

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD ENDED**

**MARCH 31, 2010**

**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 three-month period ended March 31, 2010.**

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

**INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2010**

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DURAN VENTURES INC.  
(A Development Stage Company)  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
AS AT MARCH 31, 2010 AND DECEMBER 31, 2009

	March 31, 2010	December 31, 2009
	\$ (Unaudited)	\$ (Audited)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	268,598	772,964
Prepaid expenses and advances	66,220	49,378
Amounts receivable (Note 5)	12,467	6,763
	<u>347,285</u>	<u>829,105</u>
<b>EXPLORATION PROPERTIES (Note 3)</b>	<u>8,625,901</u>	<u>8,118,265</u>
	<u><b>8,973,186</b></u>	<u><b>8,947,370</b></u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 5)	<u>133,082</u>	<u>117,672</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (Note 4(b))</b>	35,812,551	35,592,626
<b>WARRANTS (Note 4(d))</b>	634,176	664,101
<b>CONTRIBUTED SURPLUS (Note 4(f))</b>	3,812,639	3,752,639
<b>DEFICIT</b>	<u>(31,419,262)</u>	<u>(31,179,668)</u>
	<u><b>8,840,104</b></u>	<u><b>8,829,698</b></u>
	<u><b>8,973,186</b></u>	<u><b>8,947,370</b></u>
<b>ONGOING OPERATIONS (Note 1)</b>		
<b>COMMITMENTS (Note 3)</b>		
<b>CONTINGENT LIABILITIES (Note 8)</b>		

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2010 AND 2009  
(Unaudited - Prepared by Management)

	<b>Three-Months Ended March 31, 2010</b>	<b>Three-Months Ended March 31, 2009</b>
	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>		
Stock-based compensation (Note 4(c))	<b>60,000</b>	145,000
Management and consulting fees (Note 6)	<b>37,540</b>	39,783
Director fees	-	20,500
General and administrative	<b>22,715</b>	31,721
Advertising and public relations	<b>88,992</b>	33,372
Professional fees	<b>20,597</b>	12,148
Rent (Note 6)	<b>9,750</b>	7,500
Loss before the under-noted	<b>239,594</b>	290,024
Interest income	-	(22)
<b>NET LOSS FOR THE PERIOD</b>	<b>239,594</b>	290,002
<b>Loss per share – basic and diluted</b>	<b><u>0.003</u></b>	<b><u>0.005</u></b>
<b>Weighted average number of common shares outstanding</b>	<b><u>93,188,279</u></b>	<b><u>58,862,068</u></b>

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2010 AND 2009  
(Unaudited - Prepared by Management)

	<b>Three-Months Ended March 31, 2010</b>	<b>Three-Months Ended March 31, 2009</b>
	<b>\$</b>	<b>\$</b>
Net loss for the period	<b>(239,594)</b>	(290,002)
Other comprehensive loss	<u>-</u>	<u>-</u>
<b>COMPREHENSIVE LOSS</b>	<b><u>(239,594)</u></b>	<b><u>(290,002)</u></b>

**INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2010 AND 2009  
(Unaudited - Prepared by Management)

	Common Shares		Warrants		Contributed Surplus \$	Accumulated Other Comp. Income ("AOCI") \$	Deficit \$	Total Deficit And "AOCI" \$	Total Shareholders' Equity \$
	Shares #	Amount \$	Number #	Amount \$					
Balance, December 31, 2008	58,861,512	33,898,027	2,377,015	745,075	2,527,564	-	(29,972,555)	(29,972,555)	7,198,111
Issued for cash	30,672,500	1,469,694	30,672,500	680,400	-	-	-	-	2,150,094
Issued as finder's fee	1,202,600	100,856	-	-	-	-	-	-	100,856
Issued on property option agreement	50,000	5,000	-	-	-	-	-	-	5,000
Warrants exercised	1,015,000	119,049	(1,015,000)	(16,299)	-	-	-	-	102,750
Warrants expired	-	-	(2,377,015)	(745,075)	745,075	-	-	-	-
Stock-based compensation expense	-	-	-	-	480,000	-	-	-	480,000
Net loss	-	-	-	-	-	-	(1,207,113)	(1,207,113)	(1,207,113)
Balance, December 31, 2009	91,801,612	35,592,626	29,657,500	664,101	3,752,639	-	(31,179,668)	(31,179,668)	8,829,698
Warrants exercised	1,900,000	219,925	(1,900,000)	(29,925)	-	-	-	-	190,000
Warrants expired	-	-	-	-	-	-	-	-	-
Stock-based compensation expense	-	-	-	-	60,000	-	-	-	60,000
Net loss	-	-	-	-	-	-	(239,594)	(239,594)	(239,594)
Balance, March 31, 2010	93,701,612	35,812,551	27,757,500	634,176	3,812,639	-	(31,419,262)	(31,419,262)	8,840,104

See accompanying notes to the interim consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2010 AND 2009  
(Unaudited - Prepared by Management)

	<b>Three-Months Ended March 31, 2010 \$</b>	<b>Three-Months Ended March 31, 2009 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period from continuing operations	(239,594)	(290,002)
Add items not requiring cash:		
Stock-based compensation	60,000	145,000
Change in non-cash operating working capital:		
(Increase) decrease in prepaids and advances	(16,842)	6,899
(Increase) in amounts receivable	(5,704)	(5,987)
(Decrease) in accounts payable and accrued liabilities	(340)	(137,588)
Cash flows from operating activities	<u>(202,480)</u>	<u>(281,678)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration property expenditures	<u>(491,886)</u>	<u>(639,698)</u>
Cash flows from investing activities	<u>(491,886)</u>	<u>(639,698)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share subscriptions received	-	87,500
Exercise of warrants	<u>190,000</u>	-
Cash flows from financing activities	<u>190,000</u>	<u>87,500</u>
Decrease in cash	<b>(504,366)</b>	<b>(833,876)</b>
Cash, beginning of period	<u>772,964</u>	<u>1,010,090</u>
Cash, end of period	<u><u>268,598</u></u>	<u><u>176,214</u></u>
<b>SUPPLEMENTARY INFORMATION:</b>		
Interest paid	-	-
Taxes paid	-	-
Common shares issued for option on exploration property (Note 3(b))	-	5,000
Change in accrued exploration property expenditures	<b>15,750</b>	<b>(175,808)</b>

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2010 AND 2009**

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**1. BASIS OF PRESENTATION AND ONGOING OPERATIONS**

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

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These interim consolidated financial statements 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 March 31, 2010 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2010. 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, 2009 audited consolidated financial statements unless otherwise disclosed.



**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2010 AND 2009**

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**New Accounting Pronouncements**

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

**(i) Fair Value Hierarchy and Liquidity Risk Disclosure**

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 - Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value under Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of the new standard resulted in additional disclosures in the notes to the consolidated financial statements. At March 31, 2010, the Company's financial instruments that are carried at fair value, consisting of cash, have been classified as Level 1 within the fair value hierarchy.

**Future Accounting Changes**

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

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

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

**(ii) Section 1582 – Business Combinations**

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

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
AS AT MARCH 31, 2010 AND 2009

**3. EXPLORATION PROPERTIES**

	December 31, 2008 \$	Additions (Recoveries) \$	Write-off \$	December 31, 2009 \$	Additions (Recoveries) \$	March 31, 2010 \$
a) Peru						
Acquisition	330,000	16,425	-	346,425	-	346,425
Deferred exploration						
Expenditures	6,272,048	1,531,810	-	7,803,858	532,984	8,336,842
Recoveries	-	(32,018)	-	(32,018)	(25,348)	(57,366)
	<u>6,602,048</u>	<u>1,516,217</u>	<u>-</u>	<u>8,118,265</u>	<u>507,636</u>	<u>8,625,901</u>
b) Canada	-	-	-	-	-	-
Acquisition	213,302	30,000	(243,302)	-	-	-
Deferred exploration						
Expenditures	67,466	1,220	(68,686)	-	-	-
Recoveries	(20,000)	(3,360)	23,360	-	-	-
Option payments - received	(130,707)	-	130,707	-	-	-
	<u>130,061</u>	<u>27,860</u>	<u>(157,921)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,732,109</u>	<u>1,544,077</u>	<u>(157,921)</u>	<u>8,118,265</u>	<u>507,636</u>	<u>8,625,901</u>

(a) PERU:

The Company holds a 100% interest in the Aguila and Pasacancha Projects located in north central Peru (the "Peru Projects"). Title to the mineral properties in Peru is held by the Company's wholly owned subsidiary, Minera Aguila de Oro SAC. The Peru Projects include the El Halcon concession, the Pasacancha 1 concession, the KFC concession and twenty-four additional staked exploration claims.

**Corongo Property - Property Option**

In March 2009, the Company signed a Letter Agreement with Centurion Minerals Ltd. ("Centurion"), an arm's length corporation whereby the Company granted Centurion the right to earn up to a 60% interest in the ten concession Corongo property in Ancash, Peru. The Company received a non-refundable commitment fee of US\$25,000 (CDN\$32,018) due upon execution of the Letter Agreement as an advance towards Centurion's first year exploration expenditure commitment. In April 2009, Centurion notified the Company that it would not proceed with the Corongo Property Option. The Company applied the US\$25,000 non-refundable commitment fee as a recovery to Peru exploration properties and retains 100% control of the Corongo Properties, subject to the property option agreement with LeBoldus Capital Inc. ("LeBoldus") as described below.

In March 2010, the Company signed a property option agreement with LeBoldus, whereby LeBoldus can acquire a 50% interest in the Corongo Property. Under the terms of the agreement, LeBoldus may acquire a 50% interest by paying the Company \$25,000 USD (paid) on signing the agreement; incurring an aggregate amount of \$1,000,000 USD in exploration expenditures over two years; and issuing the Company an aggregate amount of 1,000,000 common shares by March 17, 2012, subject to regulatory approval. The Company will act as operator of the project and will receive a 10% management fee based on exploration expenditures.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
AS AT MARCH 31, 2010 AND 2009

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**3. EXPLORATION PROPERTIES (Continued)**

(a) PERU (Continued)

**Double Jack Lock-Up Agreement**

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

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

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

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

(b) CANADA:

**New Brunswick**

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2010 AND 2009**

**4. CAPITAL STOCK, COMMON SHARE OPTIONS AND WARRANTS**

**a) Authorized**

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

**b) Common Shares Issued**

	Shares #	Amount \$
Balance, December 31, 2008	58,861,512	33,898,027
Issued on property option agreement (Note 3(b))	50,000	5,000
Issued on exercise of warrants (i)	1,015,000	102,750
Value assigned to exercised warrants	-	16,299
Issued in private placements (net of share issue costs) (i)	30,672,500	2,150,094
Issued as finder's fee (i)	1,202,600	100,856
Value assigned to warrants issued in private placements, net of costs (Note 4(d))	-	(680,400)
Balance, December 31, 2009	91,801,612	35,592,626
Issued on exercise of warrants (ii)	1,900,000	190,000
Value assigned to exercised warrants	-	29,925
Balance, March 31, 2010	93,701,612	35,812,551

- (i) On April 29, 2009, the Company closed a private placement of 5,272,500 units at \$0.10 per unit for gross proceeds of \$527,250, of which 687,500 units for gross proceeds of \$68,750 were subscribed for by six directors, two senior officers, and two employees of the Company. Each unit consists of one common share, one half of one common share purchase warrant whereby one full warrant entitles the holder to obtain one common share of the Company for \$0.15 for a period of two years, and one half of one common share purchase warrant whereby one full warrant entitles the holder to obtain one common share of the Company for \$0.25 for a period of two years. In relation to this private placement, 398,000 common shares valued at \$43,780 were issued as finder's fees. The net proceeds were allocated \$334,470 to the common shares and \$149,000 to the share purchase warrants.

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2010 AND 2009**

**4. CAPITAL STOCK, COMMON SHARE OPTIONS AND WARRANTS**

**b) Common Shares Issued**

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

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

- (ii) During the three-month period ended March 31, 2010, 1,900,000 warrants issued in August 2009 were exercised at \$0.10 per warrant for proceeds of \$190,000 to the Company.

**c) Common Share Options and Stock-Based Compensation**

Under the Company stock option plan, the aggregate number of common stock options shall not exceed 10% of the issued and outstanding common shares of the Company, and if any option granted under the plan expires or terminates for any reason in accordance with the terms of the plan without being exercised, that option shall again be available for the purpose of the plan. In addition, the exercise price of options granted under the plan shall not be lower than the exercise price permitted by the TSX Venture Exchange, and all options granted under the plan will have a term not to exceed five years. Options vest over eighteen months and expire up to five years after issuance. A summary of changes in stock options during 2009 and the three-month period ended March 31, 2010 is as follows:

	Number of options #	Weighted average exercise price \$
Balance, December 31, 2008	4,464,500	0.69
Granted	4,310,000	0.14
Expired	(2,771,750)	0.49
Forfeited	(248,250)	0.34
Balance, December 31, 2009	5,754,500	0.39
Expired	(555,000)	0.74
Balance, March 31, 2010	<u>5,199,500</u>	0.36

As at March 31, 2010, the weighted average remaining contractual life of options outstanding was 3.12 years (2009 - 3.07 years).

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

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

During the three-month period ended March 31, 2010, 555,000 options expired unexercised.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2010 AND 2009**

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

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

As at March 31, 2010, the following options granted to directors, officers, employees, and key consultants of the Company remain outstanding:

Date of Grant	Options Granted #	Options Outstanding #	Options Vested #	Exercise Price \$	Expiry Date
September 5, 2007	927,500	490,000	490,000	1.00	September 5, 2010
September 28, 2007	162,500	50,000	50,000	1.02	September 28, 2010
December 28, 2007	87,500	62,500	62,500	1.20	December 28, 2010
December 31, 2007	50,000	50,000	50,000	1.50	December 31, 2010
April 4, 2008	500,000	240,000	240,000	1.04	April 4, 2011
June 9, 2008	464,000	397,000	397,000	1.00	June 9, 2011
January 16, 2009	1,200,000	800,000	640,000	0.25	January 16, 2012
September 1, 2009	3,110,000	3,110,000	1,555,000	0.10	September 1, 2014
	<u>6,501,500</u>	<u>5,199,500</u>	<u>3,484,500</u>		

As at March 31, 2010, the weighted average exercise price of exercisable options was \$0.36.

The weighted average grant date fair value of the options granted during the three-month period ended March 31, 2010 was N/A (2009 - \$0.08). The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of N/A (2009 - 0%); expected volatility of N/A (2009 - 103%); risk-free interest rate of N/A (2009 - 1.16%); and an expected life of N/A (2009 - 4.4 years). Stock-based compensation is amortized using the straight-line method over the 18-month vesting period with the related credit included in contributed surplus.

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

See Subsequent Events.

**d) Warrants**

A summary of changes in warrants during the three-month period ended 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)(i))	30,672,500	739,000	0.13
Issue costs	-	(58,600)	-
Expired	(2,377,015)	(745,075)	1.47
Exercised (Note 4(b)(ii))	(1,015,000)	(16,299)	0.10
Balance, December 31, 2009	29,657,500	664,101	0.14
Exercised (Note 4(b)(ii))	(1,900,000)	(29,925)	0.10
Balance, March 31, 2010	<u>27,757,500</u>	<u>634,176</u>	0.14

As at March 31, 2010, the weighted average remaining contractual life of warrants outstanding was 1.19 years (2009 - 1.45 years).

Continued...

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. CAPITAL STOCK, COMMON SHARE OPTIONS AND WARRANTS (Continued)**

**d) Warrants (Continued)**

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

As a result of the \$1,000,000 private placement in August 2009, the Company issued 20,000,000 common share purchase warrants at a price of \$0.10 until August 2011. These warrants have a force exercise provision whereby the warrants will expire 30 days after a news release announcing the earlier expiry date if the closing price of the common shares is \$0.15 or higher for ten consecutive trading days. The fair value of these warrants issued in this private placement was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted assumptions: expected dividend yield of 0%; expected volatility of 126%; risk-free interest rate of 1.33% and an expected life of two years. See Subsequent Events.

As a result of the \$750,000 private placement in December 2009, the Company issued 5,000,000 common share purchase warrants at a price of \$0.20 until December 2010. These warrants have a force exercise provision whereby the warrants will expire 30 days after a news release announcing the earlier expiry date if the closing price of the common shares is \$0.30 or higher for ten consecutive trading days. The fair value of these warrants issued in this private placement was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted assumptions: expected dividend yield of 0%; expected volatility of 114%; risk-free interest rate of 1.22% and an expected life of one year.

As a result of the \$60,000 private placement in December 2009, the Company issued 400,000 common share purchase warrants at a price of \$0.20 until December 2010. The fair value of these warrants issued in this private placement was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 114%; risk-free interest rate of 1.30% and an expected life of one year.

The weighted average grant date fair value of the warrants granted during the three-month period ended March 31, 2010 was N/A (2009 - \$0.02).

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

**d) Warrants (Continued)**

As at March 31, 2010, the following warrants remain outstanding:

Date Issued	Warrants Issued #	Warrants Outstanding #	Exercise Price \$	Expiry Date
April 17, 2009	2,183,750	2,158,750	0.15	April 17, 2011
April 17, 2009	2,183,750	2,183,750	0.25	April 17, 2011
April 29, 2009	452,500	452,500	0.15	April 29, 2011
April 29, 2009	452,500	452,500	0.25	April 29, 2011
August 5, 2009	4,564,800	3,124,800	0.10	August 5, 2011**
August 26, 2009	15,435,200	13,985,200	0.10	August 26, 2011**
November 13, 2009*	1,700,000	1,700,000	0.20	November 13, 2010
December 2, 2009	3,300,000	3,300,000	0.20	December 2, 2010
December 18, 2009	400,000	400,000	0.20	December 18, 2010
	<u>30,672,500</u>	<u>27,757,500</u>		

\*Issued as the first tranche of the \$750,000 private placement that closed on December 2, 2009.

\*\*See Subsequent Events

**e) Escrow Shares**

As at March 31, 2010, there were 348,133 common shares issued to a former officer and director of the Company, which are held in escrow subject to the direction or determination of certain regulatory authorities.

**f) Contributed Surplus**

	March 31, 2010 \$	December 31, 2009 \$
Balance, beginning of the period	3,752,639	2,527,564
Value of stock options exercised	-	-
Stock-based compensation expense	60,000	480,000
Warrants expired (Note 4(d))	-	745,075
Balance, end of the period	<u>3,812,639</u>	<u>3,752,639</u>

Contributed surplus was increased by \$60,000 for the three-month period ended March 31, 2010 to reflect the stock-based compensation expense for the vesting of stock options during the period.

**5. RELATED PARTY TRANSACTIONS**

During the three-month period ended March 31, 2010, management, director and consulting fees of \$37,540 (2009 - \$29,158) and office rent of \$Nil (2009 - \$7,500) were paid to officers and directors or companies controlled by them. Included in amounts receivable as at March 31, 2010 was \$594 (2009 - \$Nil) owing from these related parties. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

During the three-month period ended March 31, 2010, the Company incurred \$30,000 (2009 - \$27,000) 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 March 31, 2010 is \$Nil (2009 - \$35,838) owing to these related parties. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

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

See Notes 4(b)(i).

Continued...



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**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 three-month period ended March 31, 2010. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

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

**Risk Management**

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

**Capital Risk**

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

**Liquidity Risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's current assets at March 31, 2010 were \$347,285 (2009 - \$273,229), consisting of cash of \$268,598 (2009 - \$176,214), amounts receivable of \$12,467 (2009 - \$89,460) and prepaids and advances of \$66,220 (2009 - \$7,555). Management believes that it has sufficient funds to meet its current liabilities as they become due.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
AS AT MARCH 31, 2010 AND 2009

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**7. FINANCIAL RISK FACTORS** (Continued)

**Market Risk**

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

**Foreign Exchange Risk**

The Company's financings are in Canadian dollars. Certain of the Company's expenses are incurred in foreign currencies and are therefore subject to gains or losses due to fluctuations in exchange rates. As at March 31, 2010, the Company had cash balances of \$191,925 (2009 - \$20,592) in US currency (CDN\$194,957 (2009 - CDN\$25,972)) and accounts payable of S./200,577 (2009 - S./347,467) in Peruvian Nuevo Soles (CDN\$70,977 (2009 - CDN\$141,032)).

**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.

**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.

**8. CONTINGENT LIABILITIES**

**Statement of Claim**

In April 2009, the Company received a statement of claim from a former officer of the Company claiming wrongful termination. The Company considers the claim to be without merit and intends to defend against it. The claim has been filed with the Company's insurers and has been accepted by them for defence under the policy subject to a \$25,000 deductible. As at March 31, 2010, the Company has incurred \$14,409 and has accrued \$7,200 in expenses relating to this claim.

**Environmental Contingencies**

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

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**9. SUBSEQUENT EVENTS**

**a) Warrants**

On May 17, 2010, the Company accelerated the expiration date of the warrants issued in the August 2009 private placement from August 2011 to June 16, 2010. The right to accelerate the expiration date was triggered when the trading price of the Company's common shares was equal to or greater than \$0.15 for 10 consecutive trading days.

Subsequent to March 31, 2010, 3,490,000 warrants were exercised for gross proceeds of \$349,000.

**b) Double Jack Lock-Up Agreement**

The Company is required to complete exploration expenditures of US\$100,000 on the Panteria Property by May 31, 2010. As of May 24, 2010 the Company has completed US\$126,640 in exploration expenditures on the property.

See Note 3(a).

**c) Options**

On May 27, 2010, the Company granted 250,000 stock options to a director and consultants at an exercise price of \$0.11 per share, expiring on May 27, 2015. The grant is subject to regulatory approval.