of \$537,664 related to available-for-sale marketable securities which were transferred to MMI. The consolidated financial statements as at December 31, 2008 were restated to reflect the elimination of accumulated other comprehensive loss of \$537,664 previously reported on the balance sheet with a corresponding charge to loss from discontinued operations. As a result, loss from discontinued operations for the year ended December 31, 2008 increased from \$4,371,103 or \$0.07 per share, to \$4,908,767 or \$0.08 per share. Net loss for the year increased from \$5,731,074 to \$6,268,738 with no impact on per share amounts. Accumulated deficit as at December 31, 2008 increased from \$29,434,891 to \$29,972,555.

9. SEGMENTED INFORMATION

The Company's principal operations are the acquisition, exploration and development of its mineral properties. Substantially all of the Company's operating expenses are incurred in Canada.

Geographic breakdown of total assets at December 31, 2009 is as follows: Canada - \$829,105 (2008 - \$1,238,078), and Peru - \$8,118,265 (2008 - \$6,602,048).

10. CAPITAL MANAGEMENT

The capital structure of the Company currently consists of common shares, warrants and contributed surplus. The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, exploration and development of exploration properties. The Company manages its capital structure in a manner that provides sufficient funding for operational activities.

The properties in which the Company currently has an interest are in the development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2009 and 2008. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

Continued...

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

11. FINANCIAL RISK FACTORS

Fair Value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash, amounts receivable, and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Risk Management

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.

Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain title to and explore its mineral properties.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's current assets at December 31, 2009 were \$829,105 (2008 - \$1,108,017), consisting of cash of \$772,964 (2008 - \$1,010,090), amounts receivable of \$6,763 (2008 - \$83,473) and prepaids and advances of \$49,378 (2008 - \$14,454). Management believes that it has sufficient funds to meet its current liabilities as they become due.

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.

Foreign Exchange Risk

The Company's financings are in Canadian dollars. Certain of the Company's expenses are incurred in foreign currencies and are therefore subject to gains or losses due to fluctuations in exchange rates. As at December 31, 2009, the Company had cash balances of \$129,402 (2008 - \$174,285) in US currency (CDN\$136,001 (2008 - CDN\$212,280)) and accounts payable of S./157,945 (2008 - S./681,774) in Peruvian Nuevo Soles (CDN\$56,827 (2008 - CDN\$267,887)).

Property Title Risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

11. FINANCIAL RISK FACTORS (Continued)

Sensitivity Analysis

The majority of the Company's cash balances earn interest at fixed rates over the next three to twelve months. Sensitivity to a plus or minus 1% change in rates would not have a significant effect on the Company's net loss.

The Company is exposed to foreign exchange fluctuations as a result of transactions with its subsidiary, Minera Aguila de Oro SAC. The Company does not use derivatives to mitigate its foreign currency risk.

12. CONTINGENT LIABILITIES

Statement of Claim

In April 2009, the Company received a statement of claim from a former officer of the Company claiming wrongful termination. The Company considers the claim to be without merit and intends to defend against it. The claim has been filed with the Company's insurers and has been accepted by them for defence under the policy subject to a \$25,000 deductible. As at December 31, 2009, the Company has incurred \$13,648 and has accrued \$7,200 in expenses relating to this claim.

Environmental Contingencies

The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect the public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

13. SUBSEQUENT EVENTS

a) Warrants

Subsequent to December 31, 2009, 1,935,000 warrants exercisable at \$0.10 were exercised for proceeds of \$193,500.

b) Corongo Property Option Agreement

In March 2010, the Company signed a property option agreement with LeBoldus Capital Inc. ("LeBoldus"), whereby LeBoldus can acquire a 50% interest in the Corongo Property in Ancash, Peru. Under the terms of the agreement, LeBoldus may acquire a 50% interest by paying the Company \$25,000 USD (paid) on signing the agreement; incurring an aggregate amount of \$1,000,000 USD in exploration expenditures over two years; and issuing Duran an aggregate amount of 1,000,000 common shares by March 17, 2012, subject to regulatory approval.

The Company will act as operator of the project and will receive a 10% management fee based on exploration expenditures.

c) Options

Subsequent to December 31, 2009, 545,000 options exercisable at \$0.74 expired unexercised.