SINCHAO METALS CORP

(An Exploration Stage Company)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MARCH 31, 2011 AND 2010

All amounts in Canadian dollars unless otherwise specified.

PRICEWATERHOUSECOOPERS

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June 28, 2011

Independent Auditor's Report

To the Shareholders of Sinchao Metals Corp.

We have audited the accompanying consolidated financial statements of Sinchao Metals Corp. and its subsidiary (the "Company"), which comprise the consolidated balance sheets as at March 31, 2011 and 2010 and the consolidated statements of operations and comprehensive loss and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

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 Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sinchao Metals Corp. and its subsidiary as at March 31, 2011 and 2010 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Signed "PricewaterhouseCoopers LLP"

Chartered Accountants

SINCHAO METALS CORP.

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS AS AT MARCH 31

	2011	2010
	$	**$**
ASSETS		
Current		
Cash and cash equivalents	**68,483**	1,019,481
Accounts receivable	**31,309**	17,747
Due from related parties (Note 7)	-	110,891
Prepaid expenses	**6,306**	11,952
	106,098	1,160,071
Mineral properties (Note 3)	**20,065,336**	31,231,617
Equipment (Note 4)	**60,179**	71,609
	20,231,613	32,463,297
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**191,282**	416,028
Asset retirement obligation (Note 3c)	**484,800**	507,900
Due to related parties (Note 7)	**886,367**	1,017,725
	1,562,449	1,941,653
Future income tax liabilities (Note 11)	-	460,413
	1,562,449	2,402,066
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	**8,371,510**	8,289,678
Contributed surplus (Note 6)	**5,483,107**	5,368,907
Retained earnings	**4,814,547**	16,402,646
	18,669,164	30,061,231
	20,231,613	32,463,297

Nature of Operations and Going Concern (Note 1)

Approved on behalf of the board:

"DAVID RAE"
DIRECTOR

"BRYAN MORRIS"
DIRECTOR

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

SINCHAO METALS CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND RETAINED EARNINGS

FOR YEARS ENDED MARCH 31

	2011	2010
	$	$
OPERATING EXPENSES		
General and administrative expenses	**439,763**	532,561
Depreciation	**16,041**	31,072
Professional fees	**128,964**	42,757
Stock based compensation (Note 6 (g))	**127,935**	115,694
	712,703	722,084
LOSS BEFORE OTHER ITEMS AND TAXES	**(712,703)**	(722,084)
OTHER INCOME (EXPENSE)		
Interest and other income	**(860)**	619
Other expense	**-**	(102,284)
Write-down of related party debt	**-**	(50,925)
Write-down of mineral property	**(11,306,431)**	-
Foreign exchange gain (loss)	**(28,518)**	66,848
Recovery of future income tax (Note 11)	**460,413**	-
	(10,875,396)	(85,742)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**(11,588,099)**	(807,826)
RETAINED EARNINGS - BEGINNING OF YEAR	**16,402,646**	17,210,472
RETAINED EARNINGS - END OF YEAR	**4,814,547**	16,402,646
PER SHARE INFORMATION		
Weighted average number of common shares outstanding (basic and diluted)	**76,068,561**	70,462,074
Net Loss per common share (basic and diluted)	**(0.15)**	(0.01)

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

SINCHAO METALS CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31

	2011	2010
	$	$
CASH PROVIDED FROM (USED FOR):		
OPERATING ACTIVITIES		
Net loss for the year	**(11,588,099)**	(807,826)
Adjustments for items not affecting cash:		
Stock based compensation	**127,935**	115,694
Other expenses	**-**	102,284
Gain (loss) for unrealized foreign exchange	**2,785**	(1,500)
Recovery of future income tax	**(460,413)**	-
Write-down of mineral properties	**11,306,431**	-
Depreciation	**16,041**	31,072
	(595,320)	(560,276)
Net changes in non-cash working capital items:		
Accounts receivable	**(13,562)**	35,002
Prepaid expenses	**5,646**	(5,466)
Accounts payable	**(224,746)**	(55,862)
	(827,982)	(586,602)
INVESTING ACTIVITIES		
Expenditures on mineral properties	**(156,049)**	(278,765)
	(156,049)	(278,765)
FINANCING ACTIVITIES		
Common shares issued for cash	**53,500**	1,032,000
Share issue costs	**-**	(15,910)
Due to related parties	**(20,467)**	866,211
	33,033	1,882,301
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**(950,998)**	1,016,934
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**1,019,481**	2,547
CASH AND CASH EQUIVALENTS - END OF YEAR	**68,483**	1,019,481

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Sinchao Metals Corp. ("Sinchao", or the "Company") was incorporated on March 15, 2006 under the Business Corporations Act of Alberta. Through its 100% owned subsidiary, Corporacion Minera Sinchao S.A.C. ("Minera Sinchao"), the Company's principal business is the acquisition, exploration and development of mineral properties located in Peru.

The Company is in the process of exploring and evaluating its mineral properties in Peru. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral properties and related deferred costs are entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amount shown as mineral properties and deferred exploration costs represents net costs to date and does not necessarily represent present or future values.

These consolidated financial statements have been prepared under the going concern assumption, and that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company for the twelve months ended March 31, 2011 has incurred a net loss of $11,588,099 (March 31, 2010 - $807,826). The Company has a working capital deficiency as at March 31, 2011 of $1,456,351 (March 31, 2010 - $781,582).

These conditions cast significant doubt about the Company's ability to continue as a going concern. The Company is dependent upon the continuing support of its major shareholder, Andean American Gold Corp. (formerly Andean American Mining Corp.), ("Andean") and/or obtaining additional financing to meet its obligations.

Failure to arrange adequate financing on acceptable terms would have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These 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 in other than the normal course of business and at amounts which may differ from those shown in the consolidated financial statements. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The audited consolidated financial statements include the accounts of the Company and its direct, wholly owned subsidiary Corporacion Minera Sinchao S.A.C.

All inter-company balances and transactions have been eliminated on consolidation.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on deposit with banks and highly liquid short-term interest bearing investments with a term to maturity at the date of purchase of 90 days or less that are subject to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and the reported amount of revenues and expenses during the period reported.

Significant areas requiring the use of management estimates include assumptions and estimates relating to but not limited to, the recoverability of amounts receivable, ownership rights of mineral properties, reserve and resource estimation, fair values for purposes of impairment analysis, reclamation obligations, stock-based compensation and warrants, valuation allowances for future income tax assets, and future income tax liabilities. Actual results could differ from those reported.

These estimates are limited by the availability of reliable comparable data, and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates as described above are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, these estimated amounts could change by a material amount.

Mineral Properties

i) Producing Mineral Properties

Producing mineral properties are carried at cost, less accumulated amortization and depletion. Carrying values of producing mineral properties are reviewed when events or conditions occur that suggest possible impairment and, where necessary, are written down to their estimated recoverable amount, determined on a discounted cash flow basis. Depletion is provided over the estimated life of the asset on a unit-of-production basis. Management's estimates of gold price, recoverable reserves, and operating, capital and reclamation costs are subject to risks and uncertainties affecting the recoverability of the Company's investment in producing mineral properties.

ii) Non-Producing Mineral Properties

Acquisition, exploration and development costs associated with a non-producing mineral property are capitalized until the property is producing, abandoned, impaired in value or placed for sale. The costs are transferred to producing mineral properties once placed into production. The costs of abandoned properties are charged to earnings when the property is abandoned. Net revenue derived from ore processed up to the point of attaining commercial production is credited to the related deferred expenditures. The costs of properties in excess of their estimated net recoverable amount are charged to earnings if the decision is made to dispose of the property or if it is determined that the property is impaired in value.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

On a periodic basis, senior management reviews the carrying values of mineral property and deferred exploration expenditures with a view to assessing whether there have been any circumstances indicating that the carrying amount may not be recoverable. In the event that it is determined there is an impairment in the carrying value of the property, the carrying value will be compared to the fair value, and written down or written off, as appropriate. Management considers the guidance in Emerging Issues Committee EIC-174 "Mining Exploration Costs" to determine whether there are conditions that indicate a potential impairment and if a write-down may be required.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for this stage of exploration and development of such properties, these procedures, including confirmation by the Peruvian government's Mining Registry Offices and National Cadastral Plans, do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Mineral Property Option Agreements

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Production plant and equipment	5 - 10 years
Vehicles	4 – 5 years
Office furniture and equipment	3 – 10 years
Software	2 years

Income Taxes

Future income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using substantively enacted income tax rates. The effects of a change in income tax rates on future income tax liabilities and assets are recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Translation of Foreign Currencies

The Company's functional and reporting currency is the Canadian Dollar. The Company's subsidiary is an integrated foreign operation translated using the temporal method. Under this method, the Company translates monetary assets and liabilities at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities are translated at average rates in effect during the period in which they were earned or incurred.

Revenue and expenses are translated at average rates in effect during the period except for depreciation and amortization, which are translated at historical rates. Gains and losses resulting from the fluctuation of foreign exchange rates are included in earnings in the period in which they occur.

Reclamation and Closure Costs

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of that asset and the cost is amortized as an expense over the economic life of the related asset. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

The present value of the reclamation liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations by regulatory authorities, which affect the ultimate cost of remediation and reclamation.

Earnings (Loss) per Share

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding during the year. Earnings per share calculations are based on the weighted average number of common shares and common share equivalents issued and outstanding during the year. Diluted earnings per share are calculated using the treasury method which requires the calculation of diluted earnings per share by assuming that only those outstanding stock options, and warrants with the average market price that exceeds the average exercise prices of the options and warrants for the year are exercised and the assumed proceeds are used to repurchase shares of the Company at the average market price of the common shares for the year.

Stock-based Compensation

The Company has a stock-based compensation plan as described in Note 5(e). Compensation expense for options granted is determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Comprehensive Income (Loss)

Comprehensive income includes net income or loss and other comprehensive income (“OCI”). OCI is the changes in shareholder’s equity from non-owner sources which is not included in the calculation of net loss until realized. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income (“AOCI”), which is presented as a new category of shareholders’ equity on the balance sheet. The Company had no OCI transactions during the years ended March 31, 2011 and 2010, and neither opening nor closing balances for AOCI.

Financial Instruments – Recognition, Measurement, Disclosure and Presentation

Under Section 3855, all financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (Loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the net loss.

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are designated as other liabilities, which are measured at amortized cost. At March 31, 2011 and 2010, the Company had neither available-for-sale nor held-to-maturity financial instruments.

3. MINERAL PROPERTIES

(a) Details are as follows:

	2011	2010
Sinchao properties	**$**	$
Acquisition costs	**2,170,894**	2,170,894
Deferred exploration costs	**27,021,924**	26,865,875
Asset retirement obligation	**484,800**	507,900
Future income tax	**460,413**	460,413
Refundable IGV Tax (Peru)	**787,617**	795,015
Stock based compensation	**446,119**	431,520
Write-down	**(11,306,431)**	-
	20,065,336	31,231,617

3. MINERAL PROPERTIES - continued

The Sinchao mineral properties (the "Sinchao Project") are located within the Yanacocha-Hualgayoc mining district in the department of Cajamarca, Northern Peru. The Sinchao Project is comprised of four exploration rights.

During the year, the Company conducted a review of its properties and determined that title to the claims of four of the properties comprising the Sinchao Project were not properly transferred to a subsidiary of Andean, the party that purported to transfer the claims to Sinchao. As a result neither Andean nor Sinchao holds any proprietary interest in the claims. These claims contain approximately 40% of the inferred resource previously disclosed by Sinchao. Sinchao has been striving to reach an agreement with the parties that Andean originally dealt with in order to remedy the deficiencies in title, however it has been unable to reach such an agreement. Sinchao is therefore not optimistic that it will be able to remedy the deficiencies in title, and has written the project down by $11,306,431 to management's best estimate of its fair value, which takes into account the proportion of resources no longer accessible, and the market value of the company as a whole.

In addition to the four properties mentioned above, Sinchao has also determined that six other properties acquired at the time of Sinchao's formation had previously lapsed and thus are not held by Sinchao. These properties are not material to Sinchao's operations and have also been written off.

(b) The Company has paid IGV tax on the exploration and development of the Sinchao property. Upon commencing production the Company can apply to have the IGV paid on the property refunded. Once received, the payments will be offset against the deferred costs.

(c) Should the Company explore by either drilling or conducting bulk sample testing on any of it's properties these would be subject to reclamation and closure requirements. Although the ultimate amount of restoration costs is uncertain, management of the Company would prepare internal estimates, which would then be reviewed by third party engineers.

At March 31, 2010 and 2011, the accrued asset retirement obligation amounted to US$500,000 or $484,800 at March 31, 2011 and $507,900 at March 2010, the difference being as a result of the declining United States Dollar. Reclamation on certain properties is expected to take place within the next 12 months depending on availability of funds.

4. EQUIPMENT

Details are as follows:

	2011			2010		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated	Net Book Value
	$	**$**	**$**	$	$	$
Field equipment	**81,710**	**42,454**	**39,256**	77,881	29,874	48,007
Office furniture and equipment	**32,086**	**11,163**	**20,923**	31,526	7,924	23,602
	113,796	**53,617**	**60,179**	109,407	37,798	71,609

5. SHARE CAPITAL

(a) Authorized

The Company has authorized an unlimited number of common shares, with no par value.

(b) Issued and Outstanding

	Number of Shares	Amount $
Balance, March 31, 2009	70,103,514	7,173,588
Private placement - cash	5,160,000	1,032,000
Common shares issued relating to Bridge Loan	714,286	100,000
Share issue cost - cash	-	(15,910)
Balance, March 31, 2010	75,977,800	8,289,678
Stock options exercised	350,000	53,500
Fair value of stock options exercised	-	28,332
Balance, March 31, 2011	76,327,800	8,371,510

For the year ended March 31, 2011 the Company issued;

i. 300,000 common shares for options exercised at $0.15 per share.

ii. 50,000 common shares for options exercised at $0.17.

For the year ended March 31, 2010 the Company issued;

iii. 5,160,000 common shares at $0.20 per common share for gross proceeds of $1,032,000 under a non-brokered private placement. The Company paid in cash a finder's fee of $15,910.

iv. 714,286 common shares relating to the bridge loan (Note 7b) with Andean. The value of these common shares issued is $100,000.

(c) Escrowed shares

Pursuant to an Escrow Agreement dated September 15, 2006, 36,325,000 common shares, held by the former shareholders of the Company, were deposited in escrow. In accordance with the Escrow Agreement, an initial release of 10% thereof occurred on the initial trading date, December 21, 2006. All common shares held in escrow at March 31, 2010, were released June 21, 2010.

(d) Warrants

The Company had no outstanding warrants at March 31, 2011 and March 31, 2010.

5. SHARE CAPITAL - continued

(e) Stock Options

The Company has established a Stock Option Plan for directors, officers, employees and consultants. The maximum number of common shares that may be reserved under the Plan may not exceed 10% of the outstanding shares at the time of grant. Options granted under the Plan generally have a term of five years and vest over varying periods ranging from 0-24 months. The exercise price of each option equals or exceeds the market price of the Company's common shares on the date of the grant.

(e) Stock Options

A summary of stock option activity for the twelve months ended March 31, 2011 is as follows:

	Number	Weighted Average Exercise Price
At March 31, 2009	2,365,000	0.20
Granted	920,000	0.17
Forfeited	(430,000)	0.32
At March 31, 2010	2,855,000	0.17
Granted	1,070,000	0.20
Exercised	(350,000)	0.15
At March 31, 2011	3,575,000	0.18

The following table summarizes information about the stock options outstanding at March 31, 2011:

Number Outstanding March 31 2010	Granted	Exercised	Forfeited	Number Outstanding March 31 2011	Exercise Price Per Share	Expiry date
85,000	-	-	-	85,000	$ 0.66	October 29, 2012
400,000	-	-	-	400,000	$ 0.15	October 2, 2013
1,450,000	-	(300,000)	-	1,150,000	$ 0.15	October 7, 2013
920,000	-	(50,000)	-	870,000	$ 0.17	November 16, 2014
-	100,000	-	-	100,000	$ 0.19	May 13, 2015
-	970,000	-	-	970,000	$ 0.20	September 13, 2015
2,855,000	1,070,000	(350,000)	-	3,575,000	$0.15 - $0.66	October 29, 2012 - September 13, 2015

As of March 31, 2011, 3,315,833 options are fully vested

5. SHARE CAPITAL – continued

(e) Stock Options - continued

The following table summarizes information about the stock options outstanding at March 31, 2010:

Number Outstanding March 31 2009	Granted	Exercised	Forfeited	Number Outstanding March 31 2010	Exercise Price Per Share	Expiry date
215,000	-	-	(130,000)	85,000	$ 0.66	October 29, 2012
550,000	-	-	(150,000)	400,000	$ 0.15	October 2, 2013
1,600,000	-	-	(150,000)	1,450,000	$ 0.15	October 7, 2013
-	920,000	-	-	920,000	$ 0.17	November 16, 2014
2,365,000	920,000	-	(430,000)	2,855,000	$0.15 - $0.66	October 29, 2012 - November 16, 2014

As of March 31, 2010, 2,318,333 options are fully vested

(f) Stock-Based Compensation

The Company accounts for stock-based compensation, including stock options and warrants, using the fair value based method as prescribed by CICA Handbook Section 3870. Under this method, the fair value of stock options and warrants at the date of grant is amortized over the vesting period and the offsetting credit is recorded as an increase in contributed surplus. During the twelve months ended March 31, 2011, the Company recorded stock-based compensation of $142,532 (2010 - $124,194) of which $14,597 (2010 - $8,500) was capitalized to mineral properties.

The fair value of each option and warrant granted has been estimated as of the grant date using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 2.00% (2010 2.00% – 2.32%), dividend yield of 0% (2010 - 0%), volatility of 95.10% (2010 – 95.13%) and with an expected life of 5 years (2010 – 5 years).

6. CONTRIBUTED SURPLUS

The Company’s contributed surplus as at March 31, 2011 and the changes for the period ending on that date are as follows:

	$
Balance, March 31, 2009	2,639,784
Stock based compensation on stock options	124,194
Reallocation on expiry of warrants	2,604,929
Balance, March 31, 2010	5,368,907
Stock based compensation on stock options	142,532
Fair value of stock options exercised	(28,332)
Balance, March 31, 2011	5,483,107

7. RELATED PARTY TRANSACTIONS

(a) Amounts due from (due to) related parties are as follows:

	2011	2010
	$	$
Due from related parties	**-**	110,891
Due to related parties	**(886,367)**	(1,017,725)

The only related party with which the Company transacted for the twelve months ended March 31, 2011 was Andean, which is the Company's parent. The net amount due to Andean from the Company is $858,310. The amounts due are non-interest bearing and are due on demand

(b) During the twelve months ended March 31, 2011, the Company repaid Andean $800,000. At March 31, 2011, the Company owed Andean $886,367.

(c) During the twelve months ended March 31, 2011, the Company paid or accrued to Andean and its subsidiaries $415,174 (2010 - $419,994) for administrative services.

The foregoing related party transactions are recorded at their exchange amount, which is the amount of consideration paid or received as established and agreed to between the related parties.

8. SEGMENTED INFORMATION

The Company's only activities are the exploration of the Sinchao Project in Peru. The principal assets in Canada consist of cash and cash equivalents and accounts receivable.

	March 31, 2011		March 31, 2010	
	Canada	Peru	Canada	Peru
	$	$	$	$
Cash	**46,817**	**21,666**	1,004,909	14,572
Accounts receivable	**21,503**	**9,806**	5,035	12,712
Prepaids	**-**	**6,306**	-	11,952
Due from related parties	**-**	**-**	110,891	-
Property, plant and equipment	**-**	**60,179**	-	71,609
Mineral property	**-**	**20,065,336**	-	31,231,617
	68,320	**20,163,293**	1,120,835	31,342,462

9. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its mineral interest projects in Peru to commercial production.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. The Company manages the capital structure and makes adjustments to it in the light of changes in 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 through private placements, or sell assets to fund operations. Management reviews its capital management approach on regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash, all held with major Canadian financial institutions. Additional information relating to capital management is disclosed in note 1.

10. FINANCIAL INSTRUMENTS

The Company’s financial instruments consist of cash and cash equivalents, amounts receivable (both designated as loans and receivables), accounts payable and accrued liabilities and amounts due to related parties (designated as other financial liabilities). For cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities and loans payable, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments. All the Company’s financial instruments are considered to be level 2 according to the Canadian GAAP financial instrument hierarchy.

The Company’s financial instruments are exposed to a number of financial and market risks, including credit, liquidity, foreign exchange, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company’s management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

The Company’s financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and commodity price risk.

10. FINANCIAL INSTRUMENTS – continued

(a) Currency risk

The Company's property interests in Peru make it subject to foreign currency fluctuations (Peruvian Soles and US Dollar) and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

The Company is exposed to foreign currency fluctuations to the extent cash, accounts receivable and accounts payable and accrued liabilities of the Company are not denominated in Canadian dollars. As at March 31, 2011 the Company had $30,561 of cash denominated in US dollars (March 31, 2010 - $22,515). As at March 31, 2011, there were $Nil of accounts receivable denominated in US dollars (March 31, 2010 - $12,513). As at March 31, 2011 there were $327,677 of liabilities denominated in US dollars (March 31, 2010 - $303,531). These liabilities were included in accounts payable and accrued liabilities.

(b) Credit risk

The Company's cash and cash equivalents are held in Canadian financial institutions in Canada and Peru. The Company does not have any asset-backed commercial paper in its cash and cash equivalents. The Company's amount receivable consists primarily of goods and services tax due from the federal government of Canada. The Company's maximum credit risk exposure is considered to be represented by the amounts shown in the balance sheet.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

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(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period, and may be less than the book value in the financial statements due to the credit risk of the company.

At March 31, 2011 the Company did not have any commitments.

Additional information relating to liquidity risk is disclosed in note 1

10. FINANCIAL INSTRUMENTS – continued

(e) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of gold. The Company has not hedged any of its future gold sales. The Company's input costs are also affected by the price of fuel. The Company closely monitors gold and fuel prices to determine the appropriate course of action to be taken by the Company. At this time the Company does not generate sales and so financial results are not impacted by commodity prices.

11. FUTURE INCOME TAX

INCOME TAXES

(a) Reconciliation of income taxes at statutory rate to effective rate:

	2011	2010
	$	$
Income tax benefit from net losses at statutory rates	(3,303,610)	(239,382)
Non-deductible expenses and other	440	1,367
Change in statutory tax rates and other	57,680	67,120
Stock-based compensation	36,621	17,395
Share issuance costs	-	-
Change in valuation allowance and other	2,748,456	153,500
Provision for income taxes	(460,413)	-

(b) Details of future income tax assets are as follows:

	2011	2010
Future income tax assets:		
Non-capital loss carry forwards	1,078,544	910,388
Equipment	14,381	9,937
Share issuance costs	20,354	40,627
Mineral property costs	3,063,387	-
	4,176,666	960,952
Valuation allowance	(4,176,666)	(960,952)
	-	-
Future income tax liabilities:		
Mineral properties	-	460,413

11. FUTURE INCOME TAX – continued

Future tax benefits and liabilities, which may arise as a result of these losses and resource expenditures have been offset by a valuation allowance and have not been recognised in these consolidated financial statements.

At March 31, 2011, the Company has non-capital loss carryforwards in Canada aggregating $4,314,174 that are available to offset future taxable income and expire as follows:

2027	$	854,189
2028	$	1,028,087
2029	$	834,605
2030	$	924,671
2031	$	672,622
Total	$	4,314,174