

DURAN VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

(Expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Duran Ventures Inc.

We have audited the accompanying consolidated financial statements of Duran Ventures Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated statements of loss and comprehensive loss, consolidated statements of accumulated other comprehensive (loss) income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Duran Ventures Inc. and its subsidiaries as at December 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 25, 2013

	December 31, 2012 \$	December 31, 2011 \$
ASSETS		
CURRENT		
Cash	1,809,122	1,290,618
Marketable securities (Note 6)	30,000	36,000
Prepaid expenses and advances	40,619	60,906
Amounts receivable	31,978	644,123
TOTAL CURRENT ASSETS	1,911,719	2,031,647
PROPERTY, PLANT AND EQUIPMENT (Note 7)	219,345	245,992
EXPLORATION AND EVALUATION ASSETS (Notes 8 and 11)	1,470,906	1,746,153
TOTAL ASSETS	3,601,970	4,023,792
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	273,272	232,996
DEFERRED TAX LIABILITY	181,300	421,300
TOTAL LIABILITIES	454,572	654,296
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 9(a))	49,542,440	45,928,588
WARRANT RESERVE (Note 9(b))	681,856	1,437,911
SHARE-BASED PAYMENT RESERVE (Note 10)	2,387,705	2,074,545
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	(137,000)	(99,000)
DEFICIT	(49,327,603)	(45,972,548)
TOTAL SHAREHOLDERS' EQUITY	3,147,398	3,369,496
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	3,601,970	4,023,792

GOING CONCERN (Note 2)

COMMITMENTS AND CONTINGENCIES (Note 15)

SUBSEQUENT EVENTS (Note 18)

APPROVED ON BEHALF OF THE BOARD:

Signed "Joseph Del Campo" , Director

Signed "Jeffrey Reeder" , Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31,

	2012	2011
	\$	\$
EXPENSES		
Share-based payments (Note 10)	574,371	1,649,927
Management and consulting fees	477,104	357,733
General and administrative	205,154	148,292
Shareholder and filing fees	169,323	162,394
Professional fees	184,524	198,301
Rent	45,165	34,241
Foreign exchange gain	(8,201)	(105,623)
Amortization	30,114	22,099
Exploration and evaluation expenditures (Note 11)	3,294,524	5,477,891
Loss before the under-noted	4,972,078	7,945,255
Interest income	-	(15,960)
LOSS FOR THE YEAR BEFORE INCOME TAXES	4,972,078	7,929,295
DEFERRED INCOME TAX (RECOVERY) EXPENSE	(240,000)	5,625
NET LOSS FOR THE YEAR	4,732,078	7,934,920
Other comprehensive loss	38,000	138,375
COMPREHENSIVE LOSS FOR THE YEAR	4,770,078	8,073,295
Loss per share – basic and diluted	<u>0.02</u>	<u>0.04</u>
Weighted average number of common shares outstanding	<u>196,385,787</u>	<u>180,883,394</u>

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31,

	2012	2011
	\$	\$
Accumulated other comprehensive (loss) income at beginning of year	(99,000)	39,375
Unrealized (loss) on marketable securities, net of deferred income tax of \$Nil (2011 – \$5,625)	(38,000)	<u>(138,375)</u>
Accumulated other comprehensive (loss) at end of year	<u>(137,000)</u>	<u>(99,000)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31

	Common Shares	Warrants				
	Amount	Reserve Amount	Share-based Payment Reserve	Accumulated Other Comp. Income	Deficit	Total Shareholders' Equity
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2010	43,365,227	1,465,046	771,976	39,375	(38,313,467)	7,328,157
Issued for cash	717,464	175,000	-	-	-	892,464
Issued as finder's fee	-	30,043	-	-	-	30,043
Warrants exercised	1,638,606	(230,906)	-	-	-	1,407,700
Options exercised	207,291	-	(72,791)	-	-	134,500
Value of warrants and options expired	-	(1,272)	(274,567)	-	275,839	-
Share-based payments expense	-	-	1,649,927	-	-	1,649,927
Unrealized loss on marketable securities	-	-	-	(138,375)	-	(138,375)
Net loss	-	-	-	-	(7,934,920)	(7,934,920)
Balance, December 31, 2011	45,928,588	1,437,911	2,074,545	(99,000)	(45,972,548)	3,369,496
Issued for cash	3,155,170	413,939	-	-	-	3,569,109
Options exercised	143,682	-	(54,182)	-	-	89,500
Value of options expired	-	-	(207,029)	-	207,029	-
Value of warrants expired	-	(1,169,994)	-	-	1,169,994	-
Share-based payments expense	-	-	574,371	-	-	574,371
Issued for property acquisition (Note 11)	315,000	-	-	-	-	315,000
Unrealized loss on marketable securities	-	-	-	(38,000)	-	(38,000)
Net loss	-	-	-	-	(4,732,078)	(4,732,078)
Balance, December 31, 2012	49,542,440	681,856	2,387,705	(137,000)	(49,327,603)	3,147,398

DURAN VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31,

	2012	2011
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	(4,732,078)	(7,934,920)
Add items not requiring cash:		
Income tax (recovery)	(240,000)	-
Amortization	30,114	22,099
Share-based compensation	574,371	1,649,927
Shares issued for property acquisition (Note 11)	315,000	-
Option payment received in shares	(32,000)	(90,000)
Deferred income tax	-	5,625
Change in non-cash operating working capital:		
Decrease (increase) in prepaids and advances	20,287	(48,812)
Decrease (increase) in amounts receivable	612,145	(622,549)
Increase in accounts payable and accrued liabilities	40,276	10,071
Cash flows used in operating activities	(3,411,885)	(7,008,559)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation assets	275,247	-
Property, plant and equipment	(3,467)	(168,331)
Cash flows used in investing activities	271,780	(168,331)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of private placement units for cash	3,775,470	1,001,000
Issue costs	(206,361)	(78,493)
Exercise of options	89,500	134,500
Exercise of warrants	-	1,407,700
Cash flows from financing activities	3,658,609	2,464,707
Increase (decrease) in cash	518,504	(4,712,183)
Cash, beginning of period	1,290,618	6,002,801
Cash, end of period	1,809,122	1,290,618
SUPPLEMENTARY INFORMATION:		
Private placement units issued as finder's fees (Note 9)	3,900	-
Compensation warrants issued for services (Note 9)	25,984	30,043

1. GENERAL INFORMATION

Duran Ventures Inc. (“Duran” or “the Company”) is a publicly listed company originally incorporated in British Columbia and subsequently continued to Ontario under the Canada Business Corporations Act. The Company’s common shares have been listed on the TSX Venture Exchange since July 4, 2007, and on the Risk Capital Segment of the Lima Stock Exchange (Segmento de Capital de Riesgo de la Bolsa de Valores de Lima) in Peru, since September 21, 2012, and trade under the symbol “DRV” on both Exchanges. The Company, directly and with exploration partners, is engaged in the exploration of mineral properties in Peru. The Company’s principal office is located at 40 University Avenue, Suite 710, Toronto, Ontario, Canada M5J 1T1 and substantially all of the Company’s administrative expenses are incurred in Canada.

2. GOING CONCERN

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

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

These consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Because of limited working capital and continuing operating losses, the Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. These consolidated financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

3. BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company, which is incorporated in Canada under the Canada Business Corporations Act, its wholly owned subsidiaries, Duran Resources ULC and 1546806 Alberta Ltd., which are incorporated in Canada under the Business Corporations Act (Alberta), and its wholly owned subsidiaries, Minera Aguila de Oro SAC, Corongo Exploraciones SAC, Laramarca Exploraciones SAC and Hatum Minas SAC, all of which are incorporated in Peru. All inter-company balances and transactions have been eliminated. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The consolidated financial statements were approved by the Board of Directors for issue on April 25, 2013

(b) Basis of preparation

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

(c) Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is estimated at the grant date and each tranche is recognized on a graded vesting basis over the period during which the options vest. The fair value of the options granted is estimated using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized in profit and loss is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve.

Upon expiry of share options, the recorded value is transferred to deficit from share-based payment reserve.

(d) Deferred taxes

The Company uses the balance sheet method of accounting for income taxes, under which deferred income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Deferred taxes (Continued)

Deferred income tax assets and liabilities are measured using income tax rates in effect for the period in which those temporary differences are expected to be recovered or settled based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. The effect on deferred income tax assets and liabilities of a change in income tax rates or laws is recognized as part of the provision for income taxes in the period the changes are considered substantively enacted.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(e) Exploration and evaluation assets and expenditures

Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination. Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(f) Property, plant and equipment

Property, plant and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the assets to a working condition for their intended use, the initial estimate of the rehabilitation provisions, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Where an item of property, plant and equipment or mine properties comprises significant components with different useful lives, the components are accounted for as separate items of property, plant and equipment. The equipment noted below is amortized over their estimated useful lives using the following annual rates and methods.

Office furniture and equipment	10% straight line
Computer equipment	25% straight line
Field equipment	10% straight line
Camp equipment and buildings	10% straight line

(g) Impairment of non-financial assets

At each balance sheet reporting date the carrying amounts of the Company's property, plant and equipment and exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of loss for the period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of non-financial assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of loss.

(h) Foreign currencies

The functional and reporting currency of the Company is the Canadian dollar. The Company's foreign subsidiaries are considered extensions of the parent company. Monetary assets and liabilities are translated to Canadian dollars at the rate in effect at the balance sheet date. Non-monetary items are translated at historical rates. Revenue and expenses are translated at the average exchange rate for the period. The resulting gain or loss is included in the statement of loss.

(i) Financial assets and liabilities

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

The Company's financial assets and liabilities include cash, marketable securities, amounts receivable and accounts payable and accrued liabilities.

The Company has designated its cash and amounts receivable as loans and receivables, which are measured at amortized cost. Marketable securities have been classified as available-for-sale ("AFS") and are recorded at their fair values with changes in fair value included in other comprehensive (loss) income until the asset is removed from the balance sheet or until impairment is assessed as other than temporary. Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Transaction costs associated with fair value through profit and loss financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and other financial liabilities are included in the initial carrying amount of the asset or the liability.

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 non-derivative financial instruments were recorded at amortized cost, subject to impairment reviews.

Financial instruments recorded at fair value on the consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2012 and 2011, the Company had marketable securities that were classified as Level 1.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of financial assets

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

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

(k) Decommissioning and restoration provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against the statement of loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized costs. Costs rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of the mine.

The Company did not have any significant decommissioning and restoration provisions as of December 31, 2012 and December 31, 2011.

Other provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash flow and timing can be reliably estimated.

(l) Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Joint ventures

A portion of the Company's exploration activities may be conducted jointly with others wherein the Company enters into agreements that provide for specified percentage interests in mineral properties. Joint venture accounting, which reflects the Company's proportionate interest in the exploration and evaluation expenditures, 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.

(n) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues, incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The Company operates in one business segment, mineral exploration and two geographical segments, Peru and Canada, as at December 31, 2012 and December 31, 2011.

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

Certain pronouncements were issued but he IAS or the IFRIC that are mandatory for accounting periods on or after January 1, 2013 or later periods. Many are not applicable or do not have significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) was issued by the IASB in May 2011 and will replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect returns. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 – Joint Arrangements (“IFRS 11”) was issued by the IASB in May 2011 and will replace IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. Joint ventures are accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

IFRS 12 – Disclosure of Interests in Other Entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 – Fair Value Measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. It also establishes disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended by the IASB in June 2011. As a result of the amendment, items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

IAS 28 - Investments in Associates and Joint Ventures (“IAS 28”) was issued by the IASB in May 2011 and supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013.

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

- Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

- Capitalization of exploration and evaluation costs
Management has determined that capitalized exploration and evaluation costs have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 8 for details of capitalized exploration and evaluation costs.
- Mineral reserve estimates
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.
- Impairment of exploration and evaluation assets
While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.
- Estimation of decommissioning and restoration costs and the timing of expenditure
Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- Income taxes and recoverability of potential deferred tax assets
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingencies
See Note 16.

6. MARKETABLE SECURITIES

The Company's marketable securities, classified as an available-for-sale investment, consists of 1,000,000 common shares (2011 – 600,000 common shares) of Viper Gold Ltd. ("Viper"). The fair value of the listed available-for-sale investment has been determined directly by reference to published price quotations in an active market.

In 2012, the Company received 400,000 (2011 - 600,000) common shares of Viper as per the terms of the Corongo property option agreement (see Note 11).

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Office furniture and equipment	Computer equipment	Field equipment	Camp equipment and buildings	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2010	17,138	16,349	45,977	49,077	128,541
Additions	23,990	7,481	22,877	113,983	168,331
Balance at December 31, 2011	41,128	23,830	68,854	163,060	296,872
Additions	-	3,467	-	-	3,467
Balance at December 31, 2012	41,128	27,297	68,854	163,060	300,339

Amortization and impairment	Office furniture and equipment	Computer equipment	Field equipment	Camp equipment and buildings	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2010	3,719	9,477	12,398	3,187	28,781
Additions	3,169	4,096	5,505	9,329	22,099
Balance at December 31, 2011	6,888	13,573	17,903	12,516	50,880
Additions	5,254	4,066	6,919	13,875	30,114
Balance at December 31, 2012	12,142	17,639	24,822	26,391	80,994

Carrying amounts	Office furniture and equipment	Computer equipment	Field equipment	Camp equipment and buildings	Total
	\$	\$	\$	\$	\$
At December 31, 2010	13,419	6,872	33,579	45,890	99,760
At December 31, 2011	34,240	10,257	50,951	150,544	245,992
At December 31, 2012	28,986	9,658	44,032	136,669	219,345

8. EXPLORATION AND EVALUATION ASSETS

	December 31, 2010	Additions (Recoveries)	December 31, 2011	Additions (Recoveries)	December 31, 2012
	\$	\$	\$	\$	\$
Peru					
Hatum Minas Properties	1,746,153	-	1,746,153	(275,247)	1,470,906
Total Exploration Properties	1,746,153	-	1,746,153	(275,247)	1,470,906

Hatum Minas Properties

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

The Hatum Minas Properties include the Ichuña copper-silver project, the Panteria porphyry copper project, and the Santa Rita/Coricancha and Don Pancho silver-lead-zinc polymetallic projects. Title to the Hatum Minas Properties is held by the Company's wholly-owned Peruvian subsidiary, Hatum Minas SAC.

See Exploration and Evaluation Expenditures (Note 11).

9. CAPITAL STOCK AND OTHER EQUITY

a) Authorized, Issued and Outstanding shares

Authorized - unlimited number of common shares with no par value,
 - 100,000,000 preferred shares with no par value

A summary of common shares outstanding as at December 31, 2012 and December 31, 2011 and changes during the years then ended are presented below:

	Shares #	Amount \$
Balance, December 31, 2010	167,198,958	43,365,227
Issued on exercise of warrants (i)	7,001,000	1,407,700
Value assigned to exercised warrants	-	230,906
Issued in private placements (net of share issue costs) (i)	7,700,000	892,464
Value assigned to warrants issued in private placements, net of costs (Note 9(b))	-	(175,000)
Issued on exercise of options (i)	1,150,000	134,500
Value assigned to options exercised	-	72,791
Balance, December 31, 2011	183,049,958	45,928,588
Issued in private placements (net of share issue costs) (ii)	35,641,477	3,569,109
Value assigned to warrants issued in private placements, net of costs (Note 9(b))	-	(413,939)
Issued for property acquisition (iii)	3,000,000	315,000
Issued on exercise of options (iv)	670,000	89,500
Value assigned to options exercised	-	54,182
Balance, December 31, 2012	<u>222,361,435</u>	<u>49,542,440</u>

- (i) In January 2011, the Company closed the second and final tranche of a private placement. The Company issued 7,700,000 units at \$0.13 per unit for gross proceeds of \$1,001,000. Each unit consisted of one common share and one half of one common share purchase warrant whereby one full warrant entitles the holder to obtain one common share of the Company for \$0.20 for a period of two years. In relation to this private placement, 500,500 compensation warrants exercisable at \$0.13 for a period of two years (valued at \$30,043) were issued and commission and issue costs of \$78,493 were paid.

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

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

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

9. CAPITAL STOCK AND OTHER EQUITY (Continued)

a) Authorized, Issued and Outstanding shares (Continued)

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

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

- (iii) In April 2012, the Company issued 1,000,000 shares to acquire the historical geological and drill data on its wholly owned Minasnioc Gold Property and three additional concessions adjacent to the Minasonic Gold Property concessions (see Note 11).

In December 2012, the Company issued 2,000,000 shares for the acquisition of the three adjacent exploration concessions immediately to the north, east and southeast of the Company’s Aguila project (see Note 11).

- (iv) During the twelve months ended December 31, 2012, 670,000 stock options were exercised for proceeds of \$89,500.

b) Share Purchase Warrants

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

	Warrants #	Amount \$	Weighted average exercise price \$
Balance, December 31, 2010	33,119,945	1,465,046	0.19
Issued in private placements (Note 9(b)(i))	3,850,000	196,000	0.20
Issue costs	-	(21,000)	-
Compensation warrants (Note 9(b)(i))	500,500	30,043	0.13
Exercised	(7,001,000)	(230,906)	0.20
Expired	(45,000)	(1,272)	0.20
	<u>30,424,445</u>	<u>1,437,911</u>	0.19
Balance, December 31, 2011	30,424,445	1,437,911	0.19
Issued in private placements (Note 9(b)(ii)(iii))	21,360,079	439,427	0.12
Issue costs	-	(25,488)	-
Expired	(26,073,945)	(1,169,994)	0.20
	<u>25,710,579</u>	<u>681,856</u>	0.19
Balance December 31, 2012	<u>25,710,579</u>	<u>681,856</u>	0.19

9. CAPITAL STOCK AND OTHER EQUITY (Continued)

b) Share Purchase Warrants (Continued)

- (i) As a result of the \$1,001,000 private placement in January 2011, the Company issued 3,850,000 common share purchase warrants (valued at \$196,000) with an exercise price of \$0.20 and 500,500 compensation warrants (valued at \$30,043) with an exercise price of \$0.13 expiring January 2013. The fair value of these warrants issued in this private placement was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted assumptions: expected dividend yield of 0%; expected volatility of 122%; risk-free interest rate of 1.71% and an expected life of two years.
- (ii) As a result of the \$1,259,600 private placement in June 2012, the Company issued 7,896,875 common share purchase warrants (valued at \$139,108) with an exercise price of \$0.12 expiring June 2013. The fair value of these warrants issued in this private placement was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 104%; risk-free interest rate of 0.99% and an expected life of one year.
- (iii) As a result of the \$750,000 private placement in September 2012, the Company issued 2,500,000 "Series A Warrants" (valued at \$79,605) and 2,500,000 "Series B Warrants" (valued at \$94,507) to Rio Alto. Each Series A Warrant is exercisable to acquire one common share at an exercise price of \$0.25 per share until the date that is the earlier of (i) the date that is eighteen (18) months following the issuance thereof, and (ii) the date that is thirty (30) days following the date notice is given to Rio Alto that the common shares have closed at or above \$0.25 per share for a period of 20 consecutive trading days on the TSX Venture Exchange (the "TSXVE") so long as such period occurs after twelve (12) months from the date of issuance of the Series A Warrants. Each Series B Warrant is exercisable to acquire one common share at an exercise price of \$0.35 per share until the date that is the earlier of (i) the date that is thirty (30) months following the issuance thereof, and (ii) the date that is thirty (30) days following the date notice is given to Rio Alto that the common shares of Duran have closed at or above the price of \$0.35 per share for a period of 20 consecutive trading days on the TSXVE so long as such period occurs after twenty four (24) months from the date of issuance of the Series B Warrant.

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

- (iv) As a result of the US\$1,781,727 (Cdn\$1,765,870) private placement in December 2012, the Company issued 14,847,727 units at US\$0.12. Each unit is comprised of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of Cdn\$0.20 per share expiring December 6, 2013. The Company also issued 1,039,340 compensation warrants (valued at US\$26,217 - \$25,984). The fair value of the warrants issued in this private placement was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 107%; risk-free interest rate of 1.05%; and an expected life of twelve (12) months.

The weighted average grant date fair value of the warrants granted during the year ended December 31, 2012 was \$0.19 (2011 - \$0.05).

9. CAPITAL STOCK AND OTHER EQUITY (Continued)

The following common share purchase warrants are outstanding at December 31, 2012:

Date Issued	Warrants Outstanding #	Exercise Price \$	Expiry Date
January 7, 2011	3,850,000	0.20	January 7, 2013
January 7, 2011	500,500	0.13	January 7, 2013
June 4, 2012	3,750,000	0.12	June 4, 2013
June 25, 2012	4,146,875	0.12	June 25, 2013
September 28, 2012	2,500,000	0.25	March 16, 2014
September 28, 2012	2,500,000	0.35	March 16, 2015
December 6, 2012	7,423,864	0.20	December 5, 2013
December 6, 2012	1,039,340	0.20	December 5, 2013
	<u>25,710,579</u>		

As at December 31, 2012, the weighted average remaining contractual life of warrants outstanding was 0.50 years (December 31, 2011 – 0.99 years).

10. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN

The Company has adopted a share option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the options are determined by the Board of Directors.

The aggregate number of share options shall not exceed 10% of the issued and outstanding common shares of the Company, and if any option granted under the Plan expires or terminates for any reason in accordance with the terms of the Plan without being exercised, that option shall again be available for the purpose of the Plan. In addition, the exercise price of options granted under the Plan shall not be lower than the exercise price permitted by the TSX Venture Exchange, and all options granted under the plan will have a term not to exceed five years after issuance. All options issued since May 2010 have vested 100% on the date of grant.

A summary of the status of the Plan as at December 31, 2012 and December 31, 2011, and changes during the years ended on those dates are presented below:

	Number of options #	Weighted average exercise price \$
Balance, December 31, 2010	7,060,000	0.21
Granted	8,510,000	0.27
Exercised	(1,150,000)	0.12
Expired	(595,000)	1.01
Balance, December 31, 2011	13,825,000	0.22
Granted	7,150,000	0.13
Exercised	(670,000)	0.13
Expired	(1,415,000)	0.25
Balance, December 31, 2012	<u>18,890,000</u>	0.20

In March 2011, the Company granted 6,000,000 options exercisable at \$0.29 for a period of five years. The grant included 5,000,000 options to eight individuals who are directors, senior officers, or both, and 1,000,000 options to employees of the Company.

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

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

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

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

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

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

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

Total share-based payment expense of \$574,371 (2011 - \$1,649,927) was incurred for the year ended December 31, 2012.

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

	<u>2012</u>	<u>2011</u>
Risk-free interest rate	1.10%	1.64%
Expected life	5 years	5 years
Expected volatility	100%	100%
Expected dividend yield	nil%	nil%

As at December 31, 2012, the Company had outstanding share options issued to directors, officers, employees and consultants of the Company as follows:

Date of Grant	Options Outstanding #	Options Vested #	Exercise Price \$	Expiry Date
September 1, 2009	2,290,000	2,290,000	0.10	September 1, 2014
May 27, 2010	200,000	200,000	0.11	May 27, 2015
July 9, 2010	1,475,000	1,475,000	0.15	July 9, 2015
March 14, 2011	5,600,000	5,600,000	0.29	March 14, 2016
June 29, 2011	2,175,000	2,175,000	0.215	June 29, 2016
January 11, 2012	1,200,000	1,200,000	0.24	January 10, 2017
April 18, 2012	500,000	500,000	0.15	April 18, 2017
June 28, 2012	3,550,000	3,550,000	0.10	June 28, 2017
August 20, 2012	950,000	950,000	0.10	August 20, 2017
October 1, 2012	950,000	950,000	0.15	October 1, 2017
	<u>18,890,000</u>	<u>18,890,000</u>		

The weighted average remaining contractual life of options issued and outstanding as at December 31, 2012 was 3.5 years (2011 – 3.66 years).

11. EXPLORATION AND EVALUATION EXPENDITURES

Total exploration and evaluation expenditures are as follows:

	\$
Balance, December 31, 2010	9,583,669
Additions	6,298,980
Recoveries	<u>(821,089)</u>
Balance, December 31, 2011	15,061,560
Additions	3,326,524
Option payments received	<u>(32,000)</u>
Balance, December 31, 2012	<u>18,356,084</u>

During the twelve months ended December 31, 2012, the Company incurred net exploration and evaluation expenditures of \$3,294,524 (2011 - \$5,477,891). In addition to these expenditures, the Company has also incurred capital expenditures of \$300,339 up to December 31, 2012 (December 31, 2011 - \$296,872), with a net book value of \$219,345 as at December 31, 2012 (December 31, 2011 - \$245,992). See Property, Plant and Equipment (Note 7).

Minera Aguila de Oro SAC Properties

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

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

<u>Date</u>	<u>Amount \$USD</u>
December 2013	125,000
June 2014	125,000
December 2014	250,000
June 2015	250,000
December 2015	600,000
June 2016	600,000
December 2016	<u>600,000</u>
	2,550,000

The Cashapampa concessions are subject to a 1% NSR.

Corongo Property

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

The Company signed a property option agreement (the “Corongo Agreement”) with Viper in 2010, whereby Viper could acquire a 50% interest in the Corongo Property. Under the terms of the Corongo Agreement, Viper could acquire a 50% interest by paying the Company US\$25,000 (paid - \$25,348) on signing the Corongo Agreement; incurring exploration expenditures of not less than US\$1,000,000 (incurred) prior to March 10, 2012; and issuing the Company an aggregate amount of 1,000,000 common shares of Viper. As at December 31, 2012, Viper had completed all of its obligations under the Corongo Agreement. The Company is in the process of issuing shares in Corongo Exploraciones SAC to Viper, representing 50% ownership interest.

11. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Hatum Minas Properties

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

Ichuña Project

In September 2012, the Company entered into a Letter of Intent ("LOI") with Rio Alto and on January 25, 2013, a Definitive Agreement was signed whereby Rio Alto has the option to earn a 65% interest in the Ichuña project within a four (4) year period by:

- Incurring a total of US\$80,000,000 in exploration costs within a four (4) year period, which shall include a drill program of 8,000 metres, of which a minimum of 4,000 metres must be drilled in the first year;
- Making a cash payment to Duran of \$500,000; and
- Exercising all of the Series A and Series B Warrants it received in the financings discussed in Note 9(iii).

Upon Rio Alto earning a 65% interest, they will be deemed to have entered into a joint venture with the Company.

Don Pancho Project

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

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

The Optionee is also required to

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

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

Minasnioc Property

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

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

11. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Minasnioc Property (Continued)

In September 2012, the Company entered into a LOI with Rio Alto and on January 25, 2013, a Definitive Agreement was signed, whereby Rio Alto has the option to acquire a 51% interest in the Minasnioc property within a three (3) year period by:

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

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

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

12. LOSS PER SHARE

a) Basic

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares in issue during the year.

	Twelve-Months Ended December 31,	
	2012	2011
Net loss for the year	4,732,078	7,934,920
Weighted average number of common shares outstanding	196,385,787	180,883,394
Loss per share	<u>0.02</u>	<u>0.04</u>

b) Diluted

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

13. RELATED PARTY TRANSACTIONS

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

The remuneration of key management personnel and a related party of the Company for the twelve months ended December 31, 2012 and 2011 were as follows.

	2012	2011
	\$	\$
Aggregate cash compensation	686,376	548,033
Share-based payments	378,647	1,397,440
	<u>1,065,023</u>	<u>1,945,476</u>

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

13. RELATED PARTY TRANSACTIONS (Continued)

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

The related parties were awarded the following stock options under the Company's stock option plan during the twelve months ended December 31, 2011:

Date of grant	Number of options	Exercise price	Expiry date
March 14, 2011	5,200,000	\$0.29	March 14, 2016
June 29, 2011	<u>1,950,000</u>	\$0.215	June 29, 2016
	<u>7,150,000</u>		

As at December 31, 2012 there was a balance of \$91,500 due to certain officers of the Company (2011 - \$nil). The amount is unsecured, non-interest bearing with no fixed terms of repayment.

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

14. FINANCIAL RISK FACTORS

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

a) Credit risk management

Credit risk relating to cash and amounts receivable arises from the possibility that any counterparty to an instrument fails to perform. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of cash and receivables.

b) Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

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

As of December 31, 2012, the Company had a cash balance of \$1,809,122 (December 31, 2011 - \$1,290,618) to settle current accounts payable and accrued liabilities of \$273,272 (December 31, 2011 - \$232,996). The Company's other current assets consist of marketable securities of \$30,000 (December 31, 2011 - \$36,000), amounts receivable of \$31,978 (December 31, 2011 - \$644,123) and prepaid expenses and advances of \$40,619 (December 31, 2011 - \$60,906).

14. FINANCIAL RISK FACTORS (Continued)

c) Market risk

At the present time, the Company does not hold any interest in a mining property that is in production. The Company's viability and potential success depends on its ability to develop, exploit, and generate revenue from the development of mineral deposits. Revenue, cash flow, and profits from any future mining operations in which the Company is involved will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices can fluctuate widely and are affected by numerous factors beyond the Company's control. The fair value of the Company's marketable securities is also influenced by these factors and is therefore subject to market risk.

A change of plus or minus 5% in Canadian equity prices which would affect comprehensive income (loss) by approximately \$1,500 based on the fair value of marketable securities held at December 31, 2012.

d) Foreign exchange risk

The Company's financings are in Canadian dollars. Certain of the Company's transactions with its subsidiaries are incurred in foreign currencies and are therefore subject to gains or losses due to fluctuations in exchange rates.

As at December 31, 2012, the Company had cash balances of \$1,278,666 (US\$1,284,264) (December 31, 2011 - \$776,139 (US\$762,798)) in U.S. dollars and accounts payable of \$82,095 (S/.210,607) (December 31, 2011 - \$98,186 (S/.260,993)) in Peruvian Nuevo Soles.

Sensitivity to a plus or minus 5% change in the foreign exchange rate would have affected the net loss by approximately \$56,968 for the year ended December 31, 2012.

The Company does not undertake currency hedging activities to mitigate its foreign currency risk.

e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's cash balances earn interest at fixed rates over the next three to twelve months. It is management's opinion that the Company is not exposed to significant interest rate risk. The Company has no interest bearing debt.

A sensitivity analysis has determined that an interest rate fluctuation of 1% would not have resulted in significant fluctuation in the interest income during the year ended December 31, 2012.

f) Fair value of financial assets and liabilities

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

14. FINANCIAL RISK FACTORS (Continued)

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

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount	Fair Value	Carrying amount	Fair Value
	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011	As at December 31, 2011
	\$	\$	\$	\$
Cash	1,809,122	1,809,122	1,290,618	1,290,618
Marketable securities	30,000	30,000	36,000	36,000
Amounts receivable	31,978	31,978	644,123	644,123
Accounts payable and accrued liabilities	(273,272)	(273,272)	(232,996)	(232,996)

15. CAPITAL RISK MANAGEMENT

The Company defines capital as shareholders' equity which at December 31, 2012 was \$3,147,398 (2011 - \$3,369,496). The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support its exploration, development and operation activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at December 31, 2012 and 2011, the Company had no bank debt.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the years ended December 31, 2012 and 2011. The Company and its subsidiaries are not subject to externally imposed capital requirements.

16. COMMITMENTS AND CONTINGENCIES

Lease agreement

The Company signed a lease agreement for office space expiring on May 31, 2016. The annual lease payments are approximately \$135,000.

Management contracts

Effective January 1, 2012, the Company entered into certain management and consulting contracts. Minimum annual commitments under the agreements are approximately \$405,000. These contracts also require that additional payments of up to \$720,000 be made upon the occurrence of certain events such as a change of control.

Environmental matters

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

16. COMMITMENTS AND CONTINGENCIES (Continued)

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2012 and 2011, no amounts have been accrued related to such matters.

17. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 26.5% (2011 – 28.25%) were as follows:

	2012 \$	2011 \$
Loss before income taxes	<u>(4,972,078)</u>	<u>(7,929,295)</u>
Expected income tax recovery based on statutory rate	(1,318,000)	(2,240,000)
Adjustments to expected income tax benefit:		
Share-based payments	152,000	466,000
Expiry and use of non-capital losses	3,000	23,000
Change in tax rates	(294,000)	42,000
Effect of tax rates in foreign jurisdictions	(168,000)	(280,000)
Foreign exchange	(155,000)	(195,000)
Other	302,000	(100,375)
Tax benefits not recognized	1,238,000	2,290,000
Income tax (recovery) provision	<u>(240,000)</u>	<u>5,625</u>

b) Deferred Income Tax Balances

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

Recognized deferred tax liabilities

	2012 \$	2011 \$
Exploration and evaluation assets	<u>(181,300)</u>	<u>(421,300)</u>

Unrecognized deferred tax assets

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

	2012 \$	2011 \$
Non-capital loss carry-forwards	2,189,000	1,961,000
Capital losses	165,000	156,000
Share issue costs	128,000	122,000
Exploration and evaluation assets	7,827,000	6,256,000
Marketable securities	18,000	13,000
Other	51,000	46,000
	<u>10,378,000</u>	<u>8,554,000</u>

17. INCOME TAXES (Continued)

c) Tax Loss Carry-Forwards

As at December 31, 2012, the Company had resource pools of approximately \$12,000,000 in Canada and \$16,490,000 (S/. 42,272,000) in Peru, which under certain circumstances, may be utilized to reduce taxable income of future years. The Company has approximately \$6,617,700 of non-capital losses in Canada and approximately \$1,583,900 of non-capital losses in Peru, which can be used to reduce taxable income in future years. If not utilized, the non-capital losses in Canada and Peru will expire as follows:

Year of Expiry	Canada Amount \$	Peru Amount S./	Peru Amount \$
2013	-	254,200	99,200
2014	573,600	159,700	62,300
2015	568,900	226,600	89,400
2016	-	41,600	16,200
2026	505,600	-	-
2027	964,300	-	-
2028	742,300	-	-
2029	425,500	-	-
2030	892,400	-	-
2031	1,145,500	-	-
2032	799,600	-	-
	<u>6,617,700</u>	<u>682,100</u>	<u>266,100</u>

The Company also has non-capital losses of S/. 3,378,000 (\$1,317,800) in Peru that can be carried-forward indefinitely.

18. SUBSEQUENT EVENTS

In January 2013, 4,350,500 warrants expired with an outstanding value of \$205,043.

In March 2013, the Company issued 600,000 incentive stock options at an exercise price of \$0.10 expiring in March 2018.

In April 2013 the Company extended the expiry dates of outstanding share purchase warrants issued pursuant to the June 2012 private placement from June 2013 to December 2013.