
CHARIOT RESOURCES LIMITED

(a development stage company)

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS AT OCTOBER 31, 2009 AND FOR THE SIX MONTH PERIOD ENDED
OCTOBER 31, 2009 AND 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of the Company as at October 31, 2009 and for the six month period ended October 31, 2009 and 2008 have been prepared by and are the responsibility of the Company's management.

"Ulrich Rath " Chief Executive Officer
Toronto, Canada
December 11, 2009

"Peter Blunt " Chief Financial Officer
Toronto, Canada
December 11, 2009

CHARIOT RESOURCES LIMITED
(a development stage company)
Consolidated Balance Sheets
(Expressed in Canadian Dollars)

	October 31, 2009	April 30, 2009
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents	22,996,370	589,383
Short term investments	65,983	16,001,529
Other receivables	468,800	519,175
Prepaid expenses	31,277	58,214
	23,562,430	17,168,301
Equipment	225,413	261,923
Mineral property interests (note 4)	76,438,278	73,980,344
Peruvian sales tax receivable (note 5)	9,864,588	9,232,217
	23,562,430	17,168,301
Total Assets	\$ 110,090,709	\$ 100,642,785
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	1,465,236	1,685,224
	1,465,236	1,685,224
Asset retirement obligations	314,225	314,225
	314,225	314,225
Total Liabilities	1,779,461	1,999,449
Shareholders' Equity		
Share capital (note 6)	120,142,284	109,194,259
Contributed surplus	4,673,499	4,626,856
Deficit	(16,504,535)	(15,177,779)
	108,311,248	98,643,336
Total Liabilities and Shareholders' Equity	\$ 110,090,709	\$ 100,642,785

CONTINGENCIES (note 4)

APPROVED ON BEHALF OF THE BOARD

“Edward Thompson”

Director

“John Kutkevicius”

Director

See accompanying notes to the financial statements

CHARIOT RESOURCES LIMITED
(a development stage company)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the three and six month periods
(Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	October 31, 2009	October 31, 2008	October 31, 2009	October 31, 2008
	\$	\$	\$	\$
Expenses				
Amortization	2,863	5,424	11,476	11,250
Salaries, consulting and management fees	149,273	153,546	299,162	222,152
General and administration	972,814	178,189	1,184,372	329,703
Legal	211,713	181,493	301,536	306,266
Stock-based compensation (note 6)	5,726	54,575	33,401	109,151
Loss before undernoted items	1,342,389	573,227	1,829,947	978,522
Foreign exchange (gain) loss	(269,985)	498,092	(388,600)	157,803
Interest income	(37,837)	(173,562)	(114,591)	(405,464)
Net Loss and Comprehensive loss for period	\$ 1,034,567	\$ 897,757	\$ 1,326,756	\$ 730,861
Loss per Share - Basic and diluted	\$ 0.003	0.0027	\$ 0.004	0.0022
Weighted Average Shares Outstanding	329,039,255	328,695,501	328,961,061	328,513,463

See accompanying notes to the financial statements

CHARIOT RESOURCES LIMITED
(a development stage company)
Consolidated Statements of Shareholders' Equity
Expressed in Canadian Dollars

	Common Shares		Contributed Surplus	Deficit	Total
	Shares	Amount			
		\$	\$	\$	\$
Balance - April 30, 2008	328,302,203	108,814,267	4,160,151	(14,483,176)	98,491,242
Issued during period					
For cash					
Exercise of stock options	393,298	260,356	-	-	260,356
Stock-based compensation	-	-	142,893	-	142,893
Transfer of fair value on exercise of options	-	119,636	(119,636)	-	-
Stock options forfeited	-	-	(65,083)	-	(65,083)
Net gain for period	-	-	-	166,896	166,896
Balance - July 31, 2008	328,695,501	109,194,259	4,118,325	(14,316,280)	98,996,304
Stock-based compensation	-	-	142,894	-	142,894
Stock options forfeited	-	-	(32,222)	-	(32,222)
Net loss for period	-	-	-	(897,757)	(897,757)
Balance - October 31, 2008	328,695,501	\$ 109,194,259	\$ 4,228,997	\$ (15,214,037)	\$ 98,209,219
Balance - April 30, 2009	328,695,501	\$ 109,194,259	\$ 4,626,856	\$ (15,177,779)	\$ 98,643,336
Issued during period					
For cash					
Exercise of stock option	66,600	9,990	-	-	9,990
Stock-based compensation	-	-	73,682	-	73,682
Transfer of fair value on exercise of options	-	9,625	(9,625)	-	-
Net loss for period	-	-	-	(292,189)	(292,189)
Balance - July 31, 2009	328,762,101	\$ 109,213,874	\$ 4,690,913	\$ (15,469,968)	\$ 98,434,819
Issued during period					
For cash					
Subscription Agreement	35,740,000	10,774,000	-	-	10,774,000
Exercise of stock options	415,000	86,580	-	-	86,580
Stock-based compensation	-	-	73,682	-	73,682
Transfer of fair value on exercise of options	-	67,830	(67,830)	-	-
Stock options forfeited	-	-	(23,266)	-	(23,266)
Net loss for period	-	-	-	(1,034,567)	(1,034,567)
Balance - October 31, 2009	364,917,101	\$ 120,142,284	\$ 4,673,499	\$ (16,504,535)	\$ 108,311,248

See accompanying notes to the financial statements

CHARIOT RESOURCES LIMITED
(a development stage company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and six month periods
(Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	October 31, 2009	October 31, 2008	October 31, 2009	October 31, 2008
	\$	\$	\$	\$
Operating Activities				
Net loss for period	(1,034,567)	(897,757)	(1,326,756)	(730,861)
Items not involving cash:				
Amortization	2,863	5,424	11,476	11,250
Stock-based compensation	5,726	54,575	33,401	109,151
	(1,025,978)	(837,758)	(1,281,879)	(610,460)
Changes in operating assets and liabilities:				
Decrease (increase) in other receivable	(426,635)	(126,369)	50,375	656,230
Decrease in prepaid expenses	0	30,986	26,937	3,080
Decrease in accounts payable and accrued liabilities	506,537	800,578	511,029	465,416
	(889,059)	(132,563)	(693,538)	514,266
Investing Activities				
Expenditures on equipment	-	(5,829)	-	(7,212)
Expenditures on mineral property interests	(902,196)	(3,800,693)	(3,073,220)	(8,370,512)
Increase in Peruvian sales tax receivable	(521,320)	477,578	(632,371)	(401,851)
Short term investments	(1,456)	3,507,348	15,935,546	(14,023,059)
	(1,424,972)	178,404	12,229,955	(22,802,634)
Financing Activities				
Shares issued for cash	10,860,580	-	10,870,570	260,356
Increase in cash and cash equivalents during period	8,546,549	45,841	22,406,987	(22,028,012)
Cash and cash equivalents, beginning of period	14,449,821	1,028,237	589,383	23,102,090
Cash and cash equivalents, end of period	\$ 22,996,370	1,074,078	\$ 22,996,370	\$ 1,074,078

SUPPLEMENTARY CASH FLOW INFORMATION (note 8)

See accompanying notes to the financial statements

CHARIOT RESOURCES LIMITED
(a development stage company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2009 AND 2008
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

The Company was incorporated on November 12, 1996 under the Business Corporations Act (Yukon). On October 28, 2004, the Company was continued under the *Business Corporations Act* (British Columbia).

The Company is directly engaged in the exploration and development of the Marcona property in Peru.

The recoverability of the amounts shown as mineral property interests is dependent upon the existence of economically recoverable reserves, the continuance or rights to tenure of the areas of interest, the results of future exploration, the successful development and exploitation of the areas of interest or, alternatively, their sale or partial sale.

2. ACCOUNTING POLICIES

a) Significant accounting policies

Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries: Andes Resources Compañía Minera S.A.C. (“Andes”); Chariot Holdings Inc.; Chariot Operating Limited and Chariot Partners Limited and its proportionate 70% interest in Marcobre S.A.C., (“Marcobre”) an incorporated joint venture with LS-Nikko Copper Inc. (“LS-Nikko”) and Korea Resources Corporation (“KORES”). Inter company balances and transactions are eliminated upon consolidation.

Use of estimates

The preparation of the consolidated 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 contingent liabilities at the date of the financial statements, and the reported amounts of expenses during the reported period. Significant management estimates relate to the determination of asset retirement obligations, recoverability of mineral property and deferred exploration expenditures and stock-based compensation. Actual results could differ materially from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include deposits at call, term deposits with an original maturity date of 90 days or less. Cash equivalents are designated as “Held-for-trading”. They are recorded at fair value, with changes in fair value recorded in income.

Short term investments

Short term investments include deposits with an original maturity date of more than 90 days but less than 1 year. Short term investments are designated as “Held-for-trading” and recorded at fair value with changes in fair value recorded in income.

Mineral Property Interests

Mineral property costs and exploration, development and field support costs directly related to mineral

CHARIOT RESOURCES LIMITED
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FOR THE SIX MONTHS ENDED OCTOBER 31, 2009 AND 2008
(Expressed in Canadian Dollars)

2. ACCOUNTING POLICIES (continued)

properties are deferred until the property to which they relate is placed into production, sold, abandoned or determined to be impaired. Deferred costs will be amortized over the life of the ore body to which they relate following commencement of production or charged to operations if the property is sold or abandoned. Administration costs and other costs that do not relate to specific properties are expensed as incurred.

On a periodic basis, as events and circumstances dictate, management reviews the carrying values of deferred mineral property costs to assess whether there has been any impairment in value. If it is determined that undiscounted future cash flows are less than the carrying value of a project, a write down to the estimated fair value of such deferred mineral property costs will be charged to operations.

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.

Although the Company has taken steps to verify title to mineral properties in which it has an interest according to the usual industry standards, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Asset Retirement Obligations

The Company recognizes a liability for its legal obligations associated with reclamation of mineral properties when the liability is incurred. A liability is recognized initially at fair value if a reasonable estimate of the fair value can be made and the resulting amount is capitalized as part of the asset. In subsequent periods, the Company adjusts the carrying amounts of the asset and liability for changes in estimates of the amount or timing of underlying future cash flows.

It is reasonably possible that the Company's estimates of its ultimate reclamation and site restoration liability could change as a result of changes in regulations or cost estimates. The effect of changes in estimated costs is recognized on a prospective basis.

Joint Ventures

The Company participates in a joint venture and consolidates its proportionate share of the assets, liabilities and expenses where joint control is exercised.

Equipment – Amortization

Equipment is recorded at cost less accumulated amortization. Amortization is determined on a straight-line basis over the related asset's estimated useful life, which is generally from three to ten years. Equipment under capital lease contracts is initially carried at the lower of fair value or discounted minimum lease payments and is amortized on a straight-line basis over the life of asset.

Leases

Leases are classified as either capital or operating. Leases which transfer substantially all the benefits and risks of ownership are accounted for as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

CHARIOT RESOURCES LIMITED
(a development stage company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2009 AND 2008
(Expressed in Canadian Dollars)

2. ACCOUNTING POLICIES (continued)

Income Tax

Income taxes are accounted for under the asset and liability method. Under this method, tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value and the tax basis of assets and liabilities.

Future tax assets and liabilities are measured using the enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period during which the change in rates is considered to be substantially enacted. Future tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

Foreign Currency Translation

The Company's overseas subsidiaries are considered to be integrated foreign operations whose transactions, balances and accounts are translated into Canadian dollars using the temporal method, as follows:

- i. Expenses, except for amortization, at average exchange rates for each year;
- ii. monetary items at the rates of exchange prevailing at balance sheets dates; and
- iii. non-monetary items at the historical exchange rates.

Exchange gains and losses arising from translation are included in the determination of earnings for each year.

Loss per Share

Loss per share computations are based upon 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 and warrants. This method assumes that the proceeds from exercise of in the money options and warrants would be used to purchase common shares at the average market price during the year. The effect of conversion of outstanding options and warrants would be anti-dilutive when the Company incurs a loss and therefore, basic and diluted losses per share are the same.

Stock-Based Compensation

The Company records compensation associated with stock options granted to directors and employees using a fair value measurement basis and records the corresponding amount as an expense or a capital cost, as appropriate, over the vesting period for the options. Consideration paid by grantees when the options are exercised, as well as the fair value at the grant date of options exercised, is added to share capital. For stock options that vest at the end of vesting period, compensation cost is recognized on a straight-line basis over the vesting period. No compensation cost is recognized from stock options that employees forfeit if they fail to satisfy the service requirement for vesting.

b) Change in accounting policies

Effective May 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2009 AND 2008
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2. ACCOUNTING POLICIES (continued)

Section 1535 - Capital Disclosures.

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company is required to disclose information that enables the users of its financial statements to evaluate the Company's objectives, policies and processes for managing capital. Disclosures required by this standard are included in Note 9.

Section 3862 - Financial Instruments – Disclosures.

This Section requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Disclosures required by this standard are included in Notes 3 and 10.

Section 3863 - Financial Instruments – Presentation.

This Section replaces existing requirements for presentation of financial instruments and non-financial derivatives. The purpose of this section is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

Section 1400 - General Standards of Financial Statement Presentation.

An Amendment to this Section requires that management make an assessment of the Company's ability to continue as a going concern. The Company's adoption of the modifications of this Section had no effect on the reported consolidated financial results.

EIC 173 - Credit risk and the fair value of financial assets and financial liabilities

This abstract considers whether an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The Company's adoption of the modification of this abstract had no effect on the reported consolidated financial statements.

EIC 174 - Mining exploration costs

This abstract considers the issues of (i) when exploration costs related to mining properties may be capitalized, and (ii) if exploration costs are initially capitalized, when should impairment be assessed to determine whether a write-down is required, and what conditions indicate impairment. The Company's adoption of the modification of this abstract had no effect on the reported consolidated financial statements.

3. FINANCIAL INSTRUMENTS

All significant financial assets and financial liabilities of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk, currency risk, convertibility risk and credit risk.

Due to the short-term nature of other receivables, accounts payable and accrued liabilities, the Company estimates that their carrying value approximates their fair value.

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3. FINANCIAL INSTRUMENTS (continued)

The Company classified its cash equivalents and short-term investment as held-for-trading. Other receivables as loan and receivables which are measured at amortized cost. Accounts payable and accrued liabilities and capital lease obligations are classified as other financial liabilities, all of which are measured at amortized cost.

Foreign Exchange Rate Risk

The Company is required to make certain payments in US dollars and has not entered into forward currency contracts or other financial derivatives to hedge exchange risk.

4. MINERAL PROPERTY INTERESTS

Marcona Project

On January 3, 2005 the Company and KORES and LS-Nikko, jointly the "Korean Partners", paid the first of two payments to acquire a 100% undivided interest in the Marcona Copper Project ("Marcona"). The Company's share of the first payment was \$18,695,535 representing payments to the former owners of Marcona in the amount of \$17,023,464 and a payment in respect of Peruvian General Sales Tax ("IGV") in the amount of \$1,672,071. The payment in respect of IGV is considered to be eventually recoverable as a credit against IGV otherwise payable in respect of future mineral production from Marcona.

On January 3, 2007 the Company and the Korean Partners made the second of the two mandatory payments required under the abovementioned Marcona acquisition agreement. The Company's 70% share of this second payment was \$10,646,090 and a payment in respect of IGV of \$1,163,085. The payment in respect of IGV is considered to be eventually recoverable as a credit against IGV otherwise payable in respect of future mineral production from Marcona.

In the event that the Company and the Korean Partners approve the start of construction of a mine and plant to process mineralized material from Marcona, additional contingent payments will be required to complete the acquisition of an undivided 100% interest in Marcona as follows:

An amount of US \$3.0 million will be payable to Rio Tinto Mining and Exploration, Sucursal del Peru and Shougang Hierro Peru S.A.A (the "Vendors") if the total mineral resource on the TA1 concession (which includes the Mina Justa deposit and the Magnetite Manto deposit) is greater than the equivalent of 2.58 million tonnes of contained copper metal using a copper equivalent cut-off grade of 0.3%.

An additional amount of US \$7.0 million will be payable to the Vendors if the total mineral resource on the TA1 concession is greater than the equivalent of 3.44 million tonnes of contained copper metal using a copper equivalent cut-off grade of 0.3%.

These contingent payments to the Vendors will not exceed US \$10.0 million and the amounts of such payments will be determined by whether Marcobre approves commencing the construction of mine and processing facilities on the TA1 concession and the amount of copper equivalent contained in the mineral resource on the TA1 concession.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. MINERAL PROPERTY INTERESTS (continued)

Mineral property interests consist of capitalized expenditures on the Marcona project as follows:

	\$
Balance April 30, 2009	73,980,344
Exploration and development	2,343,971
Capitalized Stock based compensation	113,963
Balance October 31, 2009	<u>76,438,278</u>
Balance April 30, 2008	62,570,655
Exploration and development	7,292,535
Capitalized Stock based compensation	176,636
Balance October 31, 2008	<u>70,039,826</u>

5. PERUVIAN SALES TAX RECEIVABLE

Included in non-current assets is \$9,864,588 (2008-\$8,247,936) of refundable Peruvian IGV. This amount is refundable either as a credit received from the export of mineral production or under the sales tax early recovery program established by the Peruvian government. During the six months ended October 31, 2009 no recoveries were received by the Company under the early recovery program. (In 2008 \$365,626 was received).

CHARIOT RESOURCES LIMITED
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2009 AND 2008
(Expressed in Canadian Dollars)

6. SHARE CAPITAL

Authorized and Issued

The Company's authorized share capital is an unlimited number of common shares of which 364,917,101 were issued and outstanding as at October 31, 2009.

On October 30, 2009 the Company completed a US\$10,000,000 private placement for 35,740,000 common shares. The issuance price was based upon an agreed noon rate of exchange quoted by the Bank of Canada on September 30, 2009 of US\$0.9327 for C\$1.

Stock Options

The following table sets out information concerning stock options granted and outstanding as at October 31, 2009:

Number of Options	Number of Options vested	Exercise Price \$	Expiry Date	Number of months To Expiry
1,875,000	1,875,000	0.27	January 3, 2015	63
100,000	100,000	0.27	January 26, 2015	63
100,000	100,000	0.28	March 10, 2015	65
2,285,000	2,285,000	0.34	April 5, 2015	66
1,865,700	1,865,700	0.44	February 7, 2016	76
200,000	200,000	0.60	October 25, 2016	84
3,111,688	3,111,687	0.57	January 11, 2017	87
426,667	426,667	0.67	January 26, 2017	87
300,000	300,000	1.00	August 27, 2017	94
2,965,000	1,976,766	0.88	January 7, 2018	99
2,828,399	942,705	0.15	January 19, 2019	111
150,000	50,000	0.15	February 13, 2019	112
16,207,454	13,233,525	\$ 0.47		86

During the six months ended October 31, 2009, the Company recorded stock based compensation expenditure of \$147,364 (2008 - \$285,787) attributable to the grant of stock options of which \$113,963 (2008 -\$176,636) was capitalized to mineral property interests.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2009 AND 2008
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7. SEGMENTED INFORMATION

The Company's principal business activity is the acquisition, exploration and development of mineral properties located in Peru. The assets and liabilities of the Company are located geographically as set out below:

	<u>Canada</u>	<u>Peru</u>	<u>Cayman Islands</u>	<u>Total</u>
	\$	\$	\$	\$
October 31, 2009				
Cash and cash equivalents	22,386,234	607,860	2,276	22,996,370
Short term investments	65,983	-	-	65,983
Mineral Property Interests	-	76,438,278	-	76,438,278
Other Assets	81,289	10,508,789	-	10,590,078
	22,533,506	87,554,927	2,276	110,090,709
Liabilities	785,669	993,792	-	1,779,461
	\$ 21,747,837	\$ 86,561,135	\$ 2,276	\$ 108,311,248
October 31, 2008				
Cash and cash equivalents	18,290	1,044,736	11,052	1,074,078
Short term investments	20,139,720	-	-	20,139,720
Mineral Property Interests	-	70,039,826	-	70,039,826
Other Assets	476,332	8,816,418	-	9,292,750
	20,634,342	79,900,980	11,052	100,546,374
Liabilities	88,242	2,248,913	-	2,337,155
	\$ 20,546,100	\$ 77,652,067	\$ 11,052	\$ 98,209,219

8. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash investing activities and other supplementary cash flow information is as follows:

	October 31 2009	October 31 2008
	\$	\$
Non-cash investing activity		
Decrease (increase) in accounts payable related to mineral property interests	598,663	(999,936)
Capitalization of stock based compensation	113,963	176,636
Capitalization of amortization	20,224	19,341

CHARIOT RESOURCES LIMITED
(a development stage company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. CAPITAL DISCLOSURE

The Company manages its common shares and stock options as capital. As the Company is in the exploration and development stage, its principal source of funds is from the issuance of common shares. It is the Company's objective to safeguard its ability to continue as a going concern so that it can continue to explore and develop its projects for the benefit of its stakeholders. The Company is not subject to any externally imposed capital requirement.

The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

The Company's investment policy is to invest its available cash in Canadian chartered banks and from time to time in guaranteed term deposits at fixed interest rates established at the time of investment. All its funds are available for project and corporate objectives.

As at October 31, 2009, the Company had no bank indebtedness or long-term debt.

10. FINANCIAL INSTRUMENTS

The Company's receivables consist of general sales tax due from the Federal Governments of Peru as well as advances to vendors. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

a) *Currency risk*

The Company operates internationally with offices and operations in Canada and Peru, which gives rise to the risk that its financial instruments may be adversely impacted by exchange rate fluctuations. A significant portion of the Company's expenses are also incurred in US dollars and to a lesser extent other foreign currencies. A significant change in the currency exchange rates between the Canadian dollar relative to the Peruvian currency or US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not entered into foreign currency contracts to hedge its risk against foreign currency fluctuations. However, as many of the Company's obligations are denominated in US dollars, the impact of foreign exchange differences on US dollar denominated financial assets would be naturally hedged to an extent.

Although the majority of the Company's expenditures are incurred in United States dollars, the Company maintains its cash, cash equivalents and short term investments in Canadian dollars.

b) *Interest rate risk*

The interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All cash equivalents are placed with Canadian financial institutions and are accruing interest at varying rates.

c) *Liquidity risk*

This refers to 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 and financial leverage as outlined in note 6 to the consolidated financial statements