
SINCHAO METALS CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MARCH 31, 2008 AND 2007

(Expressed in Canadian dollars)

AUDITORS' REPORT

To the Shareholders of
Sinchao Metals Corp.

We have audited the consolidated balance sheets of **Sinchao Metals Corp.** as at March 31, 2008 and 2007, and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with Canadian generally accepted accounting principles.

Ernst & Young LLP

Vancouver, Canada
July 29, 2008

Chartered Accountants

SINCHAO METALS CORP.
(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

As at March 31

	2008	2007
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	3,543,839	137,441
Accounts receivable	66,202	16,422
Due from related parties (Note 9)	77,895	366,533
Prepaid expenses	76,673	45,589
	3,764,609	565,985
Mineral properties (Note 5)	25,735,740	22,202,906
Equipment (Note 6)	78,984	17,184
	29,579,333	22,786,075
 LIABILITIES		
Current		
Accounts payable and accrued liabilities	494,841	181,460
Due to related parties (Note 9)	-	298,214
	494,841	479,674
Future income tax liabilities (Note 11)	6,080,372	5,723,679
	6,575,213	6,203,353
 SHAREHOLDERS' EQUITY		
Share capital (Note 7)	21,922,243	17,214,223
Warrants (Note 7(d))	2,615,286	367,530
Contributed surplus (Note 8)	1,714,507	369,217
Deficit	(3,247,916)	(1,368,248)
	23,004,120	16,582,722
	29,579,333	22,786,075
 GOING CONCERN (Note 1)		

APPROVED BY THE DIRECTORS:

“ANDREW GOURLAY”

DIRECTOR

“BRYAN MORRIS”

DIRECTOR

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

SINCHAO METALS CORP.
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CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED MARCH 31

	2008	2007
	\$	\$
OPERATING EXPENSES		
Administrative and management services	394,680	498,081
Depreciation	1,948	719
Investor relations	189,554	89,385
Office salaries and sundry	36,402	22,380
Professional fees	107,709	101,887
Regulatory and transfer agent fees	57,305	22,763
Stock-based compensation (Note 7(f))	1,084,834	359,178
	1,872,432	1,094,393
LOSS BEFORE OTHER ITEMS	(1,872,432)	(1,094,393)
OTHER INCOME (EXPENSE)		
Interest and other income	33,922	20,469
Bank charges and interest	(12,598)	(8,939)
Foreign exchange loss	(28,560)	(285,385)
	(7,236)	(273,855)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(1,879,668)	(1,368,248)
DEFICIT - BEGINNING OF YEAR	(1,368,248)	-
DEFICIT - END OF YEAR	(3,247,916)	(1,368,248)
PER SHARE INFORMATION		
Weighted average number of common shares outstanding (basic and diluted)	59,202,219	40,033,660
Net loss per common share (basic and diluted)	(0.03)	(0.03)

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

	2008	2007
	\$	\$
CASH PROVIDED FROM (USED FOR):		
OPERATING ACTIVITIES		
Net loss for the year	(1,879,668)	(1,368,248)
Adjustments for items not affecting cash:		
Stock-based compensation	1,084,834	359,178
Unrealized foreign exchange loss related to future income tax liabilities	3,407	285,385
Depreciation	1,948	719
	(789,479)	(722,966)
Changes in non-cash working capital items:		
Accounts receivable	(49,780)	(16,422)
Due from related parties	(9,576)	(68,319)
Prepaid expenses	(31,084)	(45,589)
Accounts payable and accrued liabilities	313,381	181,460
	(566,538)	(671,836)
INVESTING ACTIVITIES		
Expenditures on mineral properties	(2,882,694)	(2,179,683)
Equipment	(67,155)	(17,903)
	(2,949,849)	(2,197,586)
FINANCING ACTIVITIES		
Common shares issued for cash	6,967,936	3,717,474
Share issue costs	(45,151)	(506,651)
Reorganization costs	-	(203,960)
	6,922,785	3,006,863
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	3,406,398	137,441
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	137,441	-
CASH AND CASH EQUIVALENTS - END OF YEAR	3,543,839	137,441

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

SINCHAO METALS CORP.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

1. INCORPORATION AND NATURE OF OPERATIONS

Sinchao Metals Corp. (“Sinchao”, or the “Company”) was incorporated on March 15, 2006 under the Business Corporations Act of Alberta. With the acquisition of Corporacion Minera Sinchao S.A.C. (“Minera Sinchao”), the Company’s principal business is the exploration of mineral properties located in Peru.

On December 15, 2006, the Company and Dolce Enterprises Inc. (“Dolce”), a capital pool company listed on the TSX Venture Exchange, were amalgamated into a new company. The new company retained the name Sinchao Metals Corp.

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 assumptions of a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Failure to arrange adequate financing on acceptable terms and to achieve profitability would have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. Accordingly, it does not give effect to adjustments, if any, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The consolidated financial statements include the accounts of the Company and its wholly-owned Peruvian subsidiary, Minera Sinchao. Intercompany balances and transactions have been eliminated on consolidation.

Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Cash and cash equivalents

Cash and cash equivalents comprise 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Properties

Mineral property costs and exploration, development and field support costs directly relating to mineral properties are deferred until the property to which they relate is placed into production, sold or abandoned. The deferred costs will be amortized over the life of the ore body following commencement of production or written off if the property is sold or abandoned. Administration costs and other exploration costs that do not relate to any specific property are expensed as incurred.

On a periodic basis, management reviews the carrying values of deferred mineral property acquisition and exploration expenditures with a view to assessing whether there has been any impairment in value. In the event that reserves are determined to be insufficient to recover the carrying value of any property, the carrying value will be written down or written off, as appropriate.

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 the stage of exploration of such properties, these procedures including confirmation by the Peruvian Government's Mine 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.

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.

Equipment

Equipment is recorded at cost. Amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Field equipment	4 – 5 years
Office furniture and equipment	3 – 10 years

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to earnings using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As at March 31, 2008, the Company does not have any asset retirement obligations.

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use. In this event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings. Fair value is generally determined using a discounted cash flow analysis.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future 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 consolidated financial statements and their respective tax basis, using enacted income tax rates. The effect of a change in income tax rates on future income tax assets and liabilities are recognized in earnings in the period that the change occurs. Future income tax liabilities are recognized to the extent that they are considered more likely than not to be realized.

Translation of Foreign Currencies

Integrated foreign operations are translated using the temporal method. Under this method, the Company translates monetary items at the rate of exchange in effect at the consolidated balance sheet date. Non-monetary items 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 year except for depreciation, which is translated at historical rates. Gains and losses resulting from the fluctuation of foreign exchange rates have been included in the consolidated statements of loss, comprehensive loss and deficit.

Loss per Share

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of the convertible securities is reflected in diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by application of the treasury stock method. Basic and diluted loss per share are the same as the effect of potential issuances of shares under warrants or share option arrangements would be anti-dilutive.

Stock-based Compensation

The Company has a stock-based compensation plan as described in Note 7(f). The Company accounts for stock options and warrants at fair value as prescribed by Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. 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. Warrants are recorded at estimated fair values using the Black-Scholes option pricing model.

Comparative Figures

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Changes

Effective April 1, 2007, the Company adopted the revised CICA Handbook Section 1506 "Accounting Changes", which requires that: a) a voluntary change in accounting policies can be made if, and only if, the changes result in more reliable and relevant information, b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary changes in accounting policies since the adoption of the revised standard.

Financial Instruments – Recognition and Measurement

Effective April 1, 2007 the Company adopted the new accounting standards issued by the CICA relating to financial instruments. As required in the transitional provisions of these standards, the standards have been adopted on a prospective basis without restatement of prior period financial statements.

The standard requires all financial instruments within its scope, including derivatives, to be included on a company's balance sheet and measured either at fair value or, in certain circumstances, when fair value may not be considered most relevant, at cost or amortized cost. Unrealized changes in fair value are to be recognized in the statements of operation or comprehensive income.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Changes to the fair values of certain assets and liabilities as at April 1, 2007 are recognized by adjusting opening retained earnings or opening accumulated other comprehensive income.

All financial instruments are classified into one of the following four categories: held for trading, held-to-maturity, loans and receivables, and available-for-sale. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification.

i) Held-to-maturity investments, loans and receivables are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current year net earnings.

ii) Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.

iii) Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period in which they arise, except for derivative instruments which represent a cash flow hedge, where the gain or loss is recognized in other comprehensive income.

Under adoption of this new standard, the Company designated its cash and cash equivalents, accounts receivable and accounts payable as held-for-trading which are measured at fair value.

Comprehensive Income

The Company also adopted CICA Section 1530, Comprehensive Income, effective April 1, 2007. This section requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes net income or loss and other comprehensive income. Other comprehensive income may include holding gains and losses on available-for-sale securities, gains and losses on certain derivative instruments and foreign exchange gains and losses from self-sustaining foreign operations. During the current year, the Company did not have any other comprehensive income components.

Recent Canadian Accounting Pronouncements

The CICA issued three new accounting standards that are applicable to the Company: Section 1535, Capital Disclosures (“Section 1535”), Section 3031, Inventories (“Section 3031”), and Section 3862, Financial Instruments (Section 3862”). The Company will adopt these new accounting standards for the period beginning April 1, 2008.

Financial Instrument Disclosures

New accounting recommendations for disclosure and presentation of financial instruments are effective for the Company beginning April 1, 2008. The new recommendations require disclosures of both qualitative and quantitative information that enables users of the financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed.

Capital Disclosures

As a result of new Section 1535, Capital Disclosures, the Company will be required to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. This additional disclosure includes quantitative and qualitative information regarding an entity’s objectives, policies and procedures for managing capital. This Section is applicable for the fiscal year beginning on April 1, 2008.

Inventories

In March 2007, the Canadian Accounting Standards Board (“AcSB”) approved a new standard with respect to inventories effective for fiscal years beginning on or after April 1, 2008. The new standard requires inventories to be measured at the lower of cost or net realizable value; disallows the use of last-in, first-out inventory costing methodology; and requires that, when circumstances which previously caused inventories to be written down below cost no longer exist, the amount of the write-down is to be reversed. This new standard is not expected to have a material impact on the Company’s earnings.

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FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and Intangible Assets

In February 2008, the AcSB issued Handbook Section 3064, Goodwill and Intangible Assets, and amended Section 1000, Financial Statement Concepts, clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized as assets. The standard is effective for fiscal years beginning on or after October 1, 2008 and early adoption is permitted. Management of the Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

International Financial Reporting Standards (“IFRS”)

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. ACQUISITION OF MINERA SINCHAO

On March 15, 2006, the Company and Andean American Mining Corp. (“Andean”) entered into an agreement (the “Share Exchange Agreement”), as amended and restated on June 15, 2006, whereby the Company agreed to acquire a 100% ownership interest in Minera Sinchao through the issuance of 36 million common shares in the capital of the Company and 3 million transferable share purchase warrants. The Share Exchange Agreement also required the Company to reimburse Andean for all costs incurred on the Sinchao mineral properties during the period from January 1, 2006 to the closing date (“Closing”) plus 100% mark-up in recognition of Andean’s direct indirect costs (\$534,064). This amount has been recorded as deferred exploration costs.

The Closing of the Share Exchange Agreement occurred on June 30, 2006, and the Company issued 36 million common shares, with a fair value of \$14.4 million, and 3 million warrants, at a fair value of \$184,930. See also Note 7(b)(iv). In addition, as a result of differences in the book value and tax value of the mineral property interest acquired, the Company has recorded a future income tax liability of \$5,433,183 with a corresponding amount capitalized to mineral property interests.

The acquisition of Minera Sinchao was accounted for by the purchase method as summarized below and the results of operations were recorded from the effective date of the purchase.

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FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

3. ACQUISITION OF MINERA SINCHAO (continued)

Cost of net assets acquired consists of:

	\$
Cash	224,673
Non-cash working capital	(484,505)
Mineral property interests	20,277,945
Future income tax liabilities	(5,433,183)
Total consideration	<u>14,584,930</u>

4. AMALGAMATION WITH DOLCE ENTERPRISES INC.

On December 15, 2006, the Company was amalgamated with Dolce Enterprises Inc. The new company ("Amalco") retained the name of Sinchao Metals Corp. and was continued in British Columbia from the jurisdiction of Alberta.

The shareholders of the Company received one Amalco share for each share of the Company and each Dolce shareholder received one Amalco share for every six Dolce shares. After the interchange of shares, the shareholders of the Company owned 74% of the shares of Amalco.

Since this transaction resulted in the former shareholders of Sinchao Metals Corp. acquiring control of Dolce Enterprises Inc. the acquisition has been treated, for accounting purposes, as a reverse takeover. In accounting for this transaction:

- (i) Sinchao Metals Corp. is deemed to be the purchaser for accounting purposes. Accordingly, its net assets are included in the consolidated balance sheet at their historical book value.
- (ii) Control of the net assets and business of Dolce was acquired effective December 15, 2006. The Company has accounted for the transaction as a purchase of the assets and liabilities of Dolce. The assets and liabilities of Dolce have been recorded at their fair values, as follows:

Prior to the amalgamation, certain stock options of Dolce were exercised. The stock-based compensation balance of \$82,100 was added to contributed surplus (Note 8). Prior to the amalgamation, Dolce incurred share issue costs of \$366,800, which have been deducted from share capital (Note 7). Prior to the amalgamation, Dolce issued 331,272 agent's warrants that were converted into 65,212 Sinchao Metals Corp. common share purchase warrants (Note 7(d)).

Cost of net assets acquired consists of:

	\$
Cash	406,927
Non-cash working capital	22,760
Net assets received	<u>429,687</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

5. MINERAL PROPERTIES

	<u>2008</u>	<u>2007</u>
Sinchao properties	\$	\$
Acquisition costs	14,554,266	14,554,266
Deferred exploration costs	4,390,132	1,740,916
Future income tax liabilities	6,080,372	5,723,679
Refundable IGV Tax (Peru)	417,522	184,045
Stock-based compensation	293,448	-
	<u>25,735,740</u>	<u>22,202,906</u>

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, covering 1,300 hectares, that overlie sixteen mining concessions and one claim as well as two additional claims, which lie outside the four exploration rights.

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 the stage of exploration of such properties, these procedures, including confirmation by the Peruvian Government's Mine 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.

6. EQUIPMENT

Equipment is recorded at cost. Amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>2008</u>			<u>2007</u>		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Field equipment	70,543	4,494	66,049	12,576	347	12,229
Office furniture and equipment	14,515	1,580	12,935	5,327	372	4,955
	<u>85,058</u>	<u>6,074</u>	<u>78,984</u>	17,903	719	17,184

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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7. 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, 2006	-	-
Share subscription	5,251,000	525,100
Private placement	6,050,000	2,420,000
Warrants exercised	515,000	79,500
Issued for acquisition of Minera Sinchao	36,000,000	14,400,000
Value assigned to options exercised		50,142
Value assigned to warrants exercised	-	11,664
Fair value of warrants issued		(103,335)
Share issue costs - cash	-	(657,760)
Reorganization costs		(203,960)
Issued for amalgamation with Dolce Enterprises Inc.	1,338,120	692,872
Balance, March 31, 2007	49,154,120	17,214,223
Private placement (i, ii)	15,700,000	6,280,000
Stock options exercised (iii)	60,000	60,000
Warrants exercised	5,189,394	907,936
Value assigned to options exercised		33,975
Value assigned to warrants exercised	-	100,369
Fair value of warrants issued		(1,946,388)
Share issue costs - cash	-	(45,151)
Share issue costs - stock	-	(682,721)
Balance, March 31, 2008	70,103,514	21,922,243

During fiscal year 2008, the Company issued:

- i. 10,000,000 units at \$0.40 per unit for \$4,000,000 under a brokered private placement. Each unit consisted of one common share and one-half of one common share purchase warrant. One whole warrant entitles the holder to purchase an additional common share at \$0.60 on or before November 22, 2009. The Company paid in cash a finder's fee of \$27,800, 700,000 units in agent's warrants and 900,000 compensation options. Agent's warrants have the same terms as the other units under this private placement. The compensation options entitle the agent to purchase one common share of the Company for \$0.45 per common share on or before November 22, 2009. The fair values of the agent's compensation options have been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield of 0%; expected volatility of

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7. SHARE CAPITAL (CONTINUED)

62.39%; a risk-free interest rate of 3.84%; and an expected life of 2 years. The value assigned to the agent's compensation options was \$402,721.

- ii. 5,000,000 units at \$0.40 per unit for \$2,000,000 under a non-brokered private placement. Each unit consisted of one common share and one-half of one common share purchase warrant. One whole warrant entitles the holder to purchase an additional common share at \$0.60 on or before December 12, 2009. The fair value of the warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield of 0%; expected volatility of 61.109%; a risk-free interest rate of 3.82%; and an expected life of 2 years. The value assigned to the warrants was \$590,382.
- iii. 60,000 common shares on the exercise of 60,000 stock options. The options were exercised at a price of \$1.00 per stock option.
- iv. 5,189,394 common shares on the exercise of 5,189,394 common share purchase warrants for proceeds of \$907,936.

During fiscal year 2007, the Company issued:

- i. 1000 common shares at \$0.10 per share for \$100.
- ii. 5,250,000 units at \$0.10 per unit for \$525,000. Each unit consisted of one common share and one common share purchase warrant. One warrant entitles the holder to purchase an additional common share at \$0.15 on or before April 20, 2007 in respect of 4,980,000 shares, on or before May 24, 2007 in respect of 20,000 shares and on or before June 13, 2007 in respect of 250,000 shares. The Company paid in cash a finder's fee of \$31,380. The fair value of the warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield of 0%; expected volatility of 80%; a risk-free interest rate of 4.58%; and an expected life of 1 year. The value assigned to the warrants was \$103,334.
- iii. 5,000,000 common shares at \$0.40 per share for \$2,000,000. The Company paid in cash finders fees of \$201,581 and 400,000 finders' warrants. Each warrant entitles the holder to purchase an additional common share for a period of two years, at a price of \$0.40 per share on or before December 31, 2007 and \$0.50 per share on or before June 13, 2008. The fair value of the finders' warrants has been estimated using the Black-Scholes option pricing model. The assumptions were: dividend yield 0%; expected volatility 80%; a risk-free interest rate of 4.58%; and an expected life of two years. The value assigned to the finders' warrants was \$58,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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7. SHARE CAPITAL (CONTINUED)

- iv. 36,000,000 common shares, at a fair value of \$0.40 per share, and 3,000,000 share purchase warrants on the purchase of Minera Sinchao, as described in Note 3. Each warrant entitles the holder to purchase an additional common share for a period of three years, at a price of \$0.60 per share on or before June 14, 2007, at \$2.00 per share on or before June 14, 2008 and at \$5.00 per share on or before June 14, 2009. The fair value of the finders' warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield of 0%; expected volatility 80%; a risk-free interest rate of 4.58%; and an expected life of three years. The value assigned to the finders' warrants was \$184,930.
- v. 1,050,000 common shares at \$0.40 per share for \$420,000. The Company paid in cash a finder's fee of \$38,000 and 76,000 warrants as finder's fees. Each warrant will entitle the holder to purchase an additional common share for a period of two years, at a price of \$0.40 per share on or before December 21, 2007 and at \$0.50 per share on or before September 14, 2008. The value assigned to the warrants was \$10,910.
- vi. 1,338,120 common shares at fair values of \$0.30 and \$0.60 per share on the conversion of six issued and outstanding Dolce shares, as described in Note 4. The costs of the amalgamation were \$203,960.
- vii. 515,000 common shares pursuant to the exercise of warrants for total proceeds of \$79,500.

(c) Escrowed shares

Pursuant to a CPC Escrow Agreement dated May 10, 2006, 366,667 common shares, held by the former shareholders of Dolce, were held in escrow. In accordance with the agreement an initial release of 10% thereof occurred on the initial trading date, December 21, 2006, and 15% thereof will be released on each six-month anniversary of that date.

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.

On each six-month anniversary of that date, 5,448,750 common shares will be released. So that all the common shares will have been released by June 21, 2011.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

7. SHARE CAPITAL (CONTINUED)

(d) Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at March 31, 2008 and the changes for the year ending on that date is as follows:

	<u>Number of Warrants</u>	<u>Amount</u> \$
Balance, March 31, 2006	-	-
Issued pursuant to private placement	5,250,000	103,334
Issued pursuant to acquisition of Minera Sinchao	3,000,000	184,930
Finder's warrants	476,000	68,910
Agent's warrants	65,212	22,020
Exercised	(515,000)	(11,664)
Expired	-	-
Balance, March 31, 2007	<u>8,276,212</u>	<u>367,530</u>
Issued pursuant to private placement	7,500,000	1,776,507
Broker warrants issued pursuant to private placement	1,250,000	572,602
Exercised	(5,189,394)	(100,369)
Expired	(50,000)	(984)
Balance, March 31, 2008	<u>11,786,818</u>	<u>2,615,286</u>

The following table summarizes information about the warrants outstanding and exercisable at March 31, 2008:

<u>Expiry Date</u>	<u>Exercise price</u>	<u>Number</u>
	\$	
June 28, 2008	0.60	36,818
June 15, 2008/2009 ⁽¹⁾	2.00/5.00	3,000,000
November 21, 2009	0.60	6,250,000
December 12, 2009	0.60	2,500,000
		<u>11,786,818</u>

⁽¹⁾ Exercisable price of \$2.00 expiring June 15, 2008; from June 15, 2008 to June 14, 2009 the exercise price is \$5.00.

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FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

7. 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.

A summary of stock option activity at March 31, 2008 and the changes for the year then ended is as follows:

	Number	Weighted Average Exercise Price
At March 31, 2006	-	-
Granted	4,280,000	1.00
Exercised	-	-
Forfeited	-	-
At March 31, 2007	4,280,000	1.00
Granted	790,000	0.68
Exercised	(60,000)	1.00
Forfeited	(500,000)	1.00
At March 31, 2008	4,510,000	0.94

The following table summarizes information about the stock options outstanding at March 31, 2008:

Number Outstanding March 31 2007				Number Outstanding March 31 2008				Exercise Price Per Share	Expiry date
Issued	Exercised	Forfeited	-	-	-	-	-	-	
-	(60,000)	(500,000)	-	3,220,000	-	\$ 1.00	-	December 27, 2009 (i)	
-	-	-	-	500,000	-	\$ 1.00	-	January 3, 2010 (i)	
290,000	-	-	-	290,000	-	\$ 0.66	-	October 29, 2012 (i)	
500,000	-	-	-	500,000	-	\$ 0.70	-	January 10, 2011 (i)	
-	-	-	-	-	-	-	-	December 29, 2009 -	
790,000	(60,000)	(500,000)	-	4,510,000	-	\$0.66 - \$1.00	-	October 29, 2012	

(i) As at March 31, 2008, 2,722,083 options are fully vested.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

7. SHARE CAPITAL (CONTINUED)

(e) Stock Options

The following table summarizes information about the stock options outstanding at March 31, 2007:

Number Outstanding March 31, 2006				Number Outstanding March 31, 2007		Exercise Price Per Share	Expiry date
Issued	Exercised	Forfeited					
-	3,780,000	-	-	3,780,000	\$	1.00	December 27, 2009 (i)
-	500,000	-	-	500,000	\$	1.00	January 3, 2010 (i)
-	4,280,000	-	-	4,280,000	\$0.66 - \$1.00		December 27, 2009 - October 29, 2012

(i) As at March 31, 2007, 615,417 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 fiscal year 2008, the Company recorded stock-based compensation of \$1,378,282 (2007 - \$359,178) of which \$293,448 (2007 - nil) 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 3.63% to 4.22% (2007 - 4.06% to 4.25%), dividend yield of 0% (2007 - 0%), volatility of 61.16% to 63.49% (2007: 85%) and with an expected life of 2 to 5 years (2007 - 3 years).

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FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

8. CONTRIBUTED SURPLUS

The Company's contributed surplus as at March 31, 2008 and the changes for the year ending on that date are as follows:

	\$
Balance, March 31, 2006	-
Stock-based compensation on stock options	359,178
Stock-based compensation on stock options issued by Dolce Enterprises Inc.	60,180
Reallocation on exercise of stock options	<u>(50,141)</u>
Balance, March 31, 2007	<u>369,217</u>
Stock-based compensation on stock options	1,378,282
Reallocation on exercise of stock options	(33,976)
Reallocation on expiry of warrants	<u>984</u>
Balance, March 31, 2008	<u><u>1,714,507</u></u>

9. RELATED PARTY TRANSACTIONS

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

	<u>2008</u>	<u>2007</u>
	\$	\$
Due from related parties	<u>77,895</u>	<u>366,533</u>
Due to related parties	<u>-</u>	<u>298,214</u>

The net amount due to the Company from Andean American Mining Corp. is \$77,895.

(b) During fiscal year 2008, the Company paid to a related company, Andean American Mining Corp., and its subsidiaries \$280,466 (2007 - \$1,021,954) for geological and administrative services including a 100% mark-up in accordance with the Share Exchange Agreement.

(c) During fiscal year 2008, the Company was charged \$60,000 (2007 - \$120,300) for geological consulting services provided by an officer of the Company.

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. The exchange amount was negotiated, established and agreed to by the related parties as if they were dealing at arm's length.

10. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

11. FUTURE INCOME TAXES

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

	<u>2008</u>	<u>2007</u>
Statutory tax rates	33.34%	34.68%
Income tax benefit from net losses at statutory rates	<u>(626,681)</u>	(480,750)
Non-deductible expenses and other	98,648	415
Change in statutory tax rates	152,302	-
Stock-based compensation	361,684	124,563
Share issuance costs	(60,815)	(59,769)
Change in valuation allowance - net of share issuance costs	<u>74,862</u>	415,541
Provision for income taxes	<u>-</u>	<u>-</u>

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

	<u>2008</u>	<u>2007</u>
	\$	\$
Future income tax assets:		
Non-capital loss carry forwards	489,392	415,541
Equipment	1,012	-
Share issuance costs	<u>163,882</u>	261,962
	<u>654,286</u>	677,503
Valuation allowance	<u>(654,286)</u>	(677,503)
	<u>-</u>	<u>-</u>
Future income tax liabilities:		
Mineral properties	<u>6,080,372</u>	5,723,679

Future tax assets 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, 2008, the Company has non-capital loss carry forwards in Canada aggregating \$1,882,276 that are available to offset future years' taxable income and expire as follows:

	\$
2027	854,189
2028	<u>1,028,087</u>
Total	<u>1,882,276</u>