DURAN VENTURES INC.
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

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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, 2008 and 2007 and the consolidated statements of operations, comprehensive (loss) income, accumulated other comprehensive (loss) 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, 2008 and 2007 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

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 16, 2009 except for Notes 12(e) and
(f), which are as at April 29, 2009

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

	2008 $	2007 $ (See Note 1)
ASSETS		
CURRENT		
Cash	**1,010,090**	8,083,659
Prepaids and advances	**14,454**	1,566
Amounts receivable (Note 6)	**83,473**	51,738
Marketable securities (Note 7)	**-**	72,000
Assets of discontinued operations (Note 8)	**-**	2,139,431
	1,108,017	10,348,394
EXPLORATION PROPERTIES (Note 3)	**6,732,109**	2,314,398
ASSETS OF DISCONTINUED OPERATIONS (Notes 3 and 8)	-	2,385,808
	7,840,126	15,048,600
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	**642,015**	52,207
Liabilities of discontinued operations (Note 8)	**-**	188,081
	642,015	240,288
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 4(b))	**33,898,027**	31,984,376
WARRANTS (Note 4(d))	**745,075**	1,218,638
CONTRIBUTED SURPLUS (Note 4(f))	**2,527,564**	1,209,109
	37,170,666	34,412,123
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	**(537,664)**	1,069,700
DEFICIT	**(29,434,891)**	(20,673,511)
	(29,972,555)	(19,603,811)
	7,198,111	14,808,312
	7,840,126	15,048,600

ONGOING OPERATIONS (Note 1)
COMMITMENTS (Note 3)

APPROVED ON BEHALF OF THE BOARD:

Signed "David Goldman" , Director

Signed "Joseph Del Campo" , Director

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

	2008 **$**	2007 $ (See Note 1)
EXPENSES		
Stock-based compensation (Note 4(c))	**505,100**	320,000
Management and consulting fees	**195,626**	139,477
General and administrative	**102,654**	125,804
Investor relations	**82,758**	69,029
Professional fees	**38,063**	31,494
Rent	**30,000**	30,000
Exploration property expenditures written-off (Note 3)	**405,254**	93,149
Loss before the under-noted	**1,359,455**	808,953
Interest income	**(51,779)**	(59,410)
Loss on sale of available for sale marketable securities (Note 7)	**52,295**	-
LOSS FROM CONTINUING OPERATIONS	**1,359,971**	749,543
Loss from discontinued operations (Note 8)	**4,371,103**	289,526
NET LOSS FOR THE YEAR	**5,731,074**	1,039,069
Loss per share from continuing operations – basic and diluted	**0.02**	0.02
Loss per share from discontinued operations – basic and diluted	**0.08**	0.01
Loss per share – basic and diluted	**0.10**	0.02
Weighted average number of common shares outstanding	**58,368,803**	49,735,552

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

	2008 **$**	2007 $ (See Note 1)
Net (loss) for the year	**(5,731,074)**	(1,039,069)
Other comprehensive (loss) income	**(1,607,364)**	1,039,700
COMPREHENSIVE (LOSS) INCOME	**(7,338,438)**	631

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

	2008 **$**	2007 $ (See Note 1)
Accumulated other comprehensive income at beginning of year	**1,069,700**	30,000
Unrealized (loss) gain on marketable securities, net of future income tax expense of $219,000 (2007- recovery of $219,000)	**(1,707,635)**	1,039,700
Reclassification of realized (loss) included in net (loss)	**100,271**	-
Accumulated other comprehensive (loss) income at end of year	**(537,664)**	1,069,700

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							
	Shares #	Amount $	Number #	Amount $	Contributed Surplus $	Accumulated Other Comp. Income ("AOCI") $	Shares to be issued $	Deficit $	Total Deficit And "AOCI" $	Total Shareholders' Equity $
Balance, December 31, 2006 (See Note1)	39,002,609	22,170,440	9,359,976	858,800	541,414	30,000	495,000	(19,634,442)	(19,634,442)	4,461,212
Issued for cash	8,880,000	4,921,476	5,440,000	1,008,687	-	-	(495,000)	-	-	5,435,163
Issued as finder's fee	276,720	155,844	162,515	74,738	-	-	-	-	-	230,582
Issued on property option agreement	200,000	180,000	-	-	-	-	-	-	-	180,000
Warrants exercised	7,128,333	4,368,164	(7,128,333)	(561,831)	-	-	-	-	-	3,806,333
Warrants Expired	-	-	(1,546,643)	(161,756)	161,756	-	-	-	-	-
Stock options Exercised	187,500	188,452	-	-	(75,952)	-	-	-	-	112,500
Stock-based compensation expense	-	-	-	-	581,891	-	-	-	-	581,891
Unrealised gain on marketable securities	-	-	-	-	-	1,039,700	-	-	1,039,700	1,039,700
Net (loss)	-	-	-	-	-	-	-	(1,039,069)	(1,039,069)	(1,039,069)
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
Transaction costs (Note 8)	-	(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)	-	-	-	-	-	-	-	(5,731,074)	(5,731,074)	(5,731,074)
Balance, December 31, 2008	58,861,512	33,898,027	2,377,015	745,075	2,527,564	(537,664)	-	(29,434,891)	(29,972,555)	7,198,111

See accompanying notes to the consolidated financial statements.

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

	2008 **$**	2007 $ (See Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) for the year from continuing operations	**(1,359,971)**	(749,543)
Add items not requiring cash:		
Loss on sale of available for sale marketable securities	**52,295**	-
Write-off of exploration expenditures	**405,254**	93,149
Stock-based compensation	**505,100**	320,000
Change in non-cash operating working capital:		
(Increase) in prepaids and advances	**(12,888)**	(1,566)
(Increase) in amounts receivable	**(31,735)**	(30,133)
(Decrease) in accounts payable and accrued liabilities	**279,859**	(7,507)
Cash flows from operating activities	**(162,086)**	(375,600)
Cash flows from discontinued operating activities	**(677,487)**	(241,735)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities (net)	**44,705**	-
Exploration property expenditures	**(4,444,016)**	(1,723,349)
Cash flows from investing activities	**(4,399,311)**	(1,723,349)
Cash flows from discontinued investing activities	**(2,553,700)**	(1,425,766)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of private placement units for cash (net)	**994,250**	6,934,244
Finder's fees	**-**	(198,499)
Transaction costs	**(440,901)**	-
Exercise of options	**30,588**	112,500
Exercise of warrants	**1,247,000**	2,386,333
Cash flows from financing activities	**1,830,937**	9,234,578
Cash transferred upon spin out (Note 8)	**(1,111,922)**	-
(Decrease) increase in cash	**(7,073,569)**	5,468,128
Cash, beginning of year	**8,083,659**	2,615,531
Cash, end of year	**1,010,090**	8,083,659
SUPPLEMENTARY INFORMATION:		
Interest paid	**-**	-
Taxes paid	**-**	-
Common shares issued for option on exploration property (Note 3(b))	**69,000**	180,000
Common shares issued as finders' fees (Note 4(b)(i))	**-**	155,844
Common shares received for option on exploration property (Note 7)	**-**	33,000
Warrants issued as finders' fees (Note 4(b)(i))	**-**	74,738
Change in accrued exploration property expenditures	**309,949**	13,995

See accompanying notes to the consolidated financial statements.

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. As the transaction resulted in no substantive change in control over the Peruvian Property, the sole property interest of the combined entity, 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.

At the time of the transaction, five officers or directors of the Company were also officers of MacMillan. The amalgamation transaction was treated as a related party transaction and therefore the transaction was measured at the carrying amount with the accounts being consolidated under the continuity of interests method as described in EIC-89 as there was no substantive change.

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. Some 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. 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.

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. (See Note 12(e)).

The accompanying financial statements do not include any adjustments relating to the carrying values and classification of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Continued…

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These 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 as disclosed. Outlined below are those policies considered particularly significant:

New Accounting Pronouncements

Effective January 1, 2008, the Company adopted the following new accounting standards, issued by the Canadian Institute of Chartered Accountants ("CICA").

(i) Financial Instruments – Disclosures and Presentation
CICA Handbook Sections 3862 and 3863 replaced Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook Section in Note 11 to these financial statements.

(ii) Capital Disclosures
CICA Handbook Section 1535 – *Capital Disclosures*
This section establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance. The disclosures required by Section 1535 have been included in Note 10.

(iii) General Standards of Financial Statement Presentation
The Accounting Standards Board ("AcSB") has amended CICA Handbook section 1400 to include requirements to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern. The amendment is effective for interim and annual financial statements beginning on or after January 1, 2008. The Company has included the disclosures required as a result of this amendment.

(iv) 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 EIC should be applied to financial statements issued after March 27, 2009 and the Company has adopted EIC-174.

Continued…

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Changes

(i) International Financial Reporting Standards ("IFRS")
In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

(ii) Section 3064 – Goodwill and Intangible Assets
In November 2007, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, which replaced the existing Handbook Section 3062, Goodwill and Other Intangible Assets and Handbook Section 3450, Research and Development Costs. This standard is effective for annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Company does not believe this new standard will make any impact on its financial statements.

(iii) Section 1582 – Business Combinations
CICA Handbook Section 1582 “Business Combinations”, replaces Section 1581 - “Business Combinations” and provides the Canadian equivalent to International Financial Reporting Standards (“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 will adopt this standard on January 1, 2011.

(iv) Section 1601 – Consolidations and Section 1602 – Non-Controlling Interests
CICA Handbook Sections 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 will adopt these standards on January 1, 2011.

(v) 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. The Company is continually evaluating its counterparties and their credit risks.

Continued…

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

CICA Handbook Section 3855 – *Financial Instruments – Recognition and Measurement*
This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented.

Effective January 1, 2007, the Company's investments in marketable securities have been classified as available-for-sale and are recorded at their fair values on the balance sheet. Fair values are determined directly by reference to published price quotations in an active market. Changes in the fair value of these instruments are reflected in other comprehensive income and included in shareholders' equity on the balance sheet.

All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing an other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted for on the trade date.

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 earnings to be presented in "accumulated other comprehensive income or (loss)" until it is considered appropriate to recognize into net earnings.

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, 2008 and 2007, the Company did not have any cash equivalents.

Continued…

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 written off 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.

Joint Ventures

A portion of the Company's exploration activities is 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, 2008 and 2007.

Continued…

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 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.

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 expenditures, and valuation of stock-based compensation, warrants and future tax assets and liabilities. Actual results may differ from those estimates. Management believes that the estimates are reasonable.

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3. EXPLORATION PROPERTIES

	December 31, 2006 $	Additions (Recoveries) $	Write-off $	December 31, 2007 $	Additions (Recoveries) $	Write-off/ Spin-out $	December 31, 2008 $
a) Peru							
Acquisition	270,000	60,000	-	330,000	-	-	330,000
Deferred exploration expenditures	223,052	1,531,425	-	1,754,477	4,517,571	-	6,272,048
	493,052	1,591,425	-	2,084,477	4,517,571	-	6,602,048
b) Canada							
Acquisition costs	92,477	216,484	-	308,961	120,825	(216,484)	213,302
Deferred exploration expenditures	5,230	118,845	(52,408)	71,667	184,569	(188,770)	67,466
Recoveries	-	(20,000)	-	(20,000)	-	-	(20,000)
Option payments - received	(97,707)	(33,000)	-	(130,707)	-	-	(130,707)
	-	282,329	(52,408)	229,921	305,394	(405,254)	130,061
c) USA							
Acquisition costs	28,570	-	(28,570)	-	-	-	-
Deferred exploration expenditures	1,581	10,590	(12,171)	-	-	-	-
	30,151	10,590	(40,741)	-	-	-	-
Total Exploration Properties	523,203	1,884,344	(93,149)	2,314,398	4,822,965	(405,254)	6,732,109
Asset transferred as a result of spin-out (See Note 8)							
d) Mexico	1,149,889	1,235,919	-	2,385,808	1,589,121	(3,974,929)	-

(a) PERU:

In June 2003, the Company entered into an agreement with MacMillan Gold Corp. ("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…

3. EXPLORATION PROPERTIES (Continued)

(b) CANADA:

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.

During 2007, the Company entered into an option agreement to acquire a 100% interest in the JD Property in the Toodoggone area of British Columbia, Canada. The property was located immediately north of the Toodoggone River in northern B.C. and consisted of 8 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 related exploration expenditures of $405,254 as at December 31, 2008.

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 can earn a 100% interest in the properties by making aggregate cash payments of $250,000 ($50,000 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, and incurring cumulative exploration expenditures of $250,000 before March 31, 2011. The properties would be subject to a 2% Net Smelter Royalty. Subsequent to December 31, 2008, the option agreement was amended. See Note 12(c) - Subsequent Events.

The Company continually investigates new mineral projects. The associated costs have been reported as deferred exploration expenditures. These expenditures are written-off if the property is abandoned. At each fiscal year-end, management evaluates each property and will write-off accumulated exploration expenditures of projects deemed inactive.

Continued…

4. CAPITAL STOCK, COMMON SHARE OPTIONS AND WARRANTS

a) Authorized

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

b) Common Shares Issued

	Shares #	Amount $
Balance, December 31, 2006	39,002,609	22,170,440
Issued on property option agreement (Note 3(b))	200,000	180,000
Issued on exercise of warrants	7,128,333	4,368,164
Issued in private placements (net of share issue costs) (i)	8,880,000	5,930,163
Issued on exercise of options	187,500	112,500
Value assigned to exercised options	-	75,952
Issued as finder's fee (i)	276,720	155,844
Value assigned to warrants issued in private placements, net of costs (Note 4(d))	-	(1,008,687)
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 (ii)	122,350	30,588
Value assigned to exercised options	-	17,312
Issued on exercise of warrants (ii)	2,014,000	1,247,000
Value assigned to exercised warrants	-	163,402
Issued in private placements (net of share issue costs) (ii)	1,000,000	994,250
Transaction costs	-	(440,901)
Value assigned to warrants issued in private placements, net of costs (Note 4(d))	-	(167,000)
Balance, December 31, 2008	58,861,512	33,898,027

(i) In February 2007, the Company completed a $500,000 private placement. The financing consisted of 2,000,000 units at a price of $0.25 per unit. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitled the purchaser to obtain one common share of the Company at a price of $0.35 until February 16, 2008. Included in this private placement, were 200,000 units subscribed by directors and officers of the Company for gross proceeds of $50,000. Finder's fees consisting of 144,000 common shares of the Company, valued at $36,000, were issued pursuant to this private placement. The gross proceeds were allocated $414,000 to the common shares and $86,000 to the share purchase warrants.

In July 2007, the Company completed a $3,707,000 private placement. The financing consisted of 3,707,000 units at a price of $1.00 per unit. Each unit consisted of one common share of the Company and one-half purchase warrant expiring January 20, 2009. Each full warrant entitled the purchaser to obtain one common share of the Company at a price of $1.50 until January 20, 2009. Finder's fees consisting of 89,800 common shares of the Company, valued at $89,800, $198,499 cash, and 162,515 eighteen-month broker warrants, valued at $74,738, at a strike price of $1.00 per share were issued pursuant to this private placement. The warrants and broker warrants are subject to an earlier expiration date of 30-days subsequent to a news release from the Company. The Company is able to issue this news release if the shares have traded for $2.00 or more for twenty consecutive days. The net proceeds were allocated $3,099,000 to the common shares and $608,000 to the share purchase warrants.

Officers and directors of the Company subscribed for 45,000 units for gross proceeds of $45,000 and a corporation with a common director and common officers subscribed for 200,000 units for gross proceeds of $200,000.

Continued…

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

b) Common Shares Issued (Continued)

In March 2007, MacMillan issued 3,173,000 units at $0.70 per unit for gross proceeds of $2,221,100 in a private placement. Each unit consisted of one common share of MacMillan and one-half of one warrant expiring September 27, 2008. Each full-warrant entitled the purchaser to obtain one common share at a price of $1.00. Net issue costs totaling $68,856 and 42,920 common shares of MacMillan valued at $30,044 and were issued as finder's fees pertaining to this private placement. The net proceeds were allocated $1,773,057 to the common shares and $395,000 to the share purchase warrants. An officer and a director of MacMillan subscribed for a total of 37,500 units for gross proceeds of $26,250.

(ii) 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 (See Note 3(a)). The gross proceeds were allocated $833,000 to the common shares and $167,000 to the share purchase warrants.

During the fiscal year ended December 31, 2008, the remaining 1,180,000 warrants issued February 16, 2007 were exercised at $0.35 per warrant for proceeds of $413,000 to the Company. An additional 39,000 broker warrants issued on July 20, 2007 were exercised at $1.00 per warrant for proceeds of $39,000.

Warrants exercised during the fiscal year ended December 31, 2008 totaled 795,000 at a price of $1.00 for proceeds of $795,000 to MacMillan.

During the fiscal year ended December 31, 2008, 122,350 options issued December 21, 2006 were exercised at $0.25 per option for proceeds of $30,588 to the Company.

c) Common Share Options and Stock-Based Compensation

In 2003, the Company adopted a stock option plan approved by the shareholders. The continuance of the stock option plan was approved by shareholders at the June 29, 2007 Annual General and Special Meeting of Shareholders. The purpose of the plan is to encourage directors, officers, employees and consultants of the Company to acquire common shares of the Company. 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 three years after issuance.

Continued…

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

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

A summary of changes in stock options during 2007 and 2008 is as follows:

	Number of options	Weighted average exercise price
	#	$
Balance, December 31, 2006	2,649,850	0.46
Granted	2,172,500	0.92
Exercised	(187,500)	0.60
Expired	(560,000)	0.94
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

As at December 31, 2008, the following options granted to directors, officers, employees, and key consultants of the Company remain outstanding:

Date of Grant	Options Granted	Options Vested	Options Outstanding	Exercise Price	Expiry Date
	#	#	#	$	
April 13, 2006	337,500	337,500	337,500	0.60	April 13, 2009*
December 21, 2006	1,564,850	1,564,850	1,442,500	0.25	December 21,2009
March 30, 2007	845,000	845,000	845,000	0.74	March 30, 2010
September 5, 2007	927,500	927,500	577,500	1.00	September 5, 2010
September 28, 2007	162,500	162,500	162,500	1.02	September 28, 2010
December 28, 2007	87,500	70,000	87,500	1.20	December 28, 2010
December 31, 2007	50,000	32,500	50,000	1.50	December 31, 2010
April 4, 2008	500,000	250,000	500,000	1.04	April 4, 2011
June 9, 2008	464,000	231,000	462,000	1.00	June 9, 2011
	4,938,850	4,420,850	4,464,500		

*** Expired unexercised subsequent to year end. (Note 12(a))**

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, while 172,650 options were forfeited as a result of the termination of several consulting relationships with the Company and 241,850 options expired unexercised.

In March 2008, 70,000 stock options were forfeited as a result of the termination of two consulting relationships with MacMillan and 30,000 MacMillan options expired unexercised.

Continued…

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

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

In April 2008, MacMillan 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.

During the year ended December 2007, MacMillan granted 845,000 options exercisable at $0.74 per share, 262,500 options exercisable at $1.02 per share and 87,500 options exercisable at $1.20 per share to directors, officers, employees and key consultants.

The fair value of each Duran 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% (2007 - 0%); expected volatility of 90% (2007 - 124%); risk-free interest rate of 3.75% (2007 - 4.23%); and an expected life of 2.7 years (2007 – 3 years). The 2006 options are amortized using the graded vesting method, and all subsequent options are amortized using the straight-line method over the vesting period. The fair value of each option is accounted for in operations over the vesting period, and the related credit is included in contributed surplus.

The fair value of each MacMillan option was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0% (2007 - 0%); expected volatility of 71% (2007 - 87%); risk-free interest rate of 2.92% (2007 – 3.75%); and an expected life of 3 years (2007 – 3 years). The 2006 options are amortized using the graded vesting method. All subsequent options are amortized using the straight-line method. All options are amortized over the 18-month vesting period. The fair value of each option is accounted for in operations over the vesting period, and the related credit is 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…

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

d) Warrants

A summary of changes in warrants during 2007 and 2008 is as follows:

	Warrants	Amount	Weighted average exercise price
	#	$	$
Balance, December 31, 2006	9,359,976	858,800	0.59
Issued in private placements (Note 4(b)(i))	5,440,000	1,073,187	0.93
Broker warrants (Note 4(b)(i))	162,515	74,738	1.00
Warrant issue costs	-	(64,500)	-
Expired	(1,546,643)	(161,756)	1.34
Exercised	(7,128,333)	(561,831)	0.54
Balance, December 31, 2007	6,287,515	1,218,638	0.83
Issued in private placements (Note 4(b)(ii))	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

As at December 31, 2008, the following warrants remain outstanding:

Date Issued	Warrants Issued	Warrants Outstanding	Exercise Price	Expiry Date
	#	#	$	
July 20, 2007	1,853,500	1,753,500	1.50	January 20, 2009*
August 15, 2007	162,515	123,515	1.00	February 15, 2009*
April 18, 2008	500,000	500,000	1.50	October 18, 2009
	2,516,015	2,377,015		

*** Expired unexercised subsequent to year end. (Note 12(b))**

As a result of the $500,000 private placement in February 2007, the Company issued 2,000,000 warrants to purchase common shares of the Company at a price of $0.35 until February 16, 2008. The fair value of these warrants issued in this private placement were 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 62%, risk-free interest rate of 3.75% and an expected life of one year.

As a result of the $3,707,000 private placement in July 2007, the Company issued 1,853,500 warrants and 162,515 broker warrants to purchase common shares of the Company at a price of $1.50 and $1.00 respectively until January 20, 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 104%; risk-free interest rate of 4.65% and an expected life of eighteen months.

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.

As a result of the $2,221,100 private placement in March 2007, the Company issued 1,586,500 warrants to purchase common shares of MacMillan at a price of $1.00 until September 27, 2008.The fair value of the MacMillan warrants was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 109%; expected dividend yield of 0%; risk-free interest rate of 3.8% and expected life of 1.5 years.

Continued…

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

e) Escrow Shares

As at December 31, 2008 and 2007, there were 348,133 common shares issued to an officer and former director of the Company, which are held in escrow subject to the direction or determination of certain regulatory authorities.

f) Contributed Surplus

	2008 $	2007 $
Balance, beginning of year	1,209,109	541,414
Value of stock options exercised	(17,312)	(75,952)
Stock-based compensation expense – continuing operations	505,100	320,000
Stock-based compensation expense – discontinued operations	353,506	261,891
Warrants expired	477,161	161,756
Balance, end of the year	2,527,564	1,209,109

Contributed surplus was increased by $858,606 for the fiscal year ended December 31, 2008 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 33.5% (2007 - 36%) were as follows:

	2008 $	2007 $
Loss from continuing operations before income taxes	(1,359,971)	(749,543)
Expected income tax benefit based on statutory rate	(455,600)	(269,800)
Adjustments to benefit resulting from:		
Expiring non-capital losses	15,900	41,300
Share issue costs	(3,400)	(116,700)
Stock based compensation expense	169,200	115,200
Transaction costs	(89,300)	-
Change in tax rates	47,000	132,500
Other	14,000	(4,400)
Change in valuation allowance	302,200	101,900
	-	-

Continued…

5. INCOME TAXES (Continued)

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:

	2008 $	2007 $
Future income tax assets		
Non-capital losses	404,200	294,000
Capital losses	95,500	87,900
Exploration properties	253,000	123,200
Share issue costs	64,100	83,200
Cumulative eligible capital	77,300	-
Equipment	2,100	2,100
Marketable securities	-	3,600
Valuation allowance	(896,200)	(594,000)
	-	-

c) Tax Loss Carry-Forwards

As at December 31, 2008, the Company has approximately $719,000 and $6,885,000 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 also has approximately $658,000 of capital losses in Canada, which can be used to reduce taxable capital gains in future years, $266,000 of cumulative eligible capital and approximately $1,367,200 of non-capital losses in Canada, which can be used to reduce taxable income in future years. If not utilized, the non-capital losses will expire as follows:

Year of Expiry	Amount $
2009	81,400
2010	91,600
2014	108,600
2015	172,400
2026	127,900
2027	354,300
2028	431,000
	1,367,200

6. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2008, management and consulting fees of $40,100 (2007 - $105,627), business combination expenses of $10,000 (2007 - $Nil) and office rent of $30,000 (2007 - $30,000) were paid to officers and directors or companies controlled by them. Included in amounts receivable as at December 31, 2008, were advances aggregating $Nil (2007 - $15,913) made to these individuals. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

During the year ended December 31, 2008, the Company was charged $88,635 (2007 - $104,430) 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, 2008 is $193,288 (2007 - $8,061) 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 3(a), 4(b)(i) and 4(b)(ii).

Continued…

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.

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	(233,032)
Net Assets	$3,030,306

The Company's consolidated statements of operations include an allocation of general and administrative expenses in the amount of $4,371,103 net of a future income tax provision of $240,300 (2007 – $289,526 net of a future income tax recovery of $240,300) as the loss allocated to the spin-out of assets. Management has determined that substantially all of its general and administrative expenses of MacMillan were related to the Mexican mineral property interests as the Company was the operator with respect to the Peruvian Property and MacMillan simply accrued their 50% share of exploration expenditures on the Peruvian Properties.

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, 2008 is as follows: Canada - $1,238,078 (2007 - $8,438,884), and Peru - $6,602,048 (2007 - $2,084,477).

As at December 31, 2007, the geographic breakdown of assets transferred as part of the spin out transaction disclosed in Note 8 was as follows: Canada - $2,139,431 and Mexico - $2,385,808.

Continued…

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, 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 Company has designated its cash as held-for-trading, measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Marketable securities are designated as available-for-sale, measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost

The carrying amounts for cash, amounts receivable, marketable securities, 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.

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 liquid assets at December 31, 2008 were $1,108,017, consisting of cash of $1,010,090, amounts receivable of $83,473 and prepaids and advances of $14,454. Management believes that it has sufficient funds to meet its current liabilities as they become due.

Continued…

11. FINANCIAL RISK FACTORS (Continued)

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, 2008, the Company had cash balances of $174,285 in US currency (CDN$212,280) and accounts payable of $681,774 in Peruvian Nuevo Soles (CDN$267,887).

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.

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.

12. SUBSEQUENT EVENTS

a) Stock Options

In January 2009, the Company granted 1,200,000 stock options exercisable at $0.25 for a period of three years. The grant included 700,000 stock options to the seven directors, 400,000 stock options to five senior officers of the Company and its Peruvian subsidiary, and 100,000 stock options to two consultants of the Company. In April 2009, 337,500 options exercisable at $0.60 expired unexercised.

b) Warrants

In January 2009, the 1,753,500 warrants exercisable at $1.50 expired unexercised. In February 2009, the 123,515 warrants exercisable at $1.00 expired unexercised.

c) Amendment to Property Option Agreement

In March 2009, the terms of the New Brunswick property option 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 of which 50,000 were issued on March 31, 2009. Extensions were also granted for the remaining cash payments of $200,000 ($25,000 paid March 31, 2009) and cumulative spending requirement of $250,000 originally due by March 31, 2011, now due by September 30, 2011.

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12. SUBSEQUENT EVENTS (Continued)

d) Property Option Letter Agreement

In March 2009, the Company signed a Letter Agreement with Centurion Minerals Ltd. ("Centurion") an arm's length corporation. The Agreement outlines the terms of a property option whereby the Company will grant Centurion the right to earn up to a 60% interest in the ten concession, Corongo Property in Ancash, Peru.

Centurion may earn an initial 50% interest for 1,000,000 shares of Centurion subject to regulatory approval; 250,000 shares by each of May 1, 2009, December 31, 2009, December 31, 2010, and December 31, 2011. Centurion is required to spend US$1,000,000 by December 31, 2011 with US $200,000 committed spending by December 31, 2009.

Once Centurion has completed its initial 50% earn-in, they have the right to increase their interest to 60% by issuing an additional 250,000 shares within 120 days and committing to an additional US$250,000 of exploration expenditures within 12 months.

The Company received a non-refundable commitment fee of US$25,000 due upon execution of the Letter Agreement as an advance towards Centurion's first year exploration expenditure commitment. Centurion will be appointed as operator and the Company as manager, entitled to a 10% management fee calculated on exploration expenditures.

e) Private Placement

In April 2009, the Company announced the close of a private placement of 5,272,500 units at $0.10 per unit for gross proceeds of $527,250 of which $82,750 was subscribed for by six directors, two senior officers, and two employees. 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, 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. Additionally, 398,000 common shares were issued as finder's fees.

f) Contingent Liability

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.