TINKA RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2012 AND 2011

(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, 2012, September 30, 2011 and October 1, 2010, and the consolidated statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years ended September 30, 2012 and September 30, 2011, 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 audits 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, 2012, September 30, 2011 and October 1, 2010, and its financial performance and its cash flows for the years ended September 30, 2012 and September 30, 2011 in accordance with International Financial Reporting Standards.

"D&H Group LLP"

Vancouver, B.C.
January 25, 2013

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

	Note	September 30, 2012 $	September 30, 2011 $ *(Note 14)*	October 1, 2010 $ *(Note 14)*
ASSETS				
Current assets				
Cash		2,220,006	4,475,807	884,144
Amounts receivable	4	11,520	41,026	6,450
Prepaid expenses		27,272	45,611	14,754
Total current assets		2,258,798	4,562,444	905,348
Non-current assets				
Property, plant and equipment	5	65,958	69,681	4,108
Exploration and evaluation assets	6	5,469,838	3,100,289	2,228,824
Total non-current assets		5,535,796	3,169,970	2,232,932
TOTAL ASSETS		7,794,594	7,732,414	3,138,280
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		123,650	58,277	91,628
TOTAL LIABILITIES		123,650	58,277	91,628
SHAREHOLDERS' EQUITY				
Share capital	7	16,609,518	14,836,393	9,599,417
Share-based payments reserve		2,153,851	1,234,833	1,063,937
Deficit		(11,092,425)	(8,397,089)	(7,616,702)
TOTAL SHAREHOLDERS' EQUITY		7,670,944	7,674,137	3,046,652
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,794,594	7,732,414	3,138,280

Events after the Reporting Period - see Note 13

These consolidated financial statements were approved for issue by the Board of Directors on January 25, 2013 and are signed on its behalf by:

*/s/ **Andrew Carter***	*/s/ **Nick DeMare***
Andrew Carter	Nick DeMare
Director	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 2012 $	2011 $ *(Note 14)*
Expenses			
Accounting and administration		35,174	36,281
Depreciation of property, plant and equipment		1,541	2,105
Audit		31,956	26,778
Consulting		25,386	27,979
Corporate development		70,406	19,747
General exploration		109,182	38,040
Investment conferences		16,879	27,809
Investor relations		68,000	36,000
Legal		21,705	4,382
Management fees		96,000	96,000
Office		51,296	16,080
Regulatory		12,746	9,663
Rent		42,289	35,878
Salaries, wages and benefits		146,378	136,176
Shareholder costs		9,253	6,684
Share-based compensation	7(d)	1,121,057	262,919
Transfer agent		9,221	13,353
Travel and related		37,446	10,243
		1,905,915	806,117
Loss before other items		(1,905,915)	(806,117)
Other items			
Interest income		23,037	8,233
Foreign exchange (loss) gain		(78,555)	17,497
Impairment of exploration and evaluation assets	6	(733,903)	-
		(789,421)	25,730
Net loss and comprehensive loss for the year		(2,695,336)	(780,387)
Loss per share - basic and diluted		$(0.04)	$(0.02)
Weighted average number of common shares outstanding - basic and diluted		68,148,033	51,615,661

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, 2012				
	Share Capital				
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Total Equity $
Balance on October 1, 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
Cash - exercise of warrants	2,385,000	1,192,500	-	-	1,192,500
Cash - exercise of Agent's Options Units	577,388	202,086	-	-	202,086
Share-based compensation on share options	-	-	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

	Year Ended September 30, 2011				
	Share Capital				
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Total Equity $
Balance on October 1, 2010	40,566,011	9,599,417	1,063,937	(7,616,702)	3,046,652
Common shares issued for:					
Cash - private placements	7,950,000	2,782,500	-	-	2,782,500
Cash - exercise of share options	842,500	188,250	-	-	188,250
Cash - exercise of warrants	16,652,000	2,497,800	-	-	2,497,800
Share issue costs	-	(413,882)	-	-	(413,882)
Share-based compensation on share options	-	-	262,919	-	262,919
Share-based compensation on Agent's Option Units	-	-	90,285	-	90,285
Transfer on exercise of share options	-	111,220	(111,220)	-	-
Transfer on exercise of agent's warrants	-	71,088	(71,088)	-	-
Net loss	-	-	-	(780,387)	(780,387)
Balance at September 30, 2011	66,010,511	14,836,393	1,234,833	(8,397,089)	7,674,137

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,	
	2012	2011
	$	$
Operating activities		
Net loss for the year	(2,695,336)	(780,387)
Adjustments for:		
Depreciation of property, plant and equipment	1,541	2,105
Share-based compensation	1,121,057	262,919
Impairment of exploration and evaluation assets	733,903	-
	(838,835)	(515,363)
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	29,506	(34,576)
Decrease (increase) in prepaid expenses	18,339	(30,857)
Increase (decrease) in accounts payable and accrued liabilities	5,249	(64,968)
	53,094	(130,401)
Net cash used in operating activities	(785,741)	(645,764)
Investing activities		
Expenditures on exploration and evaluation assets	(3,019,035)	(830,224)
Purchase of property, plant and equipment	(22,111)	(77,302)
Net cash used in investing activities	(3,041,146)	(907,526)
Financing activities		
Issuance of common shares	1,571,086	5,468,550
Share issue costs	-	(323,597)
Net cash generated from financing activities	1,571,086	5,144,953
Net change in cash	(2,255,801)	3,591,663
Cash at beginning of year	4,475,807	884,144
Cash at end of year	2,220,006	4,475,807

Cash comprises:

Cash in bank	2,220,006	3,772,484
Demand deposits	-	703,323
	2,220,006	4,475,807

Supplemental cash flow information - See Note 12

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 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, 2012 the Company had cash of $2,220,006 and working capital in the amount of $2,135,148. 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 adequate resources to maintain its core operations and planned exploration programs on its existing mineral resource interests for the next twelve months. The Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. 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, 2012.

See also Note 13.

2. Basis of ,Preparation and Adoption of IFRS

Adoption of International Financial Reporting Standards ("IFRS") and Statement of Compliance

These are the Company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company has applied *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1") on the transition from previous Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS and the impact of the transition is explained in Note 14, including the effects of the transition to IFRS on the Company's financial position, equity, comprehensive loss and cash flows.

Subject to the application of the transition elections described in Note 14, the accounting policies applied in these consolidated financial statements and described below, have been applied consistently to all periods presented, including the opening statement of financial position as at October 1, 2010 (the Company's "Transition Date"), except where the Company applied certain exemptions upon transition to IFRS.

Basis of Preparation

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. The comparative figures presented in these consolidated financial statements are in accordance with IFRS and any changes from figures previously reported under Canadian GAAP have been disclosed in Note 14.

2. Basis of Preparation and Adoption of IFRS (continued)

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3. Summary of Significant Accounting Policies

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, 2012 the Company had one subsidiary:

Company	Location	Ownership Interest
Tinka Resources S.A.C. (Peru)	Peru	100%

Critical Judgements and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgements 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 Judgements

The following are critical judgements 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 judgements 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 companies, 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.

3. Summary of Significant Accounting Policies (continued)

(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:

(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. As a result of this assessment, management has carried out an impairment test on all of the Company's exploration and evaluation assets 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, 2012 and 2011, 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.

3. Summary of Significant Accounting Policies (continued)

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.

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.

3. Summary of Significant Accounting Policies (continued)

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.

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, 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 and cash equivalents 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, 2012 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.

3. Summary of Significant Accounting Policies (continued)

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, 2012 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.

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.

3. Summary of Significant Accounting Policies (continued)

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.

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.

3. Summary of Significant Accounting Policies (continued)

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 period comparative figures have been reclassified to conform to the current period's presentation.

Accounting Standards and Interpretations Issued but Not Yet Adopted

The following accounting standards, amendments and interpretations have been issued but are not effective until annual periods beginning after January 1, 2012. Unless otherwise indicated, earlier application is permitted. 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.

(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. Early application is permitted. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11supersedes the current IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Ventures*.

(iv) IFRS 12 *Disclosure of Interest in Other Entities*; effective for annual periods beginning on or after January 1, 2013. Early 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. Early application is permitted. IFRS 13 defines fair value, sets out in a single IFRS 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).

(vi) IAS 12 *Income Taxes, Amendments Regarding Deferred Tax: Recovery of Underlying Assets*; effective for annual periods beginning on or after January 1, 2012.

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

(Expressed in Canadian Dollars)

4. Amounts Receivable

	September 30, 2012 $	September 30, 2011 $	October 1, 2010 $
Harmonized sales tax receivable	10,535	34,771	5,235
Other	985	6,255	1,215
	11,520	41,026	6,450

5. Property, Plant and Equipment

Cost:	Office Furniture and Equipment $	Vehicles $	Total $
Balance at October 1, 2010	27,066	51,590	78,656
Additions	16,989	60,313	77,302
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

Accumulated Depreciation:	Office Furniture and Equipment $	Vehicles $	Total $
Balance at October 1, 2010	(22,958)	(51,590)	(74,548)
Depreciation	(4,258)	(7,471)	(11,729)
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)

Carrying Value:	Office Furniture and Equipment $	Vehicles $	Total $
Balance at October 1, 2010	4,108	-	4,108
Balance at September 30, 2011	16,839	52,842	69,681
Balance at September 30, 2012	27,453	38,505	65,958

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets

	Peru			
	Colquipucro $	Anita de Tibillos $	Other $	Total $
Balance at October 1, 2010	1,856,798	27,390	344,636	2,228,824
Exploration costs				
Assays	8,999	171	-	9,170
Camp costs	26,054	6,620	-	32,674
Community relations	7,792	213	-	8,005
Consulting	2,688	35,807	-	38,495
Depreciation of property, plant and equipment	9,624	-	-	9,624
Drilling	180,607	-	-	180,607
Environment studies	-	3,941	-	3,941
Exploration site	91,804	33,012	-	124,816
Field equipment	28,235	8,621	-	36,856
Field supplies	10,147	6,214	-	16,361
Fuel	39,140	14,342	-	53,482
Geological	22,024	9,767	-	31,791
Geophysics	1,405	47,008	-	48,413
Permit	-	1,939	-	1,939
Road access	15,153	15,231	-	30,384
Salaries	43,710	2,437	-	46,147
Topography	508	2,129	-	2,637
Travel	20,624	16,146	-	36,770
VAT	-	-	102,068	102,068
	508,514	203,598	102,068	814,180
Acquisition costs				
Claims and rights	28,490	28,795	-	57,285
	28,490	28,795	-	57,285
Balance at September 30, 2011	2,393,802	259,783	446,704	3,100,289
Exploration costs				
Assays	77,214	4,605	-	81,819
Camp costs	111,280	16,718	-	127,998
Community relations	72,791	2,312	-	75,103
Consulting	19,006	19,676	-	38,682
Depreciation of property, plant and equipment	24,293	-	-	24,293
Drilling	727,829	212,689	-	940,518
Exploration site	201,890	38,386	-	240,276
Field equipment	116,282	26,151	-	142,433
Fuel	110,374	12,778	-	123,152
Geological	205,766	32,751	-	238,517
Geophysics	7,032	-	-	7,032
Salaries	432,300	44,485	-	476,785
Transportation	140,803	34,249	-	175,052
Travel	15,196	9,320	-	24,516
VAT	-	-	302,404	302,404
	2,262,056	454,120	302,404	3,018,580
Acquisition costs				
Rights	64,872	20,000	-	84,872
Impairment	-	(733,903)	-	(733,903)
Balance at September 30, 2012	4,720,730	-	749,108	5,469,838

6. Exploration and Evaluation Assets (continued)

Colquipucro Project

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, 2012, the Company holds 46 mineral claims (the "Colquipucro Project") in the Province of Daniel Alcides Carrion, Peru.

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 successful feasibility study is prepared on the Colquipucro Project. Sierra also retains a right to a 1% net smelter return royalty ("NSR") from any production from the Colquipucro Project. 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 totaling US $600,000 over a period of five years, including an initial cash payment of US $11,000 (paid), payment of outstanding mineral claim fees (paid), and undertaking certain exploration programs in the first year of the agreement. 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

(Expressed in Canadian Dollars)

7. Share Capital

(a) *Authorized Share Capital*

As at September 30, 2012 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*

Common shares issued:	**Number of Shares**	**Amount $**
Balance at October 1, 2010	40,566,011	9,599,417
Shares issued for cash:		
Private placement	7,950,000	2,782,500
Exercise of share options	842,500	188,250
Exercise of warrants	16,652,000	2,497,800
Transfer to common shares on exercise of share options	-	111,220
Transfer to common shares on exercise of agent's warrants	-	71,088
Share issue costs	-	(413,882)
Balance at September 30, 2011	66,010,511	14,836,393
Shares issued for cash:		
Exercise of share options	1,450,000	176,500
Exercise of warrants	2,385,000	1,192,500
Exercise of Agent's Option Units	577,388	202,086
Transfer to common shares on exercise of share options	-	129,637
Transfer to common shares on exercise of Agent's Option Units	-	72,402
Balance at September 30, 2012	70,422,899	16,609,518

During fiscal 2011 the Company completed a private placement financing totalling 7,950,000 units at $0.35 per unit for gross proceeds of $2,782,500 as follows:

(i) 1,350,000 units on a non-brokered basis. Each unit consisted of one common share and one warrant, with each warrant entitling the holder to purchase an additional common share at a price of $0.50 per share for a period of one year, expiring July 8, 2012; and

(ii) 6,600,000 units on a brokered basis. Each unit consisted of one common share and one warrant, with each warrant entitling the holder to purchase an additional common share at a price of $0.50 per share for a period of one year, expiring July 8, 2012. The Company paid the agent a commission of $184,800 cash and issued 720,000 agent units ("Agent's Option Units"). The Company also paid the agent a corporate finance fee of $41,800. The Agent's Option Units entitles the agent to purchase 720,000 units at an exercise price of $0.35 per unit for a period of one year, expiring July 8, 2012. The exercise price and term of the underlying warrants to the units issuable upon the exercise of the Agent's Option Units are the same as the warrants issued under the brokered private placement. The fair value of the Agent's Options Units has been estimated using the Black-Scholes option pricing model.

The assumptions used were: dividend yield - 0%; expected volatility - 91.99%; a risk-free interest rate of 1.19%; and an expected life of 12 months. The value assigned to the underlying Agent's Options Units was $90,285.

577,388 Agent's Option Units were exercised during fiscal 2012 and the remaining 143,612 Agent's Options Units expired on July 8, 2012.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

The Company incurred $96,997 for legal and filing costs associated with the private placements.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at September 30, 2012 and 2011 and the changes for the years ended on those dates is as follows:

	2012		2011	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of year	7,950,000	0.50	16,652,000	0.15
Issued	577,388	0.50	7,950,000	0.50
Exercised	(2,385,000)	0.50	(16,652,000)	0.15
Expired	(6,142,388)	0.50	-	-
Balance, end of year	-	-	7,950,000	0.50

The weighted average share price on warrants exercised during fiscal 2012 was $0.54 (2011 - $0.46) per share.

There were no common shares reserved for warrants as at September 30, 2012. The weighted average remaining contractual life of the outstanding warrants at September 30, 2011 was 0.79 years.

(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 2012 the Company granted stock options to directors, employees and consultants to purchase 3,280,000 (2011 - 860,000) common shares and recorded compensation expense of $1,121,057 (2011 - $254,363). During fiscal 2011 the Company also recorded stock-based compensation of $8,556 on the vesting of stock options which were previously granted.

The fair value of share options granted and vested during fiscal 2012 and 2011 is estimated using the Black-Scholes option pricing model using the following assumptions:

	2012	2011
Risk-free interest rate	0.98% - 1.42%	1.43% - 1.97%
Estimated volatility	82.06% - 133.47%	113.74% - 158.99%
Expected life	3 years	2 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 2012 was $0.36 (2011 - $0.28) per option.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

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, 2012 and 2011 and the changes for the years ended on those dates, is as follows:

	2012		2011	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of year	3,250,000	0.21	3,232,500	0.16
Granted	3,280,000	0.51	860,000	0.41
Exercised	(1,450,000)	0.12	(842,500)	0.22
Balance, end of year	5,080,000	0.43	3,250,000	0.21

The following table summarizes information about the share options outstanding and exercisable at September 30, 2012:

Number Outstanding	Number Exercisable	Exercise Price $	Expiry Date
940,000	940,000	0.15	January 26, 2013
80,000	80,000	0.27	January 28, 2014
120,000	120,000	0.27	February 7, 2014
660,000	660,000	0.45	March 3, 2014
350,000	175,000	0.43	January 23, 2015
1,200,000	1,200,000	0.55	January 26, 2015
1,600,000	1,600,000	0.50	August 3, 2015
30,000	30,000	0.50	September 20, 2015
100,000	100,000	0.58	September 28, 2015
5,080,000	4,905,000		

The weighted average share price on share options exercised during fiscal 2012 was \$0.43 (2011 - \$0.48) per share.

The weighted average remaining contractual life of the outstanding share options at September 30 2012 is 1.89 (2011 - 1.28) years.

(e) See also Note 13.

(Expressed in Canadian Dollars)

8. 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 2012 and 2011 the following amounts were incurred with respect to the Company's Chief Executive Officer and Chief Financial Officer ("CFO"):

	2012 $	2011 $
Management fees	96,000	96,000
Professional fees	6,000	6,000
Share-based compensation	426,492	93,647
	528,492	195,647

As at September 30, 2012, $8,500 (2011 - $1,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

During fiscal 2012 and 2011 the following amounts were incurred with respect to other officers and directors:

	2012 $	2011 $
Professional fees	12,000	12,000
Share-based compensation	342,244	62,432
	354,244	74,432

In addition, during fiscal 2012 the Company incurred a total of $33,300 (2011 - $33,900) 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 for rent.

As at September 30, 2012, $5,900 (2011 - $10,100) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) During fiscal 2012 the Company reimbursed $2,639 (2011 - $8,656) to a public company with certain common directors for shared office and other costs.

As at September 30, 2012, $1,190 (2011 - $nil) remained unpaid and has been included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

9. 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:

	2012 $	2011 $
Deferred income tax assets (liabilities):		
Losses available for future periods	1,951,400	1,424,800
Tax basis of property, plant and equipment in excess of net book value	4,300	3,900
Net book value of exploration and evaluation assets in excess of tax basis	(1,247,600)	(628,700)
Other	57,300	79,800
	765,400	879,800
Valuation allowance for deferred income tax assets	(765,400)	(879,800)
	-	-

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:

	2011 $	2010 $
Income tax rate reconciliation		
Combined federal and provincial income tax rate	25.375%	27.0%
Expected income tax recovery	(683,900)	(214,300)
Permanent differences	299,600	49,200
Effect of income tax rate changes	58,400	58,400
Effect of different income tax rates in Peru and Canada	1,900	4,100
Change in valuation allowance	324,000	102,600
	-	-

As at September 30, 2012 the Company has non-capital losses of approximately $3,228,100 and tax pools of approximately $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 2032. The tax pools can be carried forward indefinitely.

The Company also has non-capital losses of approximately $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, 2012 through December 31, 2017.

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.

(Expressed in Canadian Dollars)

10. 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, 2012 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, 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

	As at September 30, 2011		
	Corporate Canada $	Mineral Operations Peru $	Total $
Current assets	4,294,781	267,663	4,562,444
Exploration and evaluation assets	-	3,100,289	3,100,289
Property, plant and equipment	3,976	65,705	69,681
	4,298,757	3,433,657	7,732,414

11. 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, 2012 $	September 30, 2011 $
Cash	FVTPL	2,220,006	4,475,807
Amounts receivable	Loans and receivables	11,520	41,026
Accounts payable and accrued liabilities	Other liabilities	(123,650)	(58,277)

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.

(Expressed in Canadian Dollars)

11. Financial Instruments and Risk Management (continued)

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.

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, 2012				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	2,220,006	-	-	-	2,220,006
Amounts receivable	11,520	-	-	-	11,520
Accounts payable and accrued liabilities	(123,650)	-	-	-	(123,650)

	Contractual Maturity Analysis at September 30, 2011				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	4,475,807	-	-	-	4,475,807
Amounts receivable	41,026	-	-	-	41,026
Accounts payable and accrued liabilities	(58,277)	-	-	-	(58,277)

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.

11. Financial Instruments and Risk Management (continued)

(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 Neuvo Sols 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, 2012, 1 Canadian Dollar was equal to 2.64 Peruvian Nuevo Sols.

Balances are as follows:

	Peruvian Nuevo Sols	**CDN $ Equivalent**
Cash	604,495	228,917
Amounts receivable	1,139	431
Accounts payable and accrued liabilities	(203,887)	(77,210)
	401,747	152,138

Based on the net exposures as of September 30, 2012 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 $15,214.

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.

(Expressed in Canadian Dollars)

12. Supplemental Cash Flow Information

Non-cash activities conducted by the Company during fiscal 2012 and 2011 are as follows:

	2012 **$**	**2011** **$**
Operating activities		
Depreciation of property, plant and equipment	24,293	9,624
Increase in accounts payable and accrued liabilities	60,124	31,617
	84,417	41,241
Investing activity		
Expenditures on exploration and evaluation assets	(84,417)	(41,241)
Financing activities		
Transfer on exercise of agent's warrants	-	71,088
Transfer on exercise of share options	129,637	111,220
Transfer on exercise of Agent's Option Units	72,402	-
Share-based payment reserves	(202,039)	(92,023)
Share issue costs	-	(90,285)
	-	-

13. Events after the Reporting Period

Subsequent to September 30, 2012 the Company:

(i) granted share options to purchase a total of 2,540,000 common shares of the Company at exercise prices ranging from $0.72 to $1.10 per share;

(ii) completed a private placement financing of 3,000,000 units at a price of $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 also paid the agent a commission of $146,850 cash and issued 235,000 agent compensation warrants ("Agent's Compensation Warrants"). The Agent's Compensation Warrants entitles the agent to purchase 235,000 units at an exercise price of $0.75 per unit for a period of one year, expiring December 21, 2013. The exercise price and term of the underlying warrants to the units issuable upon the exercise of the Agent's Compensation Warrants are the same as the warrants issued under the brokered private placement; and

(iii) received $177,000 from exercise of share options and issued 1,020,000 common shares of the Company.

14. Transition to IFRS

The Company's financial statements for the year ending September 30, 2012 will be the first annual financial statements that comply with IFRS and these consolidated financial statements were prepared as described in Note 2, including the application of IFRS 1.

IFRS 1 requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was October 1, 2010 (the "transition date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be September 30, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. The Company has applied the following exemptions to its opening statement of financial position dated October 1, 2010:

Business Combinations

IFRS1 indicates that a first-time adopter may elect not to apply IFRS 3 'Business Combinations' retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after October 1, 2010. There is no adjustment required to the October 1, 2010 statement of financial position on the transition date.

Share-based Payment

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to October 1, 2010.

IAS 27 - Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 'Business Combinations' retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated October 1, 2010:

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of October 1, 2010 are consistent with its GAAP estimates for the same date.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive income.

(Expressed in Canadian Dollars)

14. Transition to IFRS (continued)

Reconciliation of Assets, Liabilities and Equity

	As at October 1, 2010		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
ASSETS			
Current assets			
Cash	884,144	-	884,144
Amounts receivable	6,450	-	6,450
Prepaid expenses	14,754	-	14,754
Total current assets	905,348	-	905,348
Non-current assets			
Property, plant and equipment	4,108	-	4,108
Exploration and evaluation assets	2,228,824	-	2,228,824
Total non-current assets	2,232,932	-	2,232,932
TOTAL ASSETS	3,138,280	-	3,138,280
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	91,628	-	91,628
TOTAL LIABILITIES	91,628	-	91,628
SHAREHOLDERS' EQUITY			
Share capital	9,599,417	-	9,599,417
Share-based payments reserve	1,050,477	13,460	1,063,937
Deficit	(7,603,242)	(13,460)	(7,616,702)
TOTAL SHAREHOLDERS' EQUITY	3,046,652	-	3,046,652
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,138,280	-	3,138,280

(Expressed in Canadian Dollars)

14. Transition to IFRS (continued)

Reconciliation of Assets, Liabilities and Equity (continued)

	As at September 30, 2011		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
ASSETS			
Current assets			
Cash	4,475,807	-	4,475,807
Amounts receivable	41,026	-	41,026
Prepaid expenses	45,611	-	45,611
Total current assets	4,562,444	-	4,562,444
Non-current assets			
Property, plant and equipment	69,681	-	69,681
Exploration and evaluation assets	3,100,289	-	3,100,289
Total non-current assets	3,169,970	-	3,169,970
TOTAL ASSETS	7,732,414	-	7,732,414
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	58,277	-	58,277
TOTAL LIABILITIES	58,277	-	58,277
SHAREHOLDERS' EQUITY			
Share capital	14,836,393	-	14,836,393
Share-based payments reserve	1,234,833	-	1,234,833
Deficit	(8,397,089)	-	(8,397,089)
TOTAL SHAREHOLDERS' EQUITY	7,674,137	-	7,674,137
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,732,414	-	7,732,414

(Expressed in Canadian Dollars)

14. Transition to IFRS (continued)

	Year Ended September 30, 2011		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
Expenses			
Accounting and administration	36,281	-	36,281
Depreciation of property, plant and equipment	2,105	-	2,105
Audit	26,778	-	26,778
Consulting	27,979	-	27,979
Corporate development	19,747	-	19,747
General exploration	38,040	-	38,040
Investment conferences	27,809	-	27,809
Investor relations	36,000	-	36,000
Legal	4,382	-	4,382
Management fees	96,000	-	96,000
Office	16,080	-	16,080
Regulatory	9,663	-	9,663
Rent	35,878	-	35,878
Salaries, wages and benefits	136,176	-	136,176
Shareholder costs	6,684	-	6,684
Share-based compensation	276,379	(13,460)	262,919
Transfer agent	13,353	-	13,353
Travel and related	10,243	-	10,243
	819,577	(13,460)	806,117
Loss before other items	(819,577)	13,460	(806,117)
Other items			
Interest income	8,233	-	8,233
Foreign exchange gain	17,497	-	17,497
	25,730	-	25,730
Net loss and comprehensive loss for the year	(793,847)	13,460	(780,387)

14. Transition to IFRS (continued)

IFRS Adjustments

Share Based Options

Previously, under Canadian GAAP, the Company used the straight-line method of calculating vested options and the share-based compensation arising therefrom. Under this method, the fair value of share-based awards with graded vesting was calculated as one grant and the resulting fair value was recognised on a straight line basis over the vesting period.

However, IFRS requires that each tranche of an award with different vesting dates be considered a separate grant for the calculation of fair value, and the resulting fair value is recognised over the vesting period of the respective tranche using the graded vesting method.

Under IFRS graded vesting methodology, on October 1, 2010 share-based payment reserve and deficit would increase by $13,460.

During fiscal 2011, the Company would have recorded $262,919 as share-based payment versus $276,379 share-based compensation under Canadian GAAP. As a result, $13,460 would be adjusted in the share-based payment expense in the statement of operations and the same amount would be adjusted in the equity share-based payments reserve in the statement of equity.