

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED

JUNE 30, 2009

In accordance with National Instrument 51-102 release by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the six-month period ended June 30, 2009.

DURAN VENTURES INC.
(A Development Stage Company)

INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

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DURAN VENTURES INC.
(A Development Stage Company)
INTERIM CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2009 and 2008

	June 30, 2009	December 31, 2008
	\$	\$
	(Unaudited)	(Audited) (See Note 1)
ASSETS		
CURRENT		
Cash	9,837	1,010,090
Prepays and advances	21,389	14,454
Amounts receivable (Note 5)	12,797	83,473
	<u>44,023</u>	<u>1,108,017</u>
EXPLORATION PROPERTIES (Note 3)	7,653,650	6,732,109
	<u>7,697,673</u>	<u>7,840,126</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	246,144	642,015
	<u>246,144</u>	<u>642,015</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 4(b))	34,281,277	33,898,027
SHARE SUBSCRIPTIONS (Note 4(b))	10,040	-
WARRANTS (Note 4(d))	316,000	745,075
CONTRIBUTED SURPLUS (Note 4(f))	3,352,639	2,527,564
	<u>37,959,956</u>	<u>37,170,666</u>
ACCUMULATED OTHER COMPREHENSIVE (LOSS)	(537,664)	(537,664)
DEFICIT	<u>(29,970,763)</u>	<u>(29,434,891)</u>
	<u>(30,508,427)</u>	<u>(29,972,555)</u>
	<u>7,451,529</u>	<u>7,198,111</u>
	<u>7,697,673</u>	<u>7,840,126</u>
ONGOING OPERATIONS (Note 1)		
COMMITMENTS (Note 3)		
SUBSEQUENT EVENTS (Note 9)		

APPROVED ON BEHALF OF THE BOARD:

Signed "Joseph Del Campo" , Director

Signed "John P. Thompson" , Director

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008
(Unaudited – Prepared by Management)

	Three-Months Ended		Six-Months Ended	
	June 30		June 30	
	\$		\$	
	2009	2008	2009	2008
		(See Note 1)		(See Note 1)
EXPENSES				
Stock-based compensation (Note 4(c))	102,000	74,000	247,000	194,000
Management and consulting fees	35,918	54,452	75,700	92,046
Director fees (Note 9(c))	17,000	-	37,500	-
General and administrative	41,972	28,200	73,693	69,239
Advertising and public relations	13,100	26,751	46,472	32,000
Professional fees	30,498	13,559	42,646	19,559
Rent	7,500	7,500	15,000	15,000
Business combination	-	4,900	-	4,900
Loss before the under-noted	247,988	209,362	538,011	426,744
Write down of exploration properties	-	400,944	-	400,944
Loss on sale of marketable securities	-	52,295	-	52,295
Interest income	(2,118)	(17,096)	(2,139)	(40,012)
LOSS FROM CONTINUING OPERATIONS	245,870	645,505	535,872	839,971
Loss from discontinued operations (Note 1)	-	135,239	-	468,689
NET LOSS FOR THE PERIOD	245,870	780,744	535,872	1,308,660
Loss per share from continuing operations – basic and diluted	0.004	0.011	0.009	0.015
Loss per share from discontinued operations – basic and diluted	-	0.002	-	0.008
Loss per share – basic and diluted	0.004	0.013	0.009	0.023
Weighted average number of common shares outstanding	63,413,177	58,626,114	61,150,194	57,883,282

INTERIM CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE (LOSS) INCOME
FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008
(Unaudited – Prepared by Management)

	Three-Months Ended		Six-Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
		(See Note 1)		(See Note 1)
Net (loss) for the period	(245,870)	(780,744)	(535,872)	(1,308,660)
Other comprehensive (loss)	-	441,746	-	(44,734)
COMPREHENSIVE (LOSS)	<u>(245,870)</u>	<u>(338,998)</u>	<u>(535,872)</u>	<u>(1,353,394)</u>

DURAN VENTURES INC.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME ("AOCI")
FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008
(Unaudited – Prepared by Management)

	Three-Months Ended		Six-Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
		(See Note 1)		(See Note 1)
Accumulated other comprehensive (loss) income at beginning of year	(537,664)	583,220	(537,664)	1,069,700
Unrealized (loss) on marketable securities, net of future income taxes	-	441,746	-	(44,734)
Accumulated other comprehensive (loss) income at end of period	<u>(537,664)</u>	<u>1,024,966</u>	<u>(537,664)</u>	<u>1,024,966</u>

INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009
(Unaudited – Prepared by Management)

	Common Shares		Warrants		Contributed Surplus \$	Shares to be Issued \$	Accumulated Other Comp. Income ("AOCI") \$	Deficit \$	Total Deficit And "AOCI" \$	Total Shareholders' Equity \$
	Shares #	Amount \$	Number #	Amount \$						
Balance, December 31, 2008 (See Note 1)	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
Issued on private placement	5,272,500	334,470	5,272,500	149,000	-	10,040	-	-	-	493,510
Issued as finder's fee	398,000	43,780	-	-	-	-	-	-	-	43,780
Issued on property option agreement	50,000	5,000	-	-	-	-	-	-	-	5,000
Warrants expired	-	-	(1,877,015)	(578,075)	578,075	-	-	-	-	-
Stock-based compensation expense	-	-	-	-	247,000	-	-	-	-	247,000
Net (loss)	-	-	-	-	-	-	-	(535,872)	(535,872)	(535,872)
Balance, June 30, 2009	64,582,012	34,281,277	5,772,500	316,000	3,352,639	10,040	(537,664)	(29,970,763)	(30,508,427)	7,451,529

See accompanying notes to the consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008
(Unaudited – Prepared by Management)

	Three-Months Ended		Six-Months Ended	
	June 30	June 30	June 30	June 30
	\$		\$	
	2009	2008	2009	2008
		(See Note 1)		(See Note 1)
Cash Flows From Operating Activities				
Net (loss) for the period from continuing operations	(245,870)	(645,505)	(535,872)	(839,971)
Add items not requiring cash:				
Stock-based compensation	102,000	74,000	247,000	194,000
Loss on sale of marketable securities	-	52,295	-	52,295
Write down of exploration property	-	400,944	-	400,944
Changes in non-cash operating working capital:				
(Increase) in prepaid expenses	(13,834)	(3,500)	(6,935)	(1,934)
(Increase) in amounts receivable	76,663	(1,151)	70,676	(9,971)
(Decrease) increase in accounts payable & accrued liabilities	(67,908)	(10,738)	(205,497)	12,452
	(148,949)	(133,655)	(430,628)	(192,185)
Cash flows from discontinued operating activities	-	(279,234)	-	(305,824)
Cash Flows From Investing Activities				
Exploration property expenditures	(467,218)	(1,157,420)	(1,106,915)	(1,737,241)
Proceeds from sale of marketable securities (net)	-	44,705	-	44,705
	(467,218)	(1,112,715)	(1,106,915)	(1,692,536)
Cash flows from discontinued investing activities	-	(1,454,709)	-	(2,002,505)
Cash Flow From Financing Activities				
Issuance of private placement units for cash	439,750	994,250	527,250	994,250
Share subscriptions received	10,040	-	10,040	-
Exercise of warrants	-	-	-	1,234,000
Exercise of stock options	-	18,750	-	23,750
	449,790	1,013,000	537,290	2,252,000
(Decrease) increase in cash	(166,377)	(1,967,313)	(1,000,253)	(1,941,050)
Cash at the beginning of period	176,214	8,109,922	1,010,090	8,083,659
Cash at the end of period	9,837	6,142,609	9,837	6,142,609
Supplementary Information:				
Shares issued for interest in exploration properties	5,000	-	5,000	69,000
Shares received for interest in exploration properties	-	-	-	13,000
Change in accrued exploration property expenditures	(14,567)	1,092,741	(190,374)	1,237,973

See accompanying notes to the consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2009
(Unaudited - Prepared by Management)

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 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 with Duran Resources ULC (formerly MacMillan Gold Corp.). 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 Duran Resources ULC had been combined since their inception.

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 that was spun-out of Duran Resources ULC. 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 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 9(a)).

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2009
(Unaudited - Prepared by Management)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim unaudited consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of the interim consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgement within the reasonable limits of materiality. They do not include all of the information and disclosures required by Canadian GAAP for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these interim consolidated financial statements. Operating results for the period ended June 30, 2009 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2009. These interim unaudited consolidated financial statements should be read in conjunction with the most recent annual audited consolidated financial statements and notes thereto.

The significant accounting policies follow those of the December 31, 2008 audited consolidated financial statements unless otherwise disclosed.

New Accounting Pronouncements

(i) 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.

(ii) 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.

(iii) 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.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2009
(Unaudited - Prepared by Management)

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 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.

(iii) 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.

3. EXPLORATION PROPERTIES

	December 31, 2008 \$	Additions (Recoveries) \$	Write-off \$	June 30, 2009 \$
a) Peru				
Acquisition	330,000	-	-	330,000
Deferred exploration expenditures	6,272,048	922,339	-	7,194,387
Recoveries	-	(32,018)	-	(32,018)
	<u>6,602,048</u>	<u>890,321</u>	<u>-</u>	<u>7,492,369</u>
b) Canada				
Acquisition costs	213,302	30,000	-	243,302
Deferred exploration expenditures	67,466	1,220	-	68,686
Recoveries	(20,000)	-	-	(20,000)
Option payments - received	(130,707)	-	-	(130,707)
	<u>130,061</u>	<u>31,220</u>	<u>-</u>	<u>161,281</u>
Total Exploration Properties	<u>6,732,109</u>	<u>921,541</u>	<u>-</u>	<u>7,653,650</u>

(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 remaining 50% interest in this Peruvian property was effected in October 2008 by way of an amalgamation pursuant to which MacMillan amalgamated with Duran Resources ULC, a newly incorporated wholly owned subsidiary of the Company.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2009
(Unaudited - Prepared by Management)

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 Agreement outlined the terms of a property option whereby the Company granted Centurion the right to earn up to a 60% interest in the ten concession, Corongo Property in Ancash, Peru.

Centurion could 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 was required to spend US\$1,000,000 by December 31, 2011 with US \$200,000 committed spending by December 31, 2009.

Once Centurion had completed its initial 50% earn-in, they had 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 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 Minerals Ltd. 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 therefore retains 100% control of the Corongo Properties.

(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), and 100,000 common shares due on November 30, 2007, 2008, and 2009 (100,000 received). 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.

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 (\$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 March 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, now due by September 30, 2011.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2009
(Unaudited - Prepared by Management)

3. EXPLORATION PROPERTIES (Continued)

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.

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, 2008	58,861,512	33,898,027
Issued on property option agreement (Note 3(b))	50,000	5,000
Issued in private placement (net of share issue costs)	5,272,500	483,470
Issued as finders fee	398,000	43,780
Value assigned to warrants issued in private placements (net of costs)	-	(149,000)
Balance, June 30, 2009	<u>64,582,012</u>	<u>34,281,277</u>

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 \$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. In relation to this private placement, 398,000 common shares were issued as finder's fees.

As at June 30, 2009, the Company had received \$10,040 in subscriptions for a subsequent private placement. (See Note 9(a))

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 30, 2009 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2009
(Unaudited - Prepared by Management)

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 the six-month period ended June 30, 2009 is as follows:

	Number of options #	Weighted average exercise price \$
Balance, December 31, 2008	4,464,500	0.69
Granted	1,200,000	0.25
Expired	(553,750)	0.67
Forfeited	(91,250)	0.43
Balance, June 30, 2009	<u>5,019,500</u>	0.59

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.

During the six month period ended June 30, 2009, 91,250 options were forfeited as a result of the termination of several employees and consulting relationships with the Company and 553,750 options expired unexercised.

As at June 30, 2009, 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
December 21, 2006	1,564,850	1,564,850	1,425,000	0.25	December 21, 2009
March 30, 2007	845,000	845,000	795,000	0.74	March 30, 2010
September 5, 2007	927,500	927,500	530,000	1.00	September 5, 2010
September 28, 2007	162,500	162,500	150,000	1.02	September 28, 2010
December 28, 2007	87,500	87,500	87,500	1.20	December 28, 2010
December 31, 2007	50,000	50,000	50,000	1.50	December 31, 2010
April 4, 2008	500,000	400,000	440,000	1.04	April 4, 2011
June 9, 2008	464,000	371,200	442,000	1.00	June 9, 2011
January 16, 2009	1,200,000	360,000	1,100,000	0.25	January 16, 2012
	<u>5,801,350</u>	<u>4,768,550</u>	<u>5,019,500</u>		

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% (2008 - 0%), (2007 - 0%); expected volatility of 110% (2008 - 90%), (2007 - 124%); risk-free interest rate of 0.95% (2008 - 3.75%), (2007 - 4.23%); and an expected life of 3 years (2008 - 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 Nil (2008 - 0%), (2007 - 0%); expected volatility of Nil (2008 - 71%), (2007 - 87%); risk-free interest rate of Nil (2008 - 2.92%), (2007 - 3.75%); and an expected life of Nil (2008 - 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.

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

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

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.

d) Warrants

A summary of changes in warrants during the quarter ended June 30, 2009 is as follows:

	Warrants #	Amount \$	Weighted average exercise price \$
Balance, December 31, 2008	2,377,015	745,075	1.47
Issued in private placements (Note 4(b))	5,272,500	162,000	0.20
Warrant issue costs	-	(13,000)	-
Expired	(1,877,015)	(578,075)	1.47
Balance, June 30, 2009	<u>5,772,500</u>	<u>316,000</u>	0.31

As at June 30, 2009, the following warrants remain outstanding:

Date Issued	Warrants Issued #	Warrants Outstanding #	Exercise Price \$	Expiry Date
April 18, 2008	500,000	500,000	1.50	October 18, 2009
April 17, 2009	2,183,750	2,183,750	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
	<u>5,772,500</u>	<u>5,772,500</u>		

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 \$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 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.

e) Escrow Shares

As at June 30, 2009, 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.

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

f) Contributed Surplus

	June 30, 2009 \$	December 31, 2008 \$
Balance, beginning of the period	2,527,564	1,209,109
Value of stock options exercised	-	(17,312)
Stock-based compensation expense		
– continuing operations	170,000	505,100
Stock-based compensation expense		
– discontinued operations	77,000	353,506
Warrants expired	578,075	477,161
Balance, end of the period	<u>3,352,639</u>	<u>2,527,564</u>

5. RELATED PARTY TRANSACTIONS

During the six-months ended June 30, 2009, management, director and consulting fees of \$72,000 (2008 - \$42,535), and office rent of \$15,000 (2008 - \$15,000) were charged by officers and directors or companies controlled by them. Included in amounts receivable as at June 30, 2009, were advances aggregating \$3,000 (2008 - \$10,197) made to these individuals. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

During the six-months ended June 30, 2009, the Company was charged \$54,000 (2008 - \$68,100) 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 June 30, 2008 is \$12,196 (2008 - \$45,524) 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.

6. 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 six-months ended June 30, 2009.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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7. 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 June 30, 2009 were \$44,023, consisting of cash of \$9,837, amounts receivable of \$12,797 and prepaids and advances of \$21,389. Management believes that it has sufficient funds to meet its current liabilities as they become due considering the subsequent private placement. (See Note 9(a)).

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 June 30, 2009, the Company had cash balances of \$2,723 in US currency (CDN\$3,167) and accounts payable of S/.372,399 in Peruvian Nuevo Soles (CDN\$141,494).

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7. 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.

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.

8. CONTINGENT LIABILITIES

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 is defending 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.

9. SUBSEQUENT EVENTS

a) Private Placement

The Company has received exchange approval for a private placement financing for up to 20,000,000 units at \$0.05 per unit. Each unit consists of one common share and one common share purchase warrant at an exercise price of \$0.10.

In August 2009, the Company completed this private placement subject to regulatory approval and issued 20,000,000 shares for gross proceeds of \$1,000,000 of which \$48,500 was subscribed for by six directors and senior officers.

b) Double Jack Lock-Up Agreement

The Board of Directors have approved, subject to shareholder and regulatory approvals, the acquisition of 100% of the shares of Hatum Minas SAC ("Hatum"), a wholly owned subsidiary of Double Jack Mines Limited ("Double Jack"), a private Alberta company with 22 shareholders. This will be completed by either the direct acquisition of 100% of the shares of Hatum 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. Double Jack has agreed to obtain a lock up agreement from a minimum of two thirds of Double Jack shareholders by August 31, 2009.

The Company has the right to acquire a 100% interest in all of the Double Jack – Hatum properties for the issuance of C\$1,200,000 of common shares valued at the average of 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 will be subject to shareholder approval at the next Annual and Special Meeting of Shareholders in June 2010.

c) Directors Fees

On June 30, 2009, the Company eliminated all attendance and committee fees paid to directors.