Sienna Gold Inc.

(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Three Months ended December 31, 2012 and 2011

EXPRESSED IN US DOLLARS

SIENNA GOLD INC.

To the Shareholders of Sienna Gold Inc.:

The attached Interim Condensed Consolidated Statements of Loss and Comprehensive Loss, the Interim Condensed Consolidated Statements of Cash Flows and the Interim Condensed Consolidated Statements of Shareholders' Equity, for the three months ended December 31, 2012 and 2011, the Interim Condensed Consolidated Statements of Financial Position as at December 31, 2012 and September 30, 2012 have neither been audited or reviewed by our auditors.

Calgary, Alberta

SIENNA GOLD INC.
(An Exploration Stage Company)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
US Dollars
Unaudited

As at

	December 31, 2012 $	September 30, 2012 $
ASSETS		
Current		
Cash and cash equivalents	**145,755**	34,556
Accounts receivable (Note 3)	**888,905**	672,906
Prepaid expenses	**6,451**	6,451
	1,041,111	713,913
Exploration and evaluation assets (Note 4)	**20,452,303**	20,282,457
Property and equipment (Note 5)	**47,842**	52,950
Total Assets	**21,541,256**	21,049,320
Liabilities and Equity Attributable to Common Shareholders		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	**1,991,835**	2,544,225
Warrants (Note 7)	**1,726**	38,702
	1,993,561	2,582,927
Long-term Liabilities		
Decommissioning liability (Note 8)	**16,475**	15,775
Total Liabilities	**2,010,036**	2,598,702
Share capital (Note 9)	**30,220,466**	28,951,674
Warrants	**520,730**	272,505
Contributed surplus	**4,154,496**	4,027,601
Deficit	**(15,364,472)**	(14,801,162)
Total Equity Attributable to Common Shareholders	**19,531,220**	18,450,618
Total Liabilities and Equity Attributable to Common Shareholders	**21,541,256**	21,049,320

Nature of Business and Going Concern (Note 1)
Commitments (Note 17)

The accompanying notes to the Interim Condensed Consolidated Financial Statements are an integral part of this statement.

On Behalf of the Board of Directors

John Rucci
Signed

Andrew Burgess
Signed

SIENNA GOLD INC.
(An Exploration Stage Company)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the three months ended December 31,
US Dollars
Unaudited

	2012	2011
	$	$
Expenses		
General and administration	**381,985**	264,963
Premises	**18,880**	15,803
Transfer, listing fees and shareholder communications	**113,770**	27,579
Share-based compensation	**77,076**	356,001
Depreciation	**5,108**	1,639
Loss and Comprehensive Loss before the following:	**596,819**	665,985
Fair market value adjustments – warrants (Note 7)	**(36,976)**	(469,929)
Finance (income) (Note 13)	**(6)**	(3,682)
Finance expense (Note 13)	**3,473**	14,878
Net Loss and Comprehensive Loss	**563,310**	207,252
Loss per common share basic and diluted	**0.005**	0.002
Basic and diluted weighted average number of common shares outstanding	**110,833,684**	100,069,100

The accompanying notes to the Interim Condensed Consolidated Financial Statements are an integral part of this statement.

SIENNA GOLD INC.
(An Exploration Stage Company)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended December 31,
US Dollars
Unaudited

Cash provided by (used for):	**2012** **$**	2011 $
Operating activities:		
Net loss and comprehensive loss	**(563,310)**	(207,252)
Adjustments for:		
Depreciation	**5,108**	1,639
Share-based compensation	**77,076**	356,001
Accretion expense	**700**	678
Foreign exchange gain	**580**	32,068
Fair market value adjustment - warrants	**(36,976)**	(469,929)
	(516,822)	(286,795)
Changes in non-cash working capital items:		
Accounts receivable	**(11,468)**	356
Accounts payable and accrued liabilities	**(526,306)**	(115,000)
	(1,054,596)	(401,439)
Exploration and evaluation activities:		
Expenditures	**(169,846)**	(1,692,476)
Property and equipment expenditures	**-**	(11,929)
Accounts receivable	**(204,531)**	-
Accounts payable and accrued liabilities	**(26,083)**	675,112
	(400,460)	(1,029,293)
Financing activities:		
Common shares issued and warrants exercised	**1,684,609**	100,589
Share issue expenses	**(118,145)**	-
	1,566,464	100,589
Effect of exchange rate change on cash	**(209)**	(32,068)
Increase (decrease) in cash and cash equivalents	**111,199**	(1,362,211)
Cash and cash equivalents		
Beginning of year	**34,556**	6,563,203
End of period	**145,755**	5,200,992

Supplemental Cash Flow information (Note 15)

The accompanying notes to the Interim Condensed Consolidated Financial Statements are an integral part of this statement.

SIENNA GOLD INC.
(An Exploration Stage Company)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
US Dollars
Unaudited

	Share Capital (Number of Shares)	Share Capital $	Warrants $	Contributed Surplus $	Deficit $	Total $
September 30, 2011	99,847,251	26,614,856		3,459,985	(12,752,063)	17,322,778
Warrants exercised	147,059	37,589		-	-	37,589
Fair value of warrants exercised	-	64	-	-	-	64
Agents options exercised	370,588	63,000	-	-	-	63,000
Fair value of agents option exercised	-	46,735	-	(46,735)	-	-
Share-based compensation	-	-	-	356,001	-	356,001
Net loss for period	-	-	-	-	(207,252)	(207,252)
December 31, 2011	100,364,898	26,762,244	-	3,769,251	(12,959,315)	17,572,180
September 30, 2012	107,247,214	28,951,674	272,505	4,027,601	(14,801,162)	18,450,618
Shares issued in private placement	5,615,363	1,684,609				1,684,609
Fair value of warrants issued		(248,225)	248,225			-
Share issue costs		(167,592)				(167,592)
Fair value of agents options issued				49,819		49,819
Share-based compensation				77,076		77,076
Net loss for period	-	-	-	-	(563,310)	(563,310)
December 31, 2012	112,862,577	30,220,466	520,730	4,154,496	(15,364,472)	19,531,220

The accompanying notes to the Interim Condensed Consolidated Financial Statements are an integral part of this statement.

Note 1 - Nature of Business and Going Concern

Sienna Gold Inc. ("Sienna" or the "Company") was incorporated on July 28, 1987, under the Alberta Business Corporations Act. Following a number of name changes the Company became Sienna Gold Inc. on April 15, 2005. The Company is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed.

Sienna Gold Inc. is a public company with its shares listed on the TSX Venture Exchange and the Lima Stock Exchange (Bolsa De Valores De Lima). The head office, principal address and records office of the Company are located at 1100 – 800 6th Avenue SW, Calgary AB, Canada, T2P 3G3.

As its principal business, the Company acquires and explores mineral properties in areas deemed to have relatively high potential for mining success and relatively low political risk. The Company's business plan is to engage in these mining activities on a long-term basis.

The Company is in the process of exploring mineral properties in Peru and has not yet determined whether the properties contain economically recoverable ore reserves. As the Company does not yet have cash flow from operations, it must rely on equity financing to fund operations. To date the Company's main source of funding has been the issuance of equity securities for cash, through private placements to sophisticated investors and through public offering to institutional investors.

The Company has historically raised operating capital from the sale of equity, and will continue to do so. During the three months ended December 31, 2012 the Company raised $1,684,609 through the completion of a private placement to assist with funding ongoing operations.

The Interim Condensed Consolidated Financial Statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. The Company has incurred operating losses since inception, does not have a positive operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore its mineral properties and to cover general and administrative expenses necessary for the maintenance of a public company. The ability of the Company to arrange additional financing in the future depends in part, on the prevailing capital market conditions and mineral property exploration success. These factors may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the Interim Condensed Consolidated Financial Statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the Interim Condensed Consolidated Financial Statements.

Note 2 - Basis of Preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended September 30, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

The significant accounting policies used in the preparation of these interim condensed consolidated financial statements are described in note 3 of the audited financial statements for the year ended September 30, 2012. The interim condensed consolidated financial statements were approved by the Board of Directors on February 21, 2013.

All dollar amounts are presented in thousands of US dollars unless otherwise specified.

Note 3 – Accounts Receivable

	December 31, 2012	September 30, 2012
	$	$
Accrual of Peruvian VAT refund	783,070	578,539
Accrual of Canadian GST refund	35,616	20,126
Due from an officer	70,219	74,241
	888,905	672,906

Note 4 - Exploration and Evaluation Assets

	December 31, 2012	September 30, 2012
	$	$
Acquisition costs	5,474,244	5,474,244
Deferred exploration cost	14,978,059	14,808,213
	20,452,303	20,282,457

Acquisition costs

	IGOR	IGOR South	Total
	$	$	$
September 30, 2011	3,849,315	69,437	3,918,752
Acquisition of surface rights	1,555,492	-	1,555,492
September 30, 2012 and December 31, 2012	5,404,807	69,437	5,474,244

In order to maintain its interest in its current portfolio of mineral properties the Company must pay to the Government of Peru an annual license fee (Derecho de Vigencia) of $ 3.00 per hectare plus a penalty of $ 20.00 per hectare for failure to reach “minimum production levels”. The title holder can be exonerated from penalty payments if the title holder evidences having incurred, in direct investments on the mining concession, an amount equivalent to ten times the penalty applicable.

The estimated license fees for calendar 2012 payable June 30, 2013 are:

IGOR $ 3,000 (2011-$ 3,000)
IGOR South $ 1,200 (2011 – $1,200)

IGOR Concession

On June 30, 2005, the Company, through its subsidiary Sienna Minerals S.A.C. acquired a 60% interest in the IGOR Concession acquiring some 1,000 hectares in Peru and on March 9, 2006 acquired the remaining 40%. The consideration for the property was $ 1,493,565 and 210,000 common shares of the Company valued at Cdn $0.10 per share, and 2,216,750 common shares of the Company valued at Cdn $0.85 per share.

During 2012 the Company through its subsidiary Agraria Huaranchal S.A.C. entered into agreements to acquire 328 hectares of surface rights on the IGOR project for a total consideration, including legal fees, of $ 1,555,492. As at December 31, 2012, $401,744 remained outstanding and is included in accounts payables and accrued liabilities.

IGOR South Concession

During 2010, the Company through its subsidiary Sienna Minerals S.A.C. acquired a 100% interest in the IGOR South concession, comprising approximately 410 hectares for $ 14,411 and 155,000 common shares valued at $0.155 per share. The property is contiguous to and south east of the IGOR Concession.

Note 4 - Exploration and Evaluation Assets – Continued

Deferred exploration costs:

September 30, 2011		7,855,901
Drilling, road and site preparation	4,433,892	
Claims maintenance and staking	1,770,992	
Management	155,370	
Assaying	283,819	
Geophysical Survey	8,913	
Social Development	59,187	
Legal and Accounting	10,017	
Engineering	39,461	
Site visits	190,661	6,952,312
September 30, 2012		14,808,213
Drilling, road and site preparation	153,229	
Assaying	2,904	
Geophysical Survey	1,431	
Social Development	5,704	
Site visits	6,578	169,846
December 31, 2012		14,978,059

Note 5 – Property and Equipment

Property and equipment consists of the following:

	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
September 30, 2011	73,630	62,406	11,224
Additions	51,912	-	51,912
Depreciation	-	10,186	(10,186)
September 30, 2012	125,542	72,592	52,950
Additions	-	-	-
Depreciation	-	5,108	(5,108)
December 31, 2012	125,542	77,700	47,842

Note 6 – Accounts Payable and Accrued Liabilities

	December 31, 2012	September 30, 2012
	$	$
Trade accounts payable	793,391	1,400,145
Acquisition of surface rights	401,744	401,744
Accrual for Peruvian VAT	778,700	714,798
Accrued salaries	18,000	27,538
	1,991,835	2,544,225

Note 7 – Warrants

The warrants below are considered a derivative liability under IAS 32 because they are exercisable in Canadian dollars and the Company's functional currency is the US dollar. The warrants are therefore required to be revalued at fair value through net profit or loss at each reporting date. Warrants outstanding in United States dollars are not included in this note.

	Number of Warrants	Amount $
Balance, September 30, 2012	17,500,000	38,702
Fair market value adjustment	-	(36,976)
Balance, December 31, 2012	17,500,000	1,726

The current and long term warrant liability is as follows:

	Current	Long term	Total
September 30, 2012	38,702	-	38,702
December 31, 2012	1,726	-	1,726

The following table outlines the exercise price and expiration dates of outstanding common share purchase warrants at December 31, 2012:

Issue Date	Number of Warrants	Exercise Price (Cdn $)	Expiration Date
March 24, 2011	17,500,000	0.60	March 25, 2013

Each warrant is measured at the fair value quarterly using the Black-Scholes options pricing model. The fair value of warrants outstanding at December 31, 2012 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	December 31, 2012	September 30, 2012
Number of warrants outstanding at the end of the period	17,500,000	17,500,000
Fair value of warrants outstanding ($ per warrant)	0.0001	0.002
Dividend yield	Nil	Nil
Risk–free interest rate (%)	0.94	1.08
Expected life (years)	0.23	0.48
Expected volatility (%)	59	48

Note 8 - Decommissioning Liability

The Company recognizes a decommissioning liability (asset retirement obligation "ARO") associated with the retirement of its long-lived assets in the period in which the obligation is created and becomes determinable, with a corresponding increase in the carrying amount of the associated asset. The cost of the long lived asset, including the initially recognized ARO, is depleted such that the cost of the ARO is recognized over the useful life of the asset. The ARO is recorded at fair value, and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. The fair value of the ARO is measured using expected future cash outflows discounted at the Company's credit-adjusted risk-free interest rate.

As at December 31, 2012, the estimated present value of the Company's decommissioning liability was $ 16,475 determined, using a risk free interest rate of 4%, and inflation rate of 2%. These obligations will be settled at the end of the useful lives of the underlying assets, which currently extend more than a year into the future.

Note 8 - Decommissioning Liability - Continued

The following table describes the changes to the Company's Decommissioning liability:

	$
Decommissioning liability at September 30, 2011	13,004
Accretion expense	2,771
Decommissioning liability at September 30, 2012	15,775
Accretion expense	700
Decommissioning liability at December 31, 2012	16,475

Note 9 – Share Capital

a) **Authorized:**

Unlimited number of common shares and unlimited number of preference shares:

b) **Earnings per Share**

For the three months ended December 31, 2012, all warrants, agents' options and stock options outstanding at December 31, 2012, including 8,287,000 options (September 30, 2012 – 8,287,000 options) which were in the money during the year have been excluded from the calculation of profit or loss per share as the Company is in a loss position, and to do so would be anti-dilutive to the calculation of loss per share.

c) **Shares Reserved – Common Shares**

Shares are reserved for the following potential issuances:

	December 31, 2012	September 30, 2012
Warrants expiring, March 25, 2013	17,500,000	17,500,000
Warrants expiring, June 23, 2013	5,746,571	5,746,571
Warrants expiring, October 27, 2013	3,286,667	-
Warrants expiring, November 15, 2013	2,328,696	-
Agent units/warrants	2,612,604	1,940,270
Stock options	8,887,000	9,487,000
	40,361,538	34,673,841

Fiscal 2013 transactions

On October 26 and November 14, 2012 the Company closed a private placement for the issuance of 5,615,363 units at $ 0.30 per unit for gross proceeds of $ 1,684,609. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to subscribe for one additional common share for $ 0.45 for a period of one year from closing. The Company has assigned $ 248,224 to the warrants based on the estimated fair value using a Black-Scholes option value model with the balance of $ 1,436,385 assigned to the shares. Agents assisting in the private placement were paid $ 100,850 and granted options to acquire 336,167 units. The units entitle the holder to acquire one common share of the corporation for $ 0.30 and receive one common share purchase warrant; each common share purchase warrant entitles the holder to acquire a common share for $ 0.45 per share for a period of one year from closing. The Company has assigned $ 49,818 to the agents units based on the estimated fair market value using Black-Scholes option value model. These costs have been recorded as share issue costs for an overall total of $ 150,233. The fair value of the warrants and agents options issue was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions:

Dividend yield	Nil
Risk–free interest rate (%)	1.10
Expected life (years)	1
Expected volatility (%)	70

Note 9 – Share Capital – Continued

Fiscal 2012 transactions

On June 22, 2012 the Company closed a private placement for the issuance of 5,746,571 units at $ 0.35 per unit for gross proceeds of $ 2,011,300. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to subscribe for one additional common share for $ 0.55 for a period of one year from closing. The Company has assigned $ 272,505 to the warrants based on the estimated fair value using a Black-Scholes option value model with the balance of $ 1,738,795, assigned to the shares. Agents assisting in the private placement were paid $ 144,427 and granted options to acquire 402,260 units. The units entitle the holder to acquire one common share of the corporation for $ 0.35 and receive one common share purchase warrant, each common share purchase warrant entitles the holder to acquire a common share for Cdn $ 0.55 per share for a period of one year from closing. The Company has assigned $ 59,663 to the agents units based on the estimated fair market value using Black-Scholes option value model. These costs have been recorded as share issue costs for an overall total of $ 204,090. The fair value of the warrants and agents options issue was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions:

Dividend yield	Nil
Risk–free interest rate (%)	1.07
Expected life (years)	1
Expected volatility (%)	70

Note 10 - Share Purchase Options

Pursuant to the Company's stock option plan (the "Option Plan"), the Company may grant incentive stock options to directors, officers, employees and consultants of the Company or any subsidiary thereof. The total number of shares issuable pursuant to the Option Plan is up to a maximum of 10% of the issued and outstanding common shares of the Company at any given time. The exercise price of each stock option is to be determined at the discretion of the board of directors at the time of the granting of the stock option, as are the term and vesting policies, provided that the exercise price shall not be lower than the market price or such discount from the market price as may be permitted by the stock exchange on which the Common Shares are listed and provided that no stock option shall have a term exceeding five years (or such longer period as is permitted by the stock exchange on which the Common Shares are listed). There may not be issued to insiders within a one-year period, a number of Common Shares exceeding 10% of the outstanding issue and no one eligible optionee can receive stock options entitling the eligible optionee to purchase more than 5% of the total Common Shares. Finally, there may not be issued to any one insider and such insider's associates, within a one-year period, a number of Common Shares of the Company exceeding 5% of the outstanding issue.

At December 31, 2012 a total of 11,286,258 options were reserved under the Stock Plan with 8,887,000 options outstanding.

The changes in share options during the three months ended December 31, 2012 and the year ended September 30, 2012 are as follows:

	December 31, 2012		September 30, 2012	
	Number of Options	**Weighted Average Exercise Price Cdn $**	Number of options	Weighted Average Exercise Price Cdn $
Options outstanding, beginning of the year	9,487,000	0.29	5,420,000	0.36
Granted	-		4,772,000	0.28
Expired	(600,000)	0.70	(705,000)	0.70
Options outstanding, ending of the period	8,887,000	0.26	9,487,000	0.29

Note 10 - Share Purchase Options - Continued

Fair value of share options granted

During the period ended December 31, 2012, the Company granted no options to directors, officers or employees. During the three months ended December 31, 2012 $77,076 was expensed resulting from the unamortized stock-based compensation granted during the year ended September 30, 2012.

During the period ended December 31, 2011 the Company granted options to directors, officers and employees to purchase up to 4,172,000 common shares of the Company at a weighted average exercise price of Cdn. $0.25 per share. The options vest 50% on issue and 50% one year after issuance. The estimated fair value of the stock options granted during the period ended December 31, 2011 was $646,634. The unamortized balance at December 31, 2011 was $ 290,632.

During the year ended September 30, 2012, the Company granted options to employees to purchase up to 4,772,000 common shares of the Company at a weighted average exercise price of Cdn $0.28 per share. The options vest 50% on issue and 50% one year after issuance. The estimated fair value of the stock options granted during the year ended September 30, 2012 was $ 757,357 using the Black-Scholes option pricing model. The unamortized balance at December 31, 2012 was $32,353 (September 30, 2012 - $107,129)

The fair value of the options granted during the year ended September 30, 2012 is estimated on the dates of grant using the Black-Scholes option valuation model with the following weighted-average assumptions:

	For the year ended September 30, 2012
Dividend yield	Nil
Expected volatility (%)	104
Risk-free interest rate (%)n	1.23
Expected life of options (years)	4.43
Grant date fair value (Cdn $)	0.182
Forfeiture rate	Nil

Option pricing models require the input of subjective assumptions including the expected price volatility and the expected option life. Changes in these assumptions can materially affect the estimated fair value of the stock options granted.

A summary of the Company's options outstanding as at December 31, 2012 is as follows:

Options Outstanding	Number of Options Exercisable	Exercise Price (Cdn)	Remaining Contractual life (years)	Expiry Date
1,300,000	1,300,000	$ 0.25	1.67	September 3, 2014
2,565,000	2,565,000	$ 0.25	2.70	September 13, 2015
250,000	250,000	$ 0.25	3.02	January 6, 2016
4,172,000	4,172,000	$ 0.25	3.90	November 25, 2016
600,000	300,000	$ 0.47	4.25	April 17,2017
8,887,000	8,587,000		2.94	

The weighted average exercise price of the options exercisable at December 31, 2012 is Cdn $ 0.26

Note 11 – Management of Capital Structure

The Company's objectives when managing capital are:

i. Maintain a flexible capital structure which optimizes the cost of capital at acceptable risk;
ii. To manage capital in a manner that balances the interests of equity and debt holders.

In the management of capital, the Company includes share capital and total debt.

Note 11 – Management of Capital Structure - Continued

The Company manages the capital structure and makes adjustments depending upon economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and/or debt or sell assets.

The Company's share capital is not subject to external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

The Company prepares annual and updated budgets which are approved by the board of directors.

The Company is in an exploration phase and does not have any cash flow from operations, and consequently relies on equity financing. At the present time, the Company may pursue financing by equity, acquiring joint venture partners or such other measures as the board of directors may identify in the best interests of the shareholders.

Note 12 – Financial Instruments

(a) Fair value of financial instruments:

The Company's financial instruments as at December 31, 2012 and September 30, 2012 include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.

Derivative warrant liabilities are measured at fair value through profit and loss using Black-Scholes option pricing model. This basis of determining fair value is a level 2 technique for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

(b) Credit risk:

The best representation of the Company's maximum exposure (excluding tax effects) to credit risk, which is a worst-case scenario and does not reflect results expected by the Company, is as set out in the following table:

	December 31, 2012	September 30, 2012
	$	$
Cash and cash equivalents	145,755	34,556
Accounts receivable	888,905	672,906
	1,034,660	707,462

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As at December 31, 2012, the Company's accounts receivable consisted of $888,905 (September 30, 2012 - $ 672,906) from the governments of Canada, Peru and an officer.

The Company avoids complex investment vehicles with higher risk such as asset-backed commercial paper.

(c) Liquidity risk**:**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual budgets, which are regularly monitored and updated as considered necessary. To facilitate the capital expenditure program, the Company relies on equity financing. The Company anticipates raising funds from the issuance of equity prior to the commencement of the next exploration phase.

At December 31, 2012, all of the Company's accounts payable and accrued liabilities mature within one year.

Note 12 – Financial Instruments - Continued

(d) Currency risk:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Peru and Canada and a portion of its expenses are incurred in Canadian dollars, United Sates dollars and Peruvian Soles. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and the Peruvian Soles to the US dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At December 31, 2012 the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

	December 31, 2012		
	United States $	Peruvian Soles	Canadian $
Cash and cash equivalents, and short-term investments	101,422	-	44,333
Accounts receivable	-	2,059,474	105,835
Accounts payable and accrued liabilities	(1,046,992)	(2,047,981)	(166,145)

Based on the above net exposures as at December 31, 2012, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase/decrease of $ 1,500 in the Company's loss for the period. A 10% depreciation or appreciation of the Peruvian soles against the US dollars would result in an decrease/increase of $ 1,200 in the Company's loss for the period.

Note 13 – Financial (Income) and Expense

Finance (income) and expense for the three months ended December 31, 2012 and 2011 is comprised of the following:

	2012	2011
Finance Income		
Interest and other income	**(6)**	(3,682)
Foreign exchange gain	**-**	-
Finance income	**(6)**	(3,682)
Finance expense		
Accretion expense	**700**	678
Foreign exchange loss	**2,773**	14,200
Finance expense	**3,473**	14,878

The warrants entitle the holder to acquire a fixed number of common shares for a fixed Canadian dollar price per share. An obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the Consolidated Statement of Loss and Comprehensive Loss as they arise.

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at rates in effect on the date of the transaction. Exchange gains or losses arising from translation are included in the Interim Condensed Consolidated Statement of Loss and Comprehensive Loss.

Note 14 - Related Party Transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details between the Company and other related parties are disclosed below.

(a) Trading transaction

Certain of the Company's officers and directors render services to the Company as sole proprietors or through companies in which they are an officer, director or partner.

	Nature of transactions
Norton Rose LLP	Legal fees
Specialized Geological Mapping	Consulting fees
Fios Consulting Corporation	Consulting fees

The Company incurred the following fees and expenses in the normal course of the operations in connection with related parties. Expenses have been measured at the exchange amount which is determined on a cost recovery basis and has been included in general administration in the Interim Condensed Consolidated Statement of Loss and Comprehensive Loss.

	Three Months ended December 31, 2012 $	Three months ended December 31, 2011 $
Legal fees	18,656	7,408
Consulting fees	-	26,591
	18,656	33,999

Amounts due to related parties are unsecured, non-interest bearing and due on demand in Canadian dollars. Accounts payable at December 31, 2012 included $ 101,754 (September 30, 2012 $ 71,443), which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

Amounts due from a related party are unsecured, non-interest bearing and due on demand in Canadian dollars. Accounts receivable at December 31, 2012 included $ 70,219 (September 30, 2012 - $ 74,007).

Compensation of key management personnel

Compensation includes salaries paid to the president and chief executive officer, chief financial officer, manager of exploration and amounts paid to directors as consulting fees for their services provided to the Company, as disclosed above in Note 14(a), outside of their capacity as a director. Compensation has been included in general and administration in the Interim Condensed Consolidated Statement of Loss and Comprehensive Loss.

	Note	Three Months ended December 31, 2012 $	Three Months ended December 31, 2011 $
Compensation		108,924	378,795
Share-based compensation	i	71,063	40,261

i. Share-based compensation represents the expense for the three months ended December 31, 2012 and 2011, translated at the grant date foreign exchange rate.
ii. Key management personnel were not paid post-employment benefits, termination benefits, or other long term benefits during the periods ended December 31, 2012 and 2011.

Note 15 - Supplemental Cash Flow Information

Supplemental information regarding other non-cash transactions is as follows for the three months ended December 31, 2012 and 2011:

	2012	2011
	$	$
Agents options issued	49,383	433,487
Transfer to share capital from contributed surplus	-	46,735

Supplemental information regarding other cash transactions is as follows:

	2012	2011
	$	$
Cash taxes paid	-	-
Cash interest paid	-	-

Note 16 – Segmented Information

The Company operated in one reportable operating segment, being mineral exploration and in the following geographical areas:

	Loss (income) for the Period		
	Canada	**Peru**	**Total**
	$	**$**	**$**
December 31, 2012	**307,186**	**256,184**	**563,310**
December 31, 2011	59,504	147,748	207,252

	Identifiable Assets		
	Canada	**Peru**	**Total**
	$	**$**	**$**
December 31, 2012	**246,563**	**21,294,693**	**21,541,256**
September 30, 2012	139,470	20,909,850	21,049,320

Note 17 – Commitments

The Company has entered into a lease agreement for its office space in Calgary. The lease expires on November 1, 2016. The minimum annual payments including operating cost are as follows:

	Canada
	$
2013	54,989
2014	73,318
2015	73,318
2016	73,318
2017	6,110
Total	281,053