Peruvian Precious Metals Corp.

(An Exploration Stage Company)

Consolidated Financial Statements

For the years ended September 30, 2014 and 2013

Expressed in Canadian Dollars

Contents

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Independent Auditors' Report

To the Shareholders of
Peruvian Precious Metals Corp.

We have audited the accompanying consolidated financial statements of Peruvian Precious Metals Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2014 and September 30, 2013, and the consolidated statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditors' 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 auditors' 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 auditors consider 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 Peruvian Precious Metals Corp. and its subsidiaries as at September 30, 2014 and September 30, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of Peruvian Precious Metals Corp. to continue as a going concern.

"Crowe MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
January 27, 2015

Peruvian Precious Metals Corp.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Notes	**September 30, 2014**	September 30, 2013
ASSETS			
Current Assets			
Cash		**$ 56,795**	$ 185,569
Accounts receivable	5	**19,321**	48,429
Prepaid expenses		**24,804**	109,427
Total current assets		**100,920**	343,425
Non-current assets			
Equipment	7	**29,442**	34,537
Note receivable	15	**-**	631,272
Total non-current assets		**29,442**	665,809
TOTAL ASSETS		**$ 130,362**	$ 1,009,234
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8, 15	**$ 3,181,134**	$ 2,788,070
Interest payable	10	**14,560**	-
Convertible debenture	10	**499,004**	-
Derivative liability – convertible debenture	10	**1,294,334**	-
Notes payable	11	**-**	218,038
Total current liabilities		**4,989,032**	3,006,108
Decommissioning obligation	12	**17,137**	17,432
TOTAL LIABILITIES		**5,006,169**	3,023,540
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	13	**36,265,258**	34,268,098
Share-based payment reserve	13	**4,849,366**	4,587,777
Warrants reserve	13	**1,158,773**	1,135,635
Accumulated other comprehensive loss		**(1,127,026)**	(1,321,127)
Deficit		**(46,022,178)**	(40,684,689)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**(4,875,807)**	(2,014,306)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**$ 130,362**	$ 1,009,234

Nature of Operations and Going Concern (Note 1)
Commitments (Notes 6 and 17)
Contingency (Note 21)
Subsequent Events (Note 22)

Approved on behalf of the Board:

/s/ Brian J Maher	*/s/ Brian Imrie*
Director	Director

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

Peruvian Precious Metals Corp.
(An Exploration Stage Company)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	Year Ended September 30, 2014	2013
Operating expenses			
Accretion expense	12	$ -	$ 1,411
Bad debt	5	-	412,225
Communication and regulatory		236,502	326,699
Consulting fees, salaries and benefits	15	1,054,472	1,584,934
Depreciation	7	13,726	11,473
Foreign exchange loss (gain)		159,650	(23,540)
Office and miscellaneous		190,699	51,303
Premises	17	70,611	168,515
Professional fees	15	319,554	295,927
Share-based payments	13, 15	261,589	732,553
Travel and promotion		221,116	246,189
Write-down of exploration and evaluation assets	6	1,143,688	21,470,240
Net loss before finance Items		3,671,607	25,277,929
Finance items			
Interest income		(57,006)	(14,835)
Interest expense	10, 11	105,728	5,192
Allowance for note receivable	15	655,922	-
Change in fair value of derivative liability	9, 10	884,624	(38,033)
Loss on settlement of debt		60,417	-
Transaction costs – convertible debenture	10	16,197	-
Net Loss		5,337,489	25,230,703
Other Comprehensive Loss (Gain)			
Foreign exchange difference on translation		(194,101)	123,882
Comprehensive Loss		$ 5,143,388	$ 25,354,585
Basic and Diluted Loss per share		$ (0.04)	$ (0.22)
Weighted average number of shares outstanding			
Basic and Diluted		133,259,786	117,174,126

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

Peruvian Precious Metals Corp.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year Ended September 30, 2014	2013
Cash flows from operating activities		
Net loss for the year	$ **(5,337,489)**	$ (25,230,703)
Adjustments for items not affecting cash:		
Accretion expense	**-**	1,411
Bad debt	**-**	412,225
Depreciation	**13,726**	11,473
Accrued interest expense	**105,728**	5,192
Accrued interest income	**(24,650)**	-
Foreign exchange loss	**159,650**	-
Write-down of equipment	**-**	7,872
Loss on settlement of debt	**60,417**	-
Share-based payments	**261,589**	732,553
Change in fair value of derivative liability – warrants	**-**	(38,033)
Change in fair value of derivative liability – convertible debenture	**884,624**	-
Non-cash transaction costs – convertible debenture	**16,197**	-
Allowance for note receivable	**655,922**	-
Write-down of exploration and evaluation assets	**1,143,688**	21,470,240
	(2,060,598)	(2,651,310)
Changes in non-cash working capital items:		
Accounts receivable	**29,108**	200,614
Note receivable	**-**	(630,635)
Prepaid expenses	**84,623**	(103,088)
Accounts payable and accrued liabilities	**875,225**	287,849
Cash used in operating activities	**(1,071,642)**	(2,896,570)
Cash flows from financing activities		
Proceeds from issuance of notes payable	**673,724**	716,410
Proceeds from convertible debenture	**854,498**	-
Proceeds from issue of common shares, net share issue costs	**75,000**	3,967,573
Cash provided by financing activities	**1,603,222**	4,683,983
Cash flows from investing activities		
Mineral property expenditures	**(717,768)**	(1,538,580)
Purchase of property and equipment	**(5,884)**	-
Cash used in investing activities	**(723,652)**	(1,538,580)
Foreign exchange effect on cash	**63,298**	(97,222)
Increase (decrease) in cash for the year	**(128,774)**	248,833
Cash, beginning of year	**185,569**	33,958
Cash, end of year	$ **56,795**	$ 185,569

Supplemental cash flow information (Note 19)

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

Peruvian Precious Metals Corp.

(An Exploration Stage Company)

Consolidated Statements of Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

	Share Capital (Number)		Share Capital		Warrants Reserve		Share-Based Payment Reserve		Accumulated Other Comprehensive Income (Loss) - Cumulative Translation Adjustments		Deficit		Total
September 30, 2012	**107,247,214**	**$**	**30,280,425**	**$**	**279,590**	**$**	**4,222,719**	**$**	**(1,197,245)**	**$**	**(15,453,986)**	**$**	**18,131,503**
Units issued in private placement	20,299,529		3,466,459		738,826		-		-		-		4,205,285
Share issue costs	-		(345,312)		-		-		-		-		(345,312)
Share options exercised	2,465,000		616,250		-		-		-		-		616,250
Fair value of share options exercised	-		367,495		-		(367,495)		-		-		-
Fair value of agent warrants issued	-		(117,219)		117,219		-		-		-		-
Share-based payments	-		-		-		732,553		-		-		732,553
Foreign exchange translation difference	-		-		-		-		(123,882)		-		(123,882)
Net loss for the year	-		-		-		-		-		(25,230,703)		(25,230,703)
September 30, 2013	**130,011,743**		**34,268,098**		**1,135,635**		**4,587,777**		**(1,321,127)**		**(40,684,689)**		**(2,014,306)**
Units issued in private placement	750,000		51,862		23,138		-		-		-		75,000
Shares issued to settle debt	22,015,266		1,491,686		-		-		-		-		1,491,686
Shares issued to purchase net smelter return obligations	4,259,200		425,920		-		-		-		-		425,920
Shares issued for transaction costs	307,695		27,692		-		-		-		-		27,692
Share-based payments	-		-		-		261,589		-		-		261,589
Foreign exchange translation difference	-		-		-		-		194,101		-		194,101
Net loss for the year	-		-		-		-		-		(5,337,489)		(5,337,489)
September 30, 2014	**157,343,904**	**$**	**36,265,258**	**$**	**1,158,773**	**$**	**4,849,366**	**$**	**(1,127,026)**	**$**	**(46,022,178)**	**$**	**(4,875,807)**

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

Note 1 – Nature of Operations and Going Concern

Peruvian Precious Metals Corp. (the "Company") was incorporated on July 28, 1987, under the Alberta Business Corporations Act. Following a number of name changes the Company became Peruvian Precious Metals Corp. on July 2, 2013. 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.

The Company 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 800 – 580 Hornby Street, Vancouver, BC, Canada, V6C 3B6.

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 various forms of debt, something the Company will continue to do so. During the year-ended September 30, 2014 the Company raised $75,000 through the completion of private placements to assist with funding ongoing operations. The Company also issued notes payable in the amount of $673,724 and a convertible debenture bringing in $854,498 to fund ongoing operations.

The 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, including $5,337,489 for the year ended September 30, 2014 (2013 - $25,230,703) and has accumulated a deficit of $46,022,178 as at September 30, 2014 (2013 - $40,684,689). The Company has a working capital deficiency of $4,888,112 as at September 30, 2014 (2013 - $2,662,683). The Company will need to raise additional funds in order to continue on as a going concern 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 material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the 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 consolidated financial statements.

Note 2 – Basis of Preparation

The consolidated financial statements of the Company for the year ending September 30, 2014, including comparatives, has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on January 27, 2015.

Note 3 – Significant Accounting Policies

These consolidated financial statements are expressed in Canadian dollars, the Company's presentation currency and have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out in this note have been applied consistently to all periods presented in these consolidated financial statements.

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Consolidation

The consolidated financial statements include the accounts of the Company's 100% owned subsidiaries (collectively, the "Group"), Sienna Minerals S.A.C. and Agraria Huaranchal S.A.C. All significant intercompany transactions and balances have been eliminated.

Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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 Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the determination of environmental obligations and VAT liability, the recoverability of exploration and evaluation assets, the assumptions used in the determination of the fair value of share-based payments, and recoverability of accounts and note receivables.

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.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments, as follows:

- the point in time that an economic feasibility study has established the presence of proven and probable reserves;
- deferred tax assets recorded in the consolidated financial statements;
- in accordance with International Accounting Standards ("IAS") 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company is the Canadian dollar and the functional currency of the Company's wholly-owned subsidiaries is the US dollar, as they are the currencies of the primary economic environments in which the companies operate.

Note 3 – Significant Accounting Policies – Continued

Significant Accounting Estimates and Judgments – Continued

Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional and presentation currency of the Company is the Canadian dollar while the functional currency of its subsidiaries is the United States ("US") dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the year in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Parent and Subsidiary Companies

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at monthly average exchange rates during the year.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's exchange difference on translating foreign operations on the Statement of Comprehensive Income (Loss) and are reported as a separate component of shareholders' equity titled "Cumulative Translation Adjustments". These differences are recognized in the profit or loss in the year in which the operation is disposed of.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments that are readily convertible to cash which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. As at September 30, 2014 and 2013 the Company did not have any cash equivalents.

VAT Receivables and Payables

Expenses incurred by the Company in Peru, including deferred exploration expenses, are subject to a Peruvian Value Added Tax ("VAT"). The VAT is partially refundable. The amount not refundable to the Company can be used in future to offset amounts due to the Peruvian Revenue Service by the Company resulting from VAT charged on future sales.

The Company records as a liability for the refunds received on the basis that the regulations in Peruvian law that give rise to the VAT refund are technical and unclear and if not adhered to precisely may give rise to repayment of the amounts received by the Company in addition to penalties and interest.

Note 3 – Significant Accounting Policies – Continued

Exploration and Evaluation Assets

Mineral exploration and evaluation costs are charged to operations in the period incurred until such time as the property has been acquired or is under option, in which case subsequent exploration costs and costs incurred to develop the property are capitalized.

Direct costs related to the acquisition of mineral property interests are capitalized on a property by property basis. Property acquisition costs include cash expenses and the fair market value of common shares, based on the trading price of the shares, issued for mineral properties interests, pursuant to the related property agreements.

Payments relating to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded as mineral property costs upon payment.

Upon commencement of commercial production of a mineral property, the related capitalized costs are amortized and depleted on a unit-of-production basis using estimated proven reserves of the mineral property.

Periodic reviews are made by management and where the long-term expectation is that the net carrying amount of these capitalized exploration and development costs will not be recovered, the carrying amount is then written down accordingly and the write-down amount charged to operations.

The amounts shown for exploration and evaluation assets represent acquisition and deferred exploration costs incurred to date, on a property by property basis, and are not intended to reflect present or future values. It is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Title to Mineral Property Interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Equipment

Items of equipment are recorded at cost and depreciated over their estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. The Company's depreciation method is the straight-line method based on the estimated useful lives at the following rates:

Office furniture	3 years
Computer equipment	2 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

Note 3 – Significant Accounting Policies – Continued

Share Capital

Non-monetary consideration

Agent warrants, stock options and other equity instruments issued as purchase consideration in non-monetary transactions are valued by management using the Black-Scholes option pricing model. Consideration for exploration and evaluation assets are recorded at fair value based on the fair value of the shares issued which is the trading price of those shares on the TSX.V on the date in which the shares are issued.

Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

Valuation of Equity Units Issued in Private Placements

The Company uses the Black-Scholes option value model to value any warrants and agent options issued in private placements in the same currency as the Company's functional and presentation currency. The fair value assigned to warrants is recorded as a reduction to share capital and an increase to warrants. The fair value assigned to agent options is recorded as share issue costs and an increase to reserve. Upon exercise the consideration paid by the holder together with the amount previously recognized is recorded as an increase to share capital. Proceeds from unit placements are allocated between shares and warrants issued based on the residual value method, with the warrants being valued first using the Black-Scholes option pricing model.

When the terms of the warrants are modified, no adjustments are recognized in equity.

Share-Based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

Note 3 – Significant Accounting Policies – Continued

Share-Based Payments – Continued

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired.

i. *Financial assets and liabilities at fair value through profit or loss ("FVTPL"):* A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Cash and derivative liability are classified as FVTPL.

   Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in profit or loss. Gains and losses arising from the changes in fair value are presented in the profit or loss. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the Consolidated Statement of Financial Position date, which is classified as non-current.

ii. *Available-for-Sale investments:* Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income (loss) and classified as a component of equity. The Company does not hold any available-for-sale assets.

iii. *Held-to-Maturity investments:* Held-to-Maturity investments are non-derivatives that are designated in the category where the Company's intent is to hold the investment to maturity.

   Held-to-Maturity investments are initially measured at fair value including transaction costs, and subsequently carried at amortized cost. The Company does not hold any held-to-maturity assets.

iv. *Loans and Receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. Financial instruments held by the Company classified in this category include accounts receivable and note receivable.

v. *Other Financial Liabilities:* Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, convertible debenture, and notes payable are classified as other financial liabilities.

Note 3 – Significant Accounting Policies – Continued

Financial Instruments – Continued

vi. *Derivative financial instruments:* The Company has issued convertible debentures that are treated as derivative liabilities.

The convertible debenture entitles the holder to acquire a fixed number of common shares for a fixed US dollar price per share. The Company's functional currency is currently Canadian dollars.

An obligation to issue shares for a price that is not denominated 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 profit or loss as they arise. The Company has recorded these changes as financing income and expenses.

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the financial assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the financial asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated other comprehensive income (loss) to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

Non-financial assets are evaluated at each reporting date by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

In calculating the recoverable amount, if applicable, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social, legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount.

Note 3 – Significant Accounting Policies – Continued

Impairment of Non-Financial Assets

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Reversal of Impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Decommissioning and Restoration Provision

Decommissioning and restoration provision: Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows discounted at a risk-free rate. The decommissioning and restoration provision is adjusted at each reporting period for change to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the pre-tax rate, risk specific to the liability.

The liability is also accreted to full value over time through periodic charges to earnings. This accretion of the discount is charged to finance expense in profit or loss.

The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to earnings. The method of amortization follows that of the underlying asset. The costs related to decommissioning and restoration provision are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit.

Other provisions: Other provisions are recognized when a current legal or constructive obligation exists as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate pre-tax discount rate, risk specific to the liability.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Note 3 – Significant Accounting Policies – Continued

Profit or Loss per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. There were 35,948,289 outstanding options, warrants and similar instruments at September 30, 2014 (2013 – 26,146,931).

Non-monetary Transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction. When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up adjusted by the fair value of any monetary consideration received or given. When the asset received or the consideration given up is shares in an actively traded market, the value of those shares will be considered fair value.

Note 4 – Accounting Standards Issued But Not Yet Effective

The following revised standards are effective for annual periods beginning on or after January 1, 2014 with earlier application permitted. The Company has not completed its assessment of the impact that the new and amended standards will have on its financial statements.

<u>IAS 32 "Financial Instruments: Presentation"</u>
This amendment provides clarification on the application of offsetting rules.

<u>IAS 36 "Impairment of Assets"</u>
On May 29, 2013, the IASB made amendments to the disclosure requirements of IAS 36, requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed.

The following revised standard is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Company has not completed its assessment of the impact that the new and amended standard will have on its financial statements.

<u>IFRS 9 "Financial Instruments"</u>
The IASB intends to replace IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety with IFRS 9 which is intended to reduce the complexity in the classification and measurement of financial instruments.

The Company has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective.

(Expressed in Canadian Dollars)

Note 5 – Accounts Receivable

	September 30, 2014	September 30, 2013
Canadian GST recoverable	$ 14,274	$ 48,429
Other	5,047	-
	$ 19,321	$ 48,429

During the year ended September 30, 2013, due to the uncertainty around the collectability of the accrual of Peruvian VAT refund, management decided to write off the remaining balance of $412,225.

Note 6 – Exploration and Evaluation Assets

Deferred exploration costs:

	IGOR Concession (Peru)	IGOR South Concession (Peru)	Total
September 30, 2012	**$ 19,863,425**	**$ 68,235**	**$ 19,931,660**
Drilling, road and site preparation	283,112	-	283,112
Salaries, claims maintenance and staking	1,021,240	-	1,021,240
Management	110,322	1,934	112,256
Assaying	13,930	-	13,930
Surface rights	14,189	-	14,189
Geophysical survey	3,058	-	3,058
Social development	24,107	-	24,107
Legal and accounting	18,359	-	18,359
Site visits	48,329	-	48,329
Write-down of capitalized costs	(21,400,071)	(70,169)	(21,470,240)
September 30, 2013	**-**	**-**	**-**
Drilling, road and site preparation	127,853	-	127,853
Salaries, claims maintenance and staking	551,300	-	551,300
Assaying	37,164	-	37,164
Social development	1,451	-	1,451
Shares issued to purchase a net smelter return obligations	425,920	-	425,920
Write-down of capitalized costs	(1,143,688)	-	(1,143,688)
September 30, 2014	**$ -**	**$ -**	**$ -**

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%.

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 US $14,411 and 355,000 common shares valued at US$0.155 per share. The property is contiguous to and south east of the Igor Concession.

During the year ended September 30, 2013, due to the fact that no substantive expenditures on further exploration for and evaluation of mineral resources are budgeted or planned until the Company can raise sufficient funding, management decided to write down the capitalized costs. The Company continued the process of writing down the capitalized expenditures during the 2014 fiscal year.

Note 7 – Equipment

	Cost	Accumulated Depreciation	Net Book Value
September 30, 2012	$ 123,370	$ 71,336	$ 52,034
Depreciation	-	11,473	(11,473)
Disposals	(41,509)	(33,637)	(7,872)
Foreign exchange	5,368	3,520	1,848
September 30, 2013	87,229	52,692	34,537
Depreciation	-	13,726	(13,726)
Additions	5,884	-	5,884
Foreign exchange	7,594	4,847	2,747
September 30, 2014	$ 100,707	$ 71,265	$ 29,442

Note 8 – Accounts Payable and Accrued Liabilities

	September 30, 2014	September 30, 2013
Trade accounts payable	$ 1,818,337	$ 1,534,418
Acquisition of surface rights	449,953	413,917
Accrual for Peruvian VAT	912,844	839,735
	$ 3,181,134	$ 2,788,070

Note 9 – Derivative Liability - Warrants

The warrants below were considered a derivative liability under IAS 39 because they were exercisable in Canadian dollars at the time when the Company's functional currency was the US dollar. The warrants were therefore required to be revalued at fair value through net profit or loss at each reporting date. The warrants expired during the year ended September 30, 2013.

	Warrants	**Amount**
Balance, September 30, 2012	**17,500,000**	**$ 38,033**
Expired	(17,500,000)	(38,033)
Balance, September 30, 2013	**-**	**$ -**

(Expressed in Canadian Dollars)

Note 10 – Convertible Debenture

On August 15, 2014, the Company entered into an agreement to issue a convertible debenture for aggregate proceeds of US$800,000. The convertible debenture is unsecured and bears an interest rate of 13% per annum, calculated on the principal balance, payable every four months commencing April 30, 2015. The convertible debenture is non-transferable and can be converted into common shares of the Company at any time at a conversion price of US$0.065 for a period of one year. If the convertible debenture is not converted in the one year, the Company will repay the full amount of the debenture along with any outstanding accrued interest. The Company also issued 307,695 common shares, valued at $27,692, and US$6,243 as a finder's fee.

The conversion feature of the convertible debenture meets the definition of a derivative liability as outlined in IAS 39. As a result, the conversion feature of the debenture is required to be recorded as a derivative liability at fair market value and revalued on each subsequent reporting date with the changes in the fair value of the derivative liability being recorded in profit and loss. Also in accordance with IAS 39, the transaction costs are to be allocated on a pro-rata basis to the derivative liability and the convertible debenture. The amount allocated to the derivative liability is to be recorded in profit and loss while the amount allocated to the convertible debenture is a reduction in the initial fair value of the convertible debenture.

On inception of the debenture, August 15, 2014, the fair value of the derivative liability related to the conversion feature was $409,710 and as at September 30, 2014 the fair value was $1,294,334. The derivative liability was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

	2014	2013
Dividend yield	Nil	Nil
Risk–free interest rate (%)	1.05 – 1.12	Nil
Expected life (years)	0.87 – 1.00	Nil
Expected annualized volatility (%)	141.54 – 160.19	Nil

The change in the derivative liability related to the conversion feature is as follows:

		September 30, 2014
Balance, beginning of the year	$	-
Fair value at inception		409,710
Change in fair value including foreign exchange		884,624
Balance, end of the year	$	1,294,334

With the conversion feature initially being valued at $409,710, the resulting residual value was allocated to the host convertible debenture in the amount of $460,980, which was then reduced to $444,783 with the allocation of the pro-rated transaction costs of $16,197.

The change in the convertible debenture is as follows:

		September 30, 2014
Balance, beginning of the year	$	-
Fair value at inception		460,980
Transaction costs		(16,197)
Amortization of discount		39,398
Foreign exchange		14,823
Balance, end of the year	$	499,004

(Expressed in Canadian Dollars)

Note 10 – Convertible Debenture – Continued

During the year ended September 30, 2014, in addition to the amortization of the discount on the convertible debenture, the Company incurred interest expense of $14,258 (2013 - $Nil) and foreign exchange loss of $302. The interest expense is based on the 13% per annum interest rate. The total interest expense for the year was $53,656 (2013 - $Nil).

Note 11 – Notes Payable

During the year ended September 30, 2014, the Company entered into six note agreements with various unrelated third parties with terms identical to each other as well as three note agreements with one director, also having identical terms as the other notes. The note amounts were as follows:

1. USD $75,000;
2. USD $50,000;
3. USD $50,000;
4. USD $30,000 – related party note agreement;
5. USD $10,710 – related party note agreement;
6. CDN $20,000 – related party note agreement;
7. USD $80,000;
8. USD $273,000;
9. USD $50,000

The agreements all had an interest rate of 12% per annum and were all due on demand with no specific repayment date. The notes were unsecured and had no covenants. On August 11, 2014, the Company received Exchange approval to settle all the loans with the issuance of common shares of the Company. The total debt retired totaled $948,832 and the fair value of the shares issued were $875,845, resulting in a $72,987 gain from the settlement of the debt.

During the year ended September 30, 2013 Company entered into two identical agreements with an unrelated third party to receive $254,325 per agreement for a total of $508,650. The agreements were entered into on February 25, 2013 and March 25, 2013. The notes were payable on December 31, 2013 with interest accruing at a rate of 6% per annum. The interest was payable semi-annually on June 30, 2013 and December 31, 2013 commencing June 30, 2013. The notes were unsecured and had no covenants. On June 6, 2013, the lender decided to participate in the Company's private placement using the $508,650 from the original loan agreement.

On July 16, 2013, the Company entered into an additional loan of US$200,000 at 12% per annum payable on February 14, 2014 with the same party as previous loans.

	September 30, 2014	September 30, 2013
Balance, beginning of the year	$ 218,038	$ -
Loans	673,724	207,760
Interest	52,072	5,087
Foreign exchange	4,998	5,191
Settlement	(875,845)	-
Gain on debt settlement	(72,987)	-
Balance, ending of the year	$ -	$ 218,038

(Expressed in Canadian Dollars)

Note 12 – Decommissioning Obligation

The Company estimated the fair value of the decommissioning obligation that arose as a result of exploration activities to be $17,137. The fair value of the liability was determined to be equal to the estimated remediation costs. As at September 30, 2014, the Company cannot make a reasonable estimate of the timing of the cash flows and the fair value of the future decommissioning provision cannot be reasonably determined.

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

	Amount
Balance at September 30, 2012	$ 15,502
Accretion expense	1,411
Foreign exchange	519
Balance at September 30, 2013	17,432
Accretion expense	-
Foreign exchange	(295)
Balance at September 30, 2014	$ 17,137

Note 13 – Share Capital

a) Authorized

Unlimited number of common shares, without par value; and unlimited number of preference shares, without par value.

b) Issued

Fiscal 2014 transactions

On August 22, 2014, the Company received Exchange approval to complete a share for debt agreement with the former CFO of the Company. The Company issued 2,846,154 common shares valued at $341,539 and used this transaction to pay outstanding payables of $185,000. The Company realized a loss on debt settlement of $156,538.

On August 20, 2014, the Company entered into an agreement to purchase two net smelter return agreements on the Company's properties in Peru. The Company issued 4,259,200 common shares valued at $425,920 to complete the agreement.

On August 15, 2014, the Company issued 307,695 common shares as part of the transaction fee for the convertible debenture transaction. The shares were valued at $27,692. Please refer to note 10.

On August 11, 2014 the Company completed a shares for debt settlement agreements with several parties, including related parties management and members of the Board. In total the Company issued 19,169,112 common shares valued at $1,150,147. $948,832 was used to retire all of the Company's loans, including interest, and $297,162 was used to reduce payables to management, a board member and a former employee resulting in a gain on debt settlement of $95,847.

On November 7, 2013 the Company closed the first tranche of a private placement for the issuance of 750,000 units at $0.10 per unit for gross proceeds of $75,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to subscribe for one additional common share for $0.16 for a period of two years from closing. Should the shares of the Company trade over $0.45 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. The Company has assigned $23,138 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of $51,862 assigned to the shares.

(Expressed in Canadian Dollars)

Note 13 – Share Capital – Continued

b) Issued – Continued

The fair value of the warrants and agents warrants issued 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)	2
Expected annualized volatility (%)	126.30

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 US $0.30 per unit for gross proceeds of $1,712,135. 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 US $0.45 for a period of one year from closing. The Company has assigned $250,400 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of $1,461,735 assigned to the shares. Agents assisting in the private placement were paid $118,146 and granted warrants to acquire 336,167 units. The units entitle the holder to acquire one common share of the Company for US $ 0.30 and receive one common share purchase warrant; each common share purchase warrant entitles the holder to acquire a common share for US$ 0.45 per share for a period of one year from closing. The Company has assigned $49,817 to the agents warrants 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 $167,963. The fair value of the warrants and agents warrants 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 annualized volatility (%)	70.72

On June 6, 2013 the Company closed a private placement for the issuance of 8,752,499 units at $0.18 per unit for gross proceeds of $1,575,450. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to subscribe for one additional common share for $0.25 for a period of two years from closing. Should the shares of the Company trade over $0.45 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. The Company has assigned $300,648 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of $1,274,802 assigned to the shares. Agents assisting in the private placement were paid $96,666 and granted Agent warrants to acquire 525,150 common shares of the Company. The warrants entitle the holder to acquire one common share of the corporation for $ 0.18 for a period of two years from closing. The Company has assigned $42,642 to the agents warrants 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 $139,308. The fair value of the warrants and agents warrants issued 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 (%)	1.05
Expected life (years)	2
Expected annualized volatility (%)	102.26

On July 29, 2013 the Company closed a private placement for the issuance of 931,667 units at $0.18 per unit for gross proceeds of $167,700. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to subscribe for one additional common share for $0.25 for a period of two years from closing. Should the shares of the Company trade over $0.45 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. The Company has assigned $33,028 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of $134,672 assigned to the shares. The fair value of the warrants and agents warrants issued was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions:

(Expressed in Canadian Dollars)

Note 13 – Share Capital – Continued

b) Issued – Continued

Dividend yield	Nil
Risk–free interest rate (%)	1.16
Expected life (years)	2
Expected annualized volatility (%)	113.60

On August 29, 2013 the Company closed a private placement for the issuance of 5,000,000 units at $0.15 per unit for gross proceeds of $750,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to subscribe for one additional common share for $0.25 for a period of two years from closing. Should the shares of the Company trade over $0.45 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. The Company has assigned $154,750 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of $595,250 assigned to the shares. Agents assisting in the private placement were paid $60,000 and granted agents warrants to acquire 400,000 common shares of the Company. The warrants entitle the holder to acquire one common share of the corporation for $ 0.25 for a period of two years from closing. The Company has assigned $24,760 to the agents warrants based on the estimated fair market value using Black-Scholes option value model. These costs have been recorded as share issue costs in addition to the $70,500 in legal and due diligence costs related to this financing. The total share issue costs for this financing were $155,260. The fair value of the warrants and agents warrants issued 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 (%)	1.19
Expected life (years)	2
Expected annualized volatility (%)	110.47

c) Share Purchase Options

Pursuant to the Company's share option plan (the "Option Plan"), the Company may grant incentive share 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 share option is to be determined at the discretion of the board of directors at the time of the granting of the share 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 share 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 share 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.

The changes in share options during the years ended September 30, 2014 and September 30, 2013 are as follows:

	September 30, 2014		September 30, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning of the year	11,592,000	$ 0.24	9,487,000	$ 0.29
Granted	-	-	5,750,000	0.21
Expired	(2,209,000)	0.25	(1,180,000)	0.49
Exercised	-	-	(2,465,000)	0.25
End of the year	9,383,000	$ 0.24	11,592,000	$ 0.24

(Expressed in Canadian Dollars)

Note 13 – Share Capital – Continued

c) Share Purchase Options – Continued

The Company did not issue share options during the year ended September 30, 2014.

During the year ended September 30, 2013 the Company granted options to directors, officers and employees to purchase up to 5,750,000 common shares of the Company at a weighted average exercise price of $0.21 per share. The options vest 50% on issue and 50% one year after issuance. The estimated fair value of the share options granted during the year ended September 30, 2013 was $875,906. The unamortized balance at September 30, 2013 was $261,589.

The fair value of the options granted during the years ended September 30, 2014 and 2013 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, 2014	For the year ended September 30, 2013
Dividend yield	Nil	Nil
Expected annualized volatility (%)	Nil	119
Risk-free interest rate (%)	Nil	1.50
Expected life of options (years)	Nil	4.88
Grant date fair value ($)	Nil	0.152
Forfeiture rate	Nil	Nil

Option pricing models require the input of subjective assumptions including the expected price volatility and the expected option life. Expected price volatility was calculated based on the Company's historical share prices. 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 September 30, 2014 is as follows:

Options Outstanding	Number of Options Exercisable		Exercise Price	Remaining Contractual Life (Years)	Expiry Date
1,330,000	1,330,000		$ 0.25	0.95	September 13, 2015
1,753,000	1,753,000		$ 0.25	2.16	November 25, 2016
550,000	550,000		$ 0.47	2.55	April 17, 2017
3,150,000	3,150,000	*	$ 0.26	3.42	February 28, 2018
2,600,000	2,600,000	**	$ 0.15	4.00	September 30, 2018
9,383,000	9,383,000		$ 0.24	2.94	

*Subsequent to the year-end, 800,000 of these options were cancelled.
**Subsequent to the year-end, 500,000 of these options were cancelled.

d) Warrants

	September 30, 2014			September 30, 2013		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Beginning of the year	12,957,447	$	0.34	23,246,571	$	0.59
Issued	375,000		0.16	12,957,447		0.34
Expired	-		-	(23,246,571)*		0.59
Exercised	-		-	-		-
End of the year	13,332,447	$	0.33	12,957,447	$	0.34

* Includes 17,500,000 warrants outlined in Note 9 – Derivative Liability – Warrants.

(Expressed in Canadian Dollars)

Note 13 – Share Capital – Continued

d) Warrants – Continued

A summary of the Company's warrants outstanding as at September 30, 2014 is as follows:

Warrants Outstanding	Exercise Price	Remaining Contractual Life (Years)	Expiry Date
3,286,667	$ 0.45	0.07	October 26, 2014*
2,328,696	$ 0.45	0.12	November 14, 2014*
4,376,250	$ 0.25	0.68	June 6, 2015
465,834	$ 0.25	0.83	July 29, 2015
2,500,000	$ 0.25	0.91	August 29, 2015
375,000	$ 0.16	1.10	November 7, 2015
13,332,447		0.49	

*These warrants' expiry dates were extended for a period of one year during the year. They expired unexercised subsequent to September 30, 2014.

e) Agent Warrants

	September 30, 2014			September 30, 2013		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Beginning of the year	1,261,317	$	0.27	1,908,598	$	0.52
Granted	-		-	1,261,317		0.27
Expired	(336,167)		0.45	(1,908,598)		0.52
End of the year	925,150	$	0.21	1,261,317	$	0.27

A summary of the Company's agent warrants outstanding as at September 30, 2014 is as follows:

Agent Warrants Outstanding	Exercise Price	Remaining Contractual Life (Years)	Expiry Date
525,150	$ 0.18	0.69	June 6, 2015
400,000	$ 0.25	0.91	August 29, 2015
925,150	$0.21	0.78	

f) Agent Options

	September 30, 2014			September 30, 2013		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Beginning of the year	336,167	$	0.30	402,260	$	0.35
Granted	-		-	336,167		0.30
Expired	(336,167)		0.30	(402,260)		0.35
End of the year	-	$	-	336,167	$	0.30

There were no Agent options outstanding as of September 30, 2014.

(Expressed in Canadian Dollars)

Note 14 – Financial Instruments

(a) Fair value of financial instruments

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

i. Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
ii. Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
iii. Level 3 – Input for assets and liabilities that is not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the consolidated statements of financial position, classified using the fair value hierarchy described above:

September 30, 2014	Level 1	Level 2	Level 3
Cash	$ 56,795	$ -	$ -
Derivative liability – convertible debenture	$ -	$ 1,294,334	$ -

September 30, 2013	Level 1	Level 2	Level 3
Cash	$ 185,569	$ -	$ -

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, note payable and convertible debenture approximate their carrying amounts due to their short terms to maturity.

The convertible debenture derivative liability is 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

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, accounts receivable and note receivable. The Company's maximum exposure to credit risk for cash and receivables is the amounts disclosed in the consolidated statements of financial position. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

The Company's accounts receivable at September 30, 2014 primarily consist of goods and services sales tax (GST) due from the Federal Government of Canada.

The Company is exposed to credit risk related to its note receivable from a former officer/director. The note receivable is secured by the common shares of the Company and therefore a decrease in the Company's price could result in a loss to the Company. The risk related to this note receivable is considered high and there were no steps that could be taken to mitigate the risk of this note receivable. During the year ended September 30, 2014, management decided to provide an allowance for the note receivable for accounting purposes due to the uncertainty around its collectability, as the settlement with the former director is currently in dispute. The Company avoids complex investment vehicles with higher risk such as asset-backed commercial paper.

Note 14 – Financial Instruments – Continued

(b) Credit risk – Continued

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:

	September 30, 2014	September 30, 2013
Cash	$ 56,795	$ 185,569
Accounts receivable	19,321	48,429
Note receivable	-	631,272
	$ 76,116	$ 865,270

(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. At September 30, 2014, the Company has a cash balance of $56,795 to settle its obligations related to accounts payable and accrued liabilities of $3,181,134 and a convertible debenture with a face value of US$800,000, due August 15, 2015. The Company does not have sufficient funds to meet its current obligations.

The Company is in the process of raising the funds necessary to enable the execution of its business plan and to meet its administrative requirements for the next twelve months. The Company will seek to gain financing through the issuance of common shares and the issuance of debt instruments. There is no assurance that such funding will be available to the Company, or that it will be obtained on terms favorable to the Company. Failure to obtain sufficient financing may result in delaying or failure to:

- investigate or participate in new ventures that the Company would otherwise seek involvement;
- continue its exploration work on the IGOR properties in Peru; or
- meet its obligations and contractual commitments as they come due

Management believes the Company's overall liquidity risk continues to be high due to the lack of financing available in the equity markets. At September 30, 2014, all of the Company's accounts payable and accrued liabilities and convertible debenture mature within one year.

(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 United Sates dollars and Peruvian Soles. A significant change in the currency exchange rates between the US dollar relative to the Canadian dollar and the Peruvian Soles to the Canadian 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 September 30, 2014 the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Peruvian Soles:

	Peruvian Soles	US$
Cash	128,000	3,000
Accounts payable and accrued liabilities	(1,353,000)	(1,492,000)
Interest payable	-	(13,000)
Convertible debenture	-	(800,000)

At September 30, 2014, USD amounts were converted at a rate of USD 1.00 to CAD 1.12; Peruvian Soles amounts were converted at a rate of Peruvian Sol 1.00 to CAD 0.3797.

(Expressed in Canadian Dollars)

Note 14 – Financial Instruments – Continued

(d) Currency risk – continued

Based on the above net exposures as at September 30, 2014, and assuming that all other variables remain constant, a 10% change of the Canadian dollar against the US dollar and Peruvian Soles would result in a change of approximately $309,000 in the Company's comprehensive income (loss) for the year.

(e) Interest rate risk

The Company is exposed to interest rate risk related to the note receivable and convertible debenture. Management considers the risk insignificant.

(f) Price risk

Price risk is the that fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company's note receivable is secured by the Company's common shares. The Company's maximum exposure is the face value of the note receivable of $616,250.

Note 15 – Related Party Transactions

(a) Compensation of key management personnel

Certain of the Company's key management personnel render services to the Company as sole proprietors or through companies in which they are an officer or director.

	Nature of transactions
Maher Global Exploration	Consulting fees
KA Gold LLC	Consulting fees
Specialized Geological Mapping	Consulting fees

Compensation includes salaries paid to the President and Chief Executive Officer, Chief Financial Officer, Vice President of Corporate Development, Manager of Exploration and amounts paid to directors as consulting fees for their services provided to the Company outside of their capacity as a director.

	Year Ended September 30, 2014	Year Ended September 30, 2013
Consulting fees, salaries and benefits	$ 581,523	$ 666,600
Termination benefits	210,000	557,986
Share-based compensation	210,850	713,858
	$ 1,002,373	$ 1,938,444

(b) Other related parties

During the year ended September 30, 2014, the Company incurred legal fees of $Nil (2013 - $67,422) from a firm of which a former director is a partner.

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at September 30, 2014 included $672,184 (September 30, 2013 - $691,221), which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company. During the year, the Company settled a portion of the outstanding debt with management and one director through the issuance of common shares. The CEO and CFO each agreed to settle US$75,000 of debt through the issuance of shares and one director settled US$40,710 and $20,000 in notes payable, as outlined in note 13, along with US$8,800 and $300 in expense reimbursements.

(Expressed in Canadian Dollars)

Note 15 – Related Party Transactions – Continued

(c) Note Receivable from former Officer/Director

During the year ended September 30, 2013, the Company entered into a loan agreement with the former President/Director ("director") of the Company, whereby, the Company would provide him with a loan of $616,250 in order for him to exercise his share options to purchase 2,465,000 shares of the Company.

The terms of the loan require the former director to place the shares in trust with the Company's counsel as security for the loan. The loan accrues interest at a rate of 4% per annum with principal repayments following the below schedule:

1. $136,250 due August 31, 2014 (unpaid);
2. $175,000 due September 14, 2015; and
3. $305,000 due on November 24, 2016

Interest amounts began accruing at the inception of the loan and have been capitalized to the note receivable. No interest is to be paid during the first three years of the term.

In the event one of the following events (each, an "Event of Default") occur, namely:

(a) Sale, transfer, assignment or any other disposition of the former director's interest in the common shares, or any part thereof; or
(b) The bankruptcy or insolvency of the former director;

the Company shall, by notice in writing to the former director, declare the principal amount of the note receivable due and payable within 30 days of the notice, provided that the Company's recourse will be limited to the common shares and further provided that, in the event of the sale, transfer, assignment or other disposition of some but not all of the shares, the amount immediately due and payable by the former director shall be limited to any positive amount resulting from the principal sum less the proceeds of the sale of the common shares.

The Company's recourse for any shortfall from the former director shall be limited to the remaining common shares. If the former director does not repay the principal sum upon receipt of notice of an event of default, the former director shall pay all costs and expenses incurred by the Company in enforcing the agreement and realizing its security.

		September 30, 2014		September 30, 2013
Balance, beginning of the year	$	631,272	$	-
Loan		-		616,250
Foreign exchange		-		643
Interest		24,650		14,379
Allowance for note receivable		(655,922)		-
Balance, ending of the year	$	-	$	631,272

During the year ended September 30, 2014, management decided to provide an allowance for the note receivable for accounting purposes due to the uncertainty around its collectability, as the settlement with the former director is currently in dispute.

(Expressed in Canadian Dollars)

Note 16 – Segmented Information

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

Net Loss		Canada		Peru		Total
Year ended September 30, 2014	$	3,769,770	$	1,567,719	$	5,337,489
Year ended September 30, 2013	$	3,809,233	$	21,421,470	$	25,230,703

Total Assets		Canada		Peru		Total
At September 30, 2014	$	35,123	$	95,239	$	130,362
At September 30, 2013	$	878,879	$	130,355	$	1,009,234

Note 17 – Commitments

The Company has two locations that are being rented, one in Vancouver and one in Calgary. The Company has subleased the Calgary office for basic rent of $38,224 per annum and additional utilities and tax. The sublease is effective May 1, 2013 and expiring October 30, 2016. The Company's Vancouver office is under lease until October 31, 2014 (terminated subsequent to September 30, 2014) while the Calgary office is under rent until November 1, 2016. The minimum annual payments are as follows:

2015	$	93,213
2016		89,394
2017		7,450
Total	$	190,057

Note 18 – Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties and to maintain a flexible capital structure. The Company manages its capital structure, being its notes payable, convertible debenture and equity components, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. 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 currently has no significant source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed covenants. There were no changes in the Company's approach to capital management during the years ended September 30, 2014 and 2013.

(Expressed in Canadian Dollars)

Note 19 – Supplemental Cash Flow Information

For the year ended September 30,		2014		2013
Supplemental cash flow information				
Interest paid (received)	$	-	$	-
Income taxes paid	$	-	$	-
Non-cash financing and investment transactions				
Agents options/warrants issued	$	-	$	117,219
Transfer of fair value upon exercise of options/warrants	$	-	$	367,495
Accounts payable converted to common shares	$	482,161	$	-
Accrued interest expense on notes payables converted to common shares	$	52,072	$	-
Notes payable converted to common shares	$	891,762	$	508,650

Note 20 – Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows for the years ended September 30:

		2014		2013
Loss before income taxes	$	(5,337,489)	$	(25,230,703)
Statutory Canadian corporate tax rate		26.00%		25.50%
Income tax recovery at statutory rates	$	(1,388,000)	$	(6,434,000)
Non-deductible items		68,000		188,000
Effect of tax rate change		47,000		(83,000)
Difference in tax rates in other jurisdictions		(63,000)		(1,004,000)
Others		1,000		(90,000)
Tax benefits not realized		1,335,000		7,423,000
Deferred income tax recovery	$	-	$	-

The significant components of the Company's deferred income tax assets are as follows:

		September 30, 2014		September 30, 2013
Deferred income tax assets (liabilities)				
Exploration and evaluation assets and equipment	$	8,499,000	$	8,163,000
Convertible debenture		244,000		-
Share issuance costs		99,000		161,000
Non-capital losses available for future periods		3,848,000		3,043,000
Others		10,000		-
		12,700,000		11,367,000
Unrecognized deferred tax assets		(12,700,000)		(11,367,000)
Net deferred tax assets	$	-	$	-

At September 30, 2014, the Company has available non-capital tax losses for Canadian income tax purposes of approximately $9,689,000 available for carry-forward to reduce future years' taxable income, if not utilized, expiring as follows:

(Expressed in Canadian Dollars)

Note 20 – Income Taxes – Continued

		Canada
2015	$	424,000
2026		676,000
2027		601,000
2028		534,000
2029		374,000
2030		417,000
2031		460,000
2032		944,000
2033		2,454,000
2034		2,805,000
	$	9,689,000

The Company has losses in Peru which are limited to 50% of taxable income.

In addition, the Company has available resource properties tax pool of approximately $2,059,000 in Canada and approximately $26,546,000 in Peru, which may be deductible at various rates dictated by relevant tax authorities. Those amounts are subject to review by relevant tax authorities and are subject to revision. Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts due to the uncertainty of future taxable income.

Note 21 – Contingency

Subsequent to the year ended September 30, 2014, a former director filed a claim against the Company for payment of his severance in the amount of $139,805. The actual outcome cannot be determined at this time. The Company accrued $104,659.

Note 22 – Subsequent Events

Subsequent to September 30, 2014:

1. On October 7, 2014 the Company announced it had closed a non-brokered private placement with Proyectos La Patagonia S.A.C. (“Patagonia”) for gross proceeds of $478,588 for issuance of 5,317,644 common shares. The common shares have a four month hold period expiring February 8, 2015.

2. On October 28, 2014 the Company granted 4,700,000 share options to certain directors, officers, an employee and a consultant. The share options have an exercise price of $0.16 and a life of five years except for 500,000 share options issued to a consultant that have a life of two years.

3. On November 3, 2014 the Company completed a non-brokered private placement issuing 4,949,690 units at a price of $0.13 per unit for gross proceeds of $643,460. Each Unit consists of one common share of the Company (a “Common Share”) and one Common Share purchase warrant (a “Warrant”). Each Warrant entitles the holder, on exercise thereof, to purchase one additional Common Share at a price of $0.18 for a period of 24 months from the completion of the private placement, provided that if the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSX Venture Exchange (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Warrants by giving notice to the holders of the Warrants that the Warrants will expire on the date that is not less than thirty (30) calendar days from the date notice is given.

   In consideration for introducing subscribers to the private placement, the Company issued 319,555 units (the "Finder's Units") to an arm's length finder, representing 7% of the total number of Units sold to subscribers introduced to the Company by the finder. Each Finder's Unit consists of one common share of the Company and one common share purchase warrant (a "Finder's Warrant") which entitles the holder, on exercise thereof, to purchase one additional common share at a price of $0.18 on or before October 31, 2016.

Note 22 – Subsequent Events – Continued

If the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSXV (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Finder's Warrants by giving notice that the Finder's Warrants will expire on a date that is not less than thirty (30) calendar days from the date notice is given.

4. On December 31, 2014 the Company completed a non-brokered private placement issuing 2,223,626 units at a price of $0.13 per unit for gross proceeds of $289,071. Each Unit consists of one common share of the Company (a “Common Share”) and one Common Share purchase warrant (a “Warrant”). Each Warrant entitles the holder, on exercise thereof, to purchase one additional Common Share at a price of $0.18 for a period of 24 months from the completion of the private placement, provided that if the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSX Venture Exchange (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Warrants by giving notice to the holders of the Warrants that the Warrants will expire on the date that is not less than thirty (30) calendar days from the date notice is given. In consideration for introducing subscribers to the private placement, the Company issued 155,653 units (the "Finder's Units") to an arm's length finder, representing 7% of the total number of Units sold to subscribers introduced to the Company by the finder. Each Finder's Unit consists of one common share of the Company and one common share purchase warrant (a "Finder's Warrant") which entitles the holder, on exercise thereof, to purchase one additional common share at a price of $0.18 on or before December 31, 2016. If the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSXV (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Finder's Warrants by giving notice that the Finder's Warrants will expire on a date that is not less than thirty (30) calendar days from the date notice is given.