TINKA RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2013 AND 2012

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Tinka Resources Limited

We have audited the accompanying consolidated financial statements of Tinka Resources Limited, which comprise the consolidated statements of financial position as at September 30, 2013 and September 30, 2012, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended September 30, 2013 and September 30, 2012, 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 in our audits 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 Tinka Resources Limited as at September 30, 2013 and September 30, 2012, and its financial performance and its cash flows for the years ended September 30, 2013 and September 30, 2012 in accordance with International Financial Reporting Standards.

"D&H Group LLP"

Vancouver, B.C.
January 14, 2014

Chartered Accountants

D+H Group LLP Chartered Accountants
10th Floor, 1333 West Broadway
Vancouver, British Columbia
Canada V6H 4C1
Telephone: 604 731 5881
Facsimile: 604 731 9923
Email: info@dhgroup.ca
www.DHgroup.ca
A B.C. Limited Liability Partnership of Corporations

Member of BHD™ an Association of Independent Accounting Firms Located Across Canada and Internationally

TINKA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	September 30, 2013 $	September 30, 2012 $
ASSETS			
Current assets			
Cash		1,653,410	2,220,006
GST / HST receivable		5,510	10,535
Amounts receivable		2,765	985
Prepaid expenses		33,978	27,272
Total current assets		1,695,663	2,258,798
Non-current assets			
Property, plant and equipment	4	68,884	65,958
Exploration and evaluation assets	5	10,103,010	5,469,838
Deferred share issue costs	12(i)	750	-
Total non-current assets		10,172,644	5,535,796
TOTAL ASSETS		11,868,307	7,794,594
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	255,031	123,650
TOTAL LIABILITIES		255,031	123,650
SHAREHOLDERS' EQUITY			
Share capital	6	21,843,670	16,609,518
Share-based payments reserve	6	3,275,237	2,153,851
Share subscriptions received	12(i)	242,240	-
Deficit		(13,747,871)	(11,092,425)
TOTAL SHAREHOLDERS' EQUITY		11,613,276	7,670,944
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11,868,307	7,794,594

Events after Reporting Period (Note 12)

These consolidated financial statements were approved for issue by the Board of Directors on January 14, 2014 and are signed on its behalf by:

*/s/ **Andrew Carter***
Andrew Carter
Director

*/s/ **Nick DeMare***
Nick DeMare
Director

The accompanying notes are an integral part of these consolidated financial statements.

TINKA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended September 30 2013 $	2012 $ (Note 3)
Expenses			
Accounting and administration	7	44,027	35,174
Audit		34,924	31,956
Corporate development		81,119	70,406
Depreciation		977	1,541
General exploration		11,326	51,290
Investment conferences		14,104	16,879
Investor relations		59,500	68,000
Legal		51,977	21,705
Management fees	7	120,000	96,000
Office		90,351	58,335
Professional fees	7	144,511	28,408
Regulatory		15,776	12,746
Rent	7	42,402	42,289
Salaries, wages and benefits		284,775	182,312
Shareholder costs		25,262	9,253
Share-based compensation	6(d), 7	1,422,755	1,121,057
Transfer agent		10,985	9,221
Travel and related		146,827	49,343
		2,601,598	1,905,915
Loss before other items		(2,601,598)	(1,905,915)
Other items			
Interest income		16,837	23,037
Foreign exchange loss		(83,480)	(78,555)
Gain on disposal of property, plant and equipment		12,795	-
Impairment of exploration and evaluation assets	5	-	(733,903)
		(53,848)	(789,421)
Net loss and comprehensive loss for the year		(2,655,446)	(2,695,336)
Loss per share - basic and diluted		$(0.04)	$(0.04)
Weighted average number of common shares outstanding - basic and diluted		75,112,958	68,148,033

The accompanying notes are an integral part of these consolidated financial statements.

TINKA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Year Ended September 30, 2013					
	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Share Subscriptions Received $	Deficit $	Total Equity $
Balance at September 30, 2012	70,422,899	16,609,518	2,153,851	-	(11,092,425)	7,670,944
Common shares issued for cash:					-	
- private placements	6,030,265	4,825,725	-	-	-	4,825,725
- exercise of share options	1,635,000	430,400	-	-	-	430,400
- exercise of warrants	28,500	28,500	-	-	-	28,500
Share issue costs	-	(453,798)	101,956	-	-	(351,842)
Share-based compensation	-	-	1,422,755	-	-	1,422,755
Transfer on exercise of share options	-	403,325	(403,325)	-	-	-
Share subscriptions received	-	-	-	242,240	-	242,240
Net loss	-	-	-	-	(2,655,446)	(2,655,446)
Balance at September 30, 2013	78,116,664	21,843,670	3,275,237	242,240	(13,747,871)	11,613,276

	Year Ended September 30, 2012				
	Share Capital				
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Total Equity $
Balance at September 30, 2011	66,010,511	14,836,393	1,234,833	(8,397,089)	7,674,137
Common shares issued for cash:					
- exercise of share options	1,450,000	176,500	-	-	176,500
- exercise of warrants	2,385,000	1,192,500	-	-	1,192,500
- exercise of agent's options units	577,388	202,086	-	-	202,086
Share-based compensation	-	-	1,121,057	-	1,121,057
Transfer on exercise of share options	-	129,637	(129,637)	-	-
Transfer on exercise of agent's options units	-	72,402	(72,402)	-	-
Net loss	-	-	-	(2,695,336)	(2,695,336)
Balance at September 30, 2012	70,422,899	16,609,518	2,153,851	(11,092,425)	7,670,944

The accompanying notes are an integral part of these consolidated financial statements.

TINKA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended September 30,	
	2013 $	2012 $
Operating activities		
Net loss for the year	(2,655,446)	(2,695,336)
Adjustments for:		
Depreciation	977	1,541
Share-based compensation	1,422,755	1,121,057
Impairment of exploration and evaluation assets	-	733,903
Gain on disposal of property, plant and equipment	(12,795)	-
	(1,244,509)	(838,835)
Changes in non-cash working capital items:		
Decrease in GST/HST receivable	5,025	24,236
Decrease (increase) in amounts receivable	(1,780)	5,270
Decrease (increase) in prepaid expenses	(6,706)	18,339
Increase in accounts payable and accrued liabilities	27,463	5,249
	24,002	53,094
Net cash used in operating activities	(1,220,507)	(785,741)
Investing activities		
Exploration and evaluation assets expenditures	(4,499,571)	(3,019,035)
Property, plant and equipment additions	(33,586)	(22,111)
Proceeds from disposal of property, plant and equipment	12,795	-
Net cash used in investing activities	(4,520,362)	(3,041,146)
Financing activities		
Issuance of common shares	5,284,625	1,571,086
Share issue costs	(352,592)	-
Share subscriptions received	242,240	-
Net cash generated from financing activities	5,174,273	1,571,086
Net change in cash	(566,596)	(2,255,801)
Cash at beginning of year	2,220,006	4,475,807
Cash at end of year	1,653,410	2,220,006

Supplemental cash flow information - See Note 11

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Operations

Tinka Resources Limited (the "Company") was incorporated on September 15, 1987 under the provisions of the Company Act (British Columbia). The Company is listed and traded on the TSX Venture Exchange ("TSXV") under the symbol "TK". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7 Canada.

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of precious and base metals on mineral properties located in Peru. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Mineral resource interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

As at September 30, 2013 the Company had cash of $1,653,410 and working capital in the amount of $1,440,632. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production. To date the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Management considers that the Company has sufficient financial resources to maintain its core operations and existing mineral resource interests for the next twelve months. The Company will require additional equity financing to continue significant exploration and drilling activities. In addition, the Company recognizes that exploration expenditures may change with ongoing results. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. The consolidated financial statements do not reflect any adjustments related to conditions that occurred subsequent to September 30, 2013.

See also Note 12.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of Measurement

The Company's consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

As at September 30, 2013 and 2012 the Company had one wholly-owned subsidiary,Tinka Resources S.A.C. (Peru), located in Peru.

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary company, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Management has determined that there were no triggering events present as defined in IFRS 6 with the Company's exploration and evaluation assets as at September 30, 2013 and as such, no impairment test was performed.

At September 30, 2012 management has determined impairment indicators were present in respect of the Tibillos Project and certain other exploration and evaluation assets and as a result an impairment test was performed. See also Note 5.

(iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

(iv) Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

3. Summary of Significant Accounting Policies (continued)

(i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

(ii) The assessment of any impairment of evaluation and exploration assets, and property, plant and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. In fiscal 2012, as a result of this assessment, management carried out an impairment test on the Company's Tibillos property and an impairment charge of $733,903 was made.

Cash and Cash Equivalents

Cash includes cash in bank and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. At September 30, 2013 and 2012, the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivable. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and, accordingly, follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

3. Summary of Significant Accounting Policies (continued)

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

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 first tested for impairment and then reclassified to mining property and development assets.

The Company also accounts for foreign value added taxes as part of deferred costs. The recovery of these taxes will commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a reduction in the carrying costs of exploration and evaluation assets.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of between 20% and 25% for office furniture and equipment and vehicles.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant

Impairment of Assets

At each financial position reporting date, the carrying amounts of the Company's 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. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's 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 or cash generating unit 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 profit or loss for the period.

3. Summary of Significant Accounting Policies (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, 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 profit or loss.

Decommissioning Provision

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 interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. 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. As at September 30, 2013 and 2012 the Company does not have any decommissioning obligations.

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash is classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At September 30, 2013 the Company has not classified any financial assets as available-for-sale.

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

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Account payables and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At September 30, 2013 the Company has not classified any financial liabilities as fair value through profit or loss.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

3. Summary of Significant Accounting Policies (continued)

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. 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.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. Expected volatility is based on available historical volatility of the Company's share price. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

The tax expense comprises current and deferred tax. Tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

3. Summary of Significant Accounting Policies (continued)

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss Per Share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of the Company's subsidiary are prepared in the local currency of its home jurisdiction. Consolidation of the subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. The subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

Accounting Standards and Interpretations Issued but Not Yet Adopted

As at the date of these consolidated financial statements, the following standards, amendments and interpretations have not been applied in these consolidated financial statements:

(i) IFRS 9 *Financial Instruments* (New; to replace IAS 39); effective for annual periods beginning on or after January 1, 2015.

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

(ii) IFRS 10 *Consolidated Financial Statements*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidated - Special Purpose Entities*.

(iii) IFRS 11 *Joint Arrangements*; effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes the current IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*.

(iv) IFRS 12 *Disclosure of Interest in Other Entities*; effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

(v) IFRS 13 *Fair Value Measurements*; to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 13 defines fair value, sets out in a single IFRS, a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

4. Property, Plant and Equipment

Cost:	**Office Furniture and Equipment $**	**Vehicles $**	**Total $**
Balance at September 30, 2011	44,055	111,903	155,958
Additions	21,264	847	22,111
Balance at September 30, 2012	65,319	112,750	178,069
Additions	4,922	28,664	33,586
Disposals	-	(51,590)	(51,590)
Balance at September 30, 2013	70,241	89,824	160,065
Accumulated Depreciation:			
Balance at September 30, 2011	(27,216)	(59,061)	(86,277)
Depreciation	(10,650)	(15,184)	(25,834)
Balance at September 30, 2012	(37,866)	(74,245)	(112,111)
Depreciation	(8,204)	(22,456)	(30,660)
Disposals	-	51,590	51,590
Balance at September 30, 2013	(46,070)	(45,111)	(91,181)
Carrying Value:			
Balance at September 30, 2012	27,453	38,505	65,958
Balance at September 30, 2013	24,171	44,713	68,884

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

	As at September 30, 2013			As at September 30, 2012			
	Acquisition Costs $	Deferred Exploration Costs $	Total $	Acquisition Costs $	Deferred Exploration Costs $	Impairment $	Total $
Colquipucro	207,167	5,564,170	5,771,337	170,491	4,142,300	-	4,312,791
Ayawilca	23,984	3,064,414	3,088,398	-	407,939	-	407,939
Tibillos	-	-	-	73,442	660,461	(733,903)	-
Other	-	1,243,275	1,243,275	-	749,108	-	749,108
	231,151	9,871,859	10,103,010	243,933	5,959,808	(733,903)	5,469,838

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

	Peru				
	Colquipucro $	Ayawilca $	Tibillos $	Other $	Total $
Balance at September 30, 2011	2,393,802	-	259,783	446,704	3,100,289
Exploration costs					
Assays	69,248	7,966	4,605	-	81,819
Camp costs	85,452	25,828	16,718	-	127,998
Community relations	62,858	9,933	2,312	-	75,103
Consulting	18,056	950	19,676	-	38,682
Depreciation of property, plant and equipment	19,912	4,381	-	-	24,293
Drilling	551,508	176,321	212,689	-	940,518
Exploration site	164,469	37,421	38,386	-	240,276
Field equipment	108,271	8,011	26,151	-	142,433
Fuel	101,309	9,065	12,778	-	123,152
Geological	165,863	39,903	32,751	-	238,517
Geophysics	7,032	-	-	-	7,032
Salaries	383,990	48,310	44,485	-	476,785
Transportation	100,953	39,850	34,249	-	175,052
Travel	15,196	-	9,320	-	24,516
VAT	-	-	-	302,404	302,404
	1,854,117	407,939	454,120	302,404	3,018,580
Acquisition costs					
Surface right payments	64,872	-	20,000	-	84,872
Impairment	-	-	(733,903)	-	(733,903)
Balance at September 30, 2012	4,312,791	407,939	-	749,108	5,469,838
Exploration costs					
Assays	47,206	137,652	-	-	184,858
Camp costs	64,254	170,901	-	-	235,155
Community relations	55,725	61,853	-	-	117,578
Consulting	4,331	11,305	-	-	15,636
Depreciation of property, plant and equipment	10,349	19,334	-	-	29,683
Drilling	522,871	991,882	-	-	1,514,753
Exploration site	71,960	152,193	-	-	224,153
Field equipment	93,254	128,754	-	-	222,008
Fuel	37,864	181,793	-	-	219,657
Geological	116,477	234,788	-	-	351,265
Salaries	366,124	235,423	-	-	601,547
Transportation	25,112	327,006	-	-	352,118
Travel	6,343	3,591	-	-	9,934
VAT	-	-	-	494,167	494,167
	1,421,870	2,656,475	-	494,167	4,572,512
Acquisition costs					
Surface right payments	36,676	23,984	-	-	60,660
Balance at September 30, 2013	5,771,337	3,088,398	-	1,243,275	10,103,010

Colquipucro and Ayawilca Projects

On May 27, 2004 the Company entered into an agreement (the "Sierra Alliance Agreement") with Sierra Peru Pty Ltd. ("Sierra") pursuant to which the Company staked a number of prospects in Peru. As at September 30, 2013 the Colquipucro and Ayawilca projects comprise a total of 46 contiguous mineral claims in the Province of Daniel Alcides Carrion, Peru.

5. Exploration and Evaluation Assets (continued)

Under the terms of the Sierra Alliance Agreement the Company will be required to issue 500,000 common shares to Sierra in the event that a positive feasibility study is prepared on either of the Colquipucro or Ayawilco projects. Sierra also retains a right to a 1% net smelter return royalty ("NSR") from any production from the Colquipucro and Ayawilco projects. The NSR can be purchased at any time for US $1,000,000.

Tibillos Project

On March 8, 2010 the Company entered into an option agreement to purchase up to a 100% interest in the Anita de Tibillos project ("Tibillos Project") located south of Lima, Peru. The Company had the right to acquire an initial 75% interest in the Tibillos Project by making cash payments totalling US $600,000 over a period of five years. Upon earning the 75% interest the Company had the right to purchase the remaining 25% interest in the Tibillos Project by making cash payments of US $500,000 over a further five year period. The Company also staked concessions surrounding the Tibillos Project.

During fiscal 2012 the Company determined to terminate the option agreement and, accordingly, an impairment charge of $733,903 was made to acquisition and exploration costs.

Other

Expenditures incurred by the Company in Peru are subject to Peruvian Value Added Tax ("VAT"). The VAT is included in exploration and evaluation assets as incurred. The VAT is not currently refundable to the Company but can be used in the future to offset amounts due to Peruvian taxation authorities by the Company resulting from VAT charged on future sales

6. Share Capital

(a) *Authorized Share Capital*

As at September 30, 2013 the Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Reconciliation of Changes in Share Capital*

During fiscal 2013 the Company completed private placement financings as follows:

(i) 3,000,000 units at $0.75 per unit for gross proceeds of $2,250,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of $1.00 per common share expiring December 21, 2013.

The Company paid the agent a commission of $146,850 cash and issued 235,000 compensation options. The compensation options entitles the agent to purchase 235,000 units at an exercise price of $0.75 per unit, expiring December 21, 2013. The exercise price and term of the underlying warrants to the units issuable upon the exercise of the compensation options are the same as the warrants issued under the private placement. The $48,500 fair value assigned to the compensation options has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 1.04%; expected volatility of 69.40%; an expected life of one year; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The 235,000 compensation options remained outstanding at September 30, 2013.

The Company incurred $17,170 for legal and filing costs; and

(Expressed in Canadian Dollars)

6. Share Capital (continued)

(ii) 3,030,265 units at a price of $0.85 per unit for gross proceeds of $2,575,725. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of $1.25 per common share expiring November 14, 2014.

The Company paid the agent a commission of $165,538 cash and issued 194,750 compensation options. The compensation options entitles the agent to purchase 194,750 units at an exercise price of $0.85 per unit, expiring November 14, 2014. The exercise price and term of the underlying warrants to the units issuable upon the exercise of the compensation options are the same as the warrants issued under the private placement. In addition, the Company paid a finder a cash commission of $6,375 and issued 7,500 finder warrants, each finder warrant having the same term and conditions as the warrants issued under the private placement. The fair values of the compensation options and finder's warrants have been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.95%; expected volatility of 65.26%; an expected life of eighteen months; a dividend yield of 0%; and an expected forfeiture rate of 0%. The values assigned to the compensation options and finder's warrants were $52,224 and $1,232 respectively.

The 194,750 compensation options remained outstanding at September 30, 2013.

The Company incurred filing and legal fees of $15,909 for the private placement.

During fiscal 2012 no equity financings were completed by the Company.

See also Note 12.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at September 30, 2013 and 2012 and the changes for the years ended on those dates is as follows:

	2013		2012	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of year	-	-	7,950,000	0.50
Granted	3,022,633	1.13	577,388	0.50
Exercised	(28,500)	1.00	(2,385,000)	0.50
Expired	-	-	(6,142,388)	-
Balance, end of year	2,994,133	1.13	-	-

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at September 30, 2013:

Number	Exercise Price $	Expiry Date
1,471,500	1.00	December 21, 2013
1,522,633	1.25	November 14, 2014
2,994,133		

(Expressed in Canadian Dollars)

6. Share Capital (continued)

The weighted average market share price on warrants exercised during fiscal 2013 was $1.03 (2012 - $0.54) per share.

The weighted average remaining contractual life of the outstanding warrants at September 30, 2013 was 0.68 years.

See also Note 12.

(d) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of five years.

During fiscal 2013 the Company granted share options to purchase 3,040,000 (2012 - 3,280,000) common shares and recorded compensation expense of $1,383,172 (2012 - $1,121,057). In addition the Company also recorded share-based compensation of $39,583 (2012 - $nil) on the vesting of share options which were previously granted.

The fair value of share options granted and vested during fiscal 2013 and 2012 is estimated using the Black-Scholes option pricing model using the following assumptions:

	2013	2012
Risk-free interest rate	0.97% - 1.31%	0.98% - 1.42%
Estimated volatility	48.96% - 95.23%	82.06% - 133.47%
Expected life	0.5 years - 3 years	3 years
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

The weighted average fair value of all share options granted and vested, using the Black-Scholes option pricing model, during fiscal 2013 was $0.50 (2012 - $0.36) per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at September 30, 2013 and 2012 and the changes for the years ended on those dates, is as follows:

	2013		2012	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of year	5,080,000	0.43	3,250,000	0.21
Granted	3,040,000	1.01	3,280,000	0.51
Exercised	(1,635,000)	0.26	(1,450,000)	0.12
Forfeited	(300,000)	1.02	-	-
Balance, end of year	6,185,000	0.73	5,080,000	0.43

(Expressed in Canadian Dollars)

6. Share Capital (continued)

The following table summarizes information about the share options outstanding and exercisable at September 30, 2013:

Number Outstanding	Number Exercisable	Exercise Price $	Expiry Date
100,000	100,000	1.02	December 31, 2013
80,000	80,000	0.27	January 28, 2014
510,000	510,000	0.45	March 3, 2014
1,170,000	1,170,000	0.55	January 26, 2015
1,555,000	1,555,000	0.50	August 3, 2015
30,000	30,000	0.50	September 20, 2015
100,000	100,000	0.58	September 28, 2015
20,000	20,000	0.72	November 23, 2015
2,120,000	2,120,000	1.00	January 11, 2016
400,000	400,000	1.10	January 11, 2016
100,000	50,000	1.02	February 1, 2016
6,185,000	6,135,000		

The weighted average market share price on share options exercised during fiscal 2013 was $0.99 (2012 - $0.43) per share.

The weighted average remaining contractual life of the outstanding share options at September 30 2013 is 1.77 (2012 - 1.89) years.

See also Note 12.

7. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During fiscal 2013 and 2012 the following amounts were incurred with respect to the Company's Chief Executive Officer ("CEO"), Vice-President of Exploration ("VPE") and Chief Financial Officer ("CFO"):

	2013 $	2012 $
Management fees - CEO	120,000	96,000
Professional fees - CFO	15,000	6,000
Professional fees - VPE	81,000	-
Share-based compensation - CEO	265,771	260,789
Share-based compensation - CFO	212,617	165,703
Share-based compensation - VPE	186,040	-
	880,428	528,492

The Company has expensed $41,600 (2012 - $6,000) professional fees to operations and capitalized $54,400 (2012 - $nil) professional fees to exploration and evaluation assets.

(Expressed in Canadian Dollars)

7. **Related Party Disclosures** (continued)

As at September 30, 2013, $10,500 (2012 - $8,500) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

(i) During fiscal 2013 and 2012 the following amounts were incurred with respect to other officers and directors:

	2013 $	2012 $
Professional fees - directors	21,000	12,000
Share-based compensation - directors	310,278	256,141
Share-based compensation - Corporate Secretary	93,020	86,103
	424,298	354,244

As at September 30, 2013, $8,000 (2012 - $500) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During fiscal 2013 the Company incurred a total of $34,800 (2012 - $28,500) with Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administrative services provided by Chase personnel, excluding the CFO, and $4,345 (2012 - $4,800) for rent. As at September 30, 2013, $2,270 (2012 - $5,400) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) The Company shares personnel, office and other costs with public companies with certain common directors. During fiscal 2013 the Company recorded $16,426 (2012 - $2,639) expenses with the public companies. As at September 30, 2013, $675 (2012 - $1,190) remained unpaid and has been included in accounts payable and accrued liabilities.

8. **Income Taxes**

The income tax effects of temporary differences and unused tax losses that give rise to significant components of deferred income tax assets and liabilities are as follows:

	2013 $	2012 $
Deferred income tax assets (liabilities):		
Losses available for future periods	3,592,600	1,951,400
Tax basis of property, plant and equipment in excess of net book value	4,800	4,300
Net book value of exploration and evaluation assets in excess of tax basis	(2,494,900)	(1,247,600)
Other	111,300	57,300
	1,213,800	765,400
Valuation allowance for deferred income tax assets	(1,213,800)	(765,400)
	-	-

(Expressed in Canadian Dollars)

8. Income Taxes (continued)

The recovery of income taxes shown in the statements of comprehensive loss and deficit differ from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2013 $	2012 $
Income tax rate reconciliation		
Combined federal and provincial income tax rate	25.00%	25.375%
Expected income tax recovery	(663,100)	(683,900)
Permanent differences	318,300	299,600
Effect of income tax rate changes	22,900	58,400
Effect of different income tax rates in Peru and Canada	15,000	1,900
Change in valuation allowance	306,900	324,000
	-	-

As at September 30, 2013 the Company has non-capital losses of approximately $4,099,900 (2012 - $3,228,100) and tax pools of approximately $983,700 (2012 - $248,700) carried forward for Canadian income tax purposes and are available to reduce Canadian taxable income in future years. The non-capital losses expire commencing 2014 through 2033. The tax pools can be carried forward indefinitely.

The Company also has non-capital losses of approximately $8,422,100 (2012 - $3,815,000) for Peruvian income tax purposes, which are available for application against future taxable income. These non-capital losses expire commencing December 31, 2013 through December 31, 2018.

Future income tax benefits which may arise as a result of these losses have not been recognized in the financial statements as their realization is unlikely.

9. Segmented Information

Substantially all of the Company's operations are in one industry, the exploration for precious metals. Management reviews the financial results according to expenditures by property. As at September 30, 2013 the Company's mineral properties are located in Peru and its corporate assets are located in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results.

	As at September 30, 2013		
	Corporate Canada $	Mineral Operations Peru $	Total $
Current assets	1,591,417	104,246	1,695,663
Exploration and evaluation assets	-	10,103,010	10,103,010
Property, plant and equipment	2,713	66,171	68,884
Deferred share issued costs	750	-	750
	1,594,880	10,273,427	11,868,307

(Expressed in Canadian Dollars)

9. **Segmented Information** (continued)

	As at September 30, 2012		
	Corporate Canada $	Mineral Operations Peru $	Total $
Current assets	2,020,452	238,346	2,258,798
Exploration and evaluation assets	-	5,469,838	5,469,838
Property, plant and equipment	2,435	63,523	65,958
	2,022,887	5,771,707	7,794,594

10. **Financial Instruments and Risk Management**

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following four categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; and available-for-sale. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	September 30, 2013 $	September 30, 2012 $
Cash	FVTPL	1,653,410	2,220,006
Amounts receivable	Loans and receivables	2,765	985
Accounts payable and accrued liabilities	Other liabilities	(255,031)	(123,650)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash, amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's fair value of cash under the fair value hierarchy is measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote.

10. Financial Instruments and Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at September 30, 2013				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	1,653,410	-	-	-	1,653,410
Amounts receivable	2,765	-	-	-	2,765
Accounts payable and accrued liabilities	(255,031)	-	-	-	(255,031)

	Contractual Maturity Analysis at September 30, 2012				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	2,220,006	-	-	-	2,220,006
Amounts receivable	985	-	-	-	985
Accounts payable and accrued liabilities	(123,650)	-	-	-	(123,650)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bear floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company has operations in Canada and Peru which are subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian Dollars and Peruvian Nuevo Soles and the fluctuation of the Canadian dollar in relation to other currencies will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At September 30, 2013, 1 Canadian Dollar was equal to $2.70 Peruvian Nuevo Soles.

Balances are as follows:

	Peruvian Nuevo Sol	CDN $ Equivalent
Cash	265,142	98,074
Accounts payable and accrued liabilities	(529,060)	(195,695)
	(263,918)	(97,621)

(Expressed in Canadian Dollars)

10. Financial Instruments and Risk Management (continued)

Based on the net exposures as of September 30, 2013 and, assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Peruvian Nuevo Sol would result in an increase or decrease of approximately $8,900.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and cash. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

11. Supplemental Cash Flow Information

Non-cash activities conducted by the Company during fiscal 2013 and 2012, are as follows:

	2013 $	2012 $
Operating activities		
Depreciation	29,683	24,293
Increase in accounts payable and accrued liabilities	103,918	60,124
	133,601	84,417
Investing activity		
Exploration and evaluation assets expenditures	(133,601)	(84,417)
Financing activities		
Transfer on exercise of share options	403,325	129,637
Transfer on exercise of agent's option units	-	72,402
Share-based payment reserves	(301,369)	(202,039)
Share issue costs	(101,956)	-
	-	-

12. Events after the Reporting Period

Subsequent to September 30, 2013:

(i) the Company completed a non-brokered private placement financing of 2,769,480 units at a price of $0.50 per unit for gross proceeds of $1,384,740. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant is exercisable to purchase an additional common share at a price of $0.75, expiring one year from closing. The Company also paid the agents cash commissions totalling $48,350 cash and issued 1,500 broker warrants and 119,000 compensation options. The broker warrants have the same terms and conditions as the private placement warrants. The compensation options have the same terms and conditions as the private placement units.

As at September 30, 2013 the Company had received $242,240 on account of the private placement and incurred $750 share issue costs relating to the private placement.

12. Events after the Reporting Period (continued)

(ii) the Company extended the term of 1,471,500 warrants for six months, from December 21, 2013 to June 21, 2014. The 235,000 compensation options expired on December 21, 2013;

(iii) the Company granted share options to a consultant to purchase 200,000 common shares of the Company at a price of $0.50 per share, for a period of three years;

(iv) share options to purchase 175,000 common shares of the Company at a price of $1.02 per share expired without exercise; and

(v) share options to purchase 25,000 common shares of the Company at a price of $1.02 per share were forfeited.