# Corriente Resources Inc.

(A Development Stage Enterprise)

Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2007

**(Unaudited)**

# Corriente Resources Inc.

(a development stage enterprise)

Consolidated Balance Sheets

**As at September 30, 2007 (Unaudited)**

**(expressed in Canadian dollars)**

| | September 30, 2007 | December 31, 2006 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 97,682,513 | $ 127,110,679 |
| Amounts receivable and prepayments | 114,831 | 213,856 |
| | 97,797,344 | 127,324,535 |
| **Mineral properties** (note 3) | 73,612,220 | 61,249,060 |
| **Plant and equipment** (note 4) | 2,700,983 | 2,490,457 |
| **Other assets** (note 5) | 3,479,396 | 4,933,384 |
| **TOTAL ASSETS** | $ 177,589,943 | $ 195,997,436 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable relating to mineral properties | $ 1,208,839 | $ 6,448,508 |
| Other accounts payable and accrued liabilities | 67,216 | 263,871 |
| Accounts payable relating to plant and equipment | – | 547,638 |
| | 1,276,055 | 7,260,017 |
| **Shareholders' Equity** | | |
| **Share capital** (note 6 (b)) | 234,437,635 | 233,552,783 |
| **Options** (note 6 (c)) | 3,610,428 | 2,584,710 |
| **Contributed surplus** | 1,270,877 | 993,697 |
| **Deficit** | (63,005,052) | (48,393,771) |
| | 176,313,888 | 188,737,419 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ 177,589,943 | $ 195,997,436 |

**Commitments (note 3)**

**Approved by the Board of Directors**

*"Kenneth Shannon"* Director

*"Dale Peniuk"* Director

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

# Corriente Resources Inc.

(a development stage enterprise)

Consolidated Statements of Changes in Shareholders' Equity

**For the nine months ended September 30, 2007 (Unaudited)**

**(expressed in Canadian dollars)**

| | Common Shares | | Estimated Fair Value | | | | |
|---|---|---|---|---|---|---|---|
| | Number | Share Capital | Options | Share Purchase Warrants | Contributed Surplus | Deficit | Total Shareholders' Equity |
| Inception to December 31, 2004: | | | | | | | |
| Common shares issued for cash, net of issue costs | 31,919,872 | $ 68,953,436 | $ – | $ – | $ – | $ – | $ 68,953,436 |
| Common shares issued for cash pursuant to exercise of warrants | 5,740,044 | 6,309,025 | – | – | – | – | 6,309,025 |
| Common shares issued for cash pursuant to exercise of options | 890,000 | 767,600 | – | – | – | – | 767,600 |
| Common shares issued for mineral property interests | 6,871,477 | 6,787,054 | – | – | – | – | 6,787,054 |
| Fair value of warrants issued | – | – | – | 597,506 | 676,407 | – | 1,273,913 |
| Fair value of options exercised | – | 461,484 | (461,484) | – | – | – | – |
| Fair value of warrants exercised | – | 246,798 | – | (246,798) | – | – | – |
| Fair value of warrants expired | – | – | – | (254,253) | 254,253 | – | – |
| Stock based compensation expense on unexercised options | – | – | 2,116,646 | – | – | – | 2,116,646 |
| Losses, inception to December 31, 2004 | – | – | – | – | – | (46,452,660) | (46,452,660) |
| Balance at December 31, 2004 | 45,421,393 | 83,525,397 | 1,655,163 | 96,455 | 930,660 | (46,452,660) | 39,755,015 |
| Common shares issued for cash pursuant to private placements, net of issue costs | 7,605,000 | 27,853,364 | – | – | – | – | 27,853,364 |
| Common shares issued for cash pursuant to exercise of options | 475,000 | 435,250 | – | – | – | – | 435,250 |
| Common shares issued for cash pursuant to exercise of warrants | 250,000 | 200,000 | – | – | – | – | 200,000 |
| Fair value of options exercised | – | 257,189 | (257,189) | – | – | – | – |
| Fair value of warrants exercised | – | 96,455 | – | (96,455) | – | – | – |
| Stock based compensation expense on unexercised options | – | – | 1,224,274 | – | – | – | 1,224,274 |
| Loss for the year ended December 31, 2005 | – | – | – | – | – | (3,344,139) | (3,344,139) |
| Balance at December 31, 2005 | 53,751,393 | 112,367,655 | 2,622,248 | – | 930,660 | (49,796,799) | 66,123,764 |
| Common shares issued for cash pursuant to private placements, net of issue costs | 19,231,000 | 117,662,735 | – | – | – | – | 117,662,735 |
| Common shares issued for cash pursuant to exercise of options | 1,770,000 | 2,354,950 | – | – | – | – | 2,354,950 |
| Fair value of options exercised (note 6 (c)) | – | 1,167,443 | (1,167,443) | – | – | – | – |
| Fair value of options terminated (note 6 (c)) | – | – | (63,037) | – | 63,037 | – | – |
| Stock based compensation on unexercised options (note 6 (c)) | – | – | 1,192,942 | – | – | – | 1,192,942 |
| Income for the year ended December 31, 2006 | – | – | – | – | – | 1,403,028 | 1,403,028 |
| Balance at December 31, 2006 | 74,752,393 | 233,552,783 | 2,584,710 | – | 993,697 | (48,393,771) | 188,737,419 |
| Stock based compensation on unexercised options (note 6 (c)) | – | – | 1,595,750 | – | – | – | 1,595,750 |
| Common shares issued for cash pursuant to exercise of options | 175,000 | 592,000 | – | – | – | – | 592,000 |
| Fair value of options exercised (note 6 (c)) | – | 292,852 | (292,852) | – | – | – | – |
| Fair value of options expired (note 6 (c)) | – | – | (277,180) | – | 277,180 | – | – |
| Loss for the period ended September 30, 2007 | – | – | – | – | – | (14,611,281) | (14,611,281) |
| Balance at September 30, 2007 (unaudited) | 74,927,393 | $ 234,437,635 | $ 3,610,428 | $ – | $ 1,270,877 | $ (63,005,052) | $ 176,313,888 |

# Corriente Resources Inc.

(a development stage enterprise)

Consolidated Statements of Loss, Comprehensive Loss and Deficit

**For the nine months ended September 30, 2007 (Unaudited)**

**(expressed in Canadian dollars)**

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| **Administration** | | | | |
| Management fees, wages & benefits | $ 204,812 | $ 175,377 | $ 663,658 | $ 601,800 |
| Legal and accounting | 220,585 | 44,313 | 630,047 | 314,071 |
| Stock-based compensation (note 6) | 183,801 | 621,410 | 550,775 | 735,801 |
| Corporate development and shareholder expenses | 136,293 | 62,194 | 336,158 | 196,448 |
| Office and related | 64,338 | 62,524 | 183,437 | 173,986 |
| Regulatory fees | 38,467 | 1,391 | 103,134 | 191,233 |
| Other | 18,912 | 5,360 | 52,115 | 47,929 |
| Travel | 9,755 | 22,982 | 17,511 | 70,577 |
| | 876,963 | 995,551 | 2,536,835 | 2,331,845 |
| **Other expenses (income)** | | | | |
| Foreign exchange loss (gain) (note 9) | 5,817,167 | (7,210) | 15,219,950 | (62,347) |
| Interest income | (1,306,676) | (1,467,449) | (4,020,897) | (2,487,967) |
| Severance costs (note 7) | 44,513 | – | 875,393 | – |
| Gain on sale of marketable securities | – | – | – | (336,253) |
| General exploration | – | 1,113 | – | 37,034 |
| | 4,555,004 | (1,473,546) | 12,074,446 | (2,849,533) |
| **Loss (earnings) and comprehensive loss (earnings) for the period** | 5,431,967 | (477,995) | 14,611,281 | (517,688) |
| **Deficit – beginning of period** | 57,573,085 | 49,757,106 | 48,393,771 | 49,796,799 |
| **Deficit – end of period** | $ 63,005,052 | $ 49,279,111 | $ 63,005,052 | $ 49,279,111 |
| **Loss (earnings) per share** | | | | |
| Basic | $ 0.07 | $ (0.01) | $ 0.20 | $ (0.01) |
| Diluted | $ 0.07 | $ (0.01) | $ 0.20 | $ (0.01) |
| **Weighted average number of shares outstanding** | | | | |
| Basic | 74,907,828 | 74,742,393 | 74,816,038 | 74,569,041 |
| Diluted | 74,907,828 | 74,745,125 | 74,816,038 | 74,983,898 |

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

# Corriente Resources Inc.

(a development stage enterprise)

Consolidated Statements of Cash Flows

**For the nine months ended September 30, 2007 (Unaudited)**

**(expressed in Canadian dollars)**

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| **Cash flows from (applied to) operating activities** | | | | |
| (Loss) / earnings for the period | $ (5,431,967) | $ 477,995 | $ (14,611,281) | $ 517,688 |
| Items not affecting cash | | | | |
| Stock-based compensation | 183,801 | 621,410 | 550,775 | 735,801 |
| Unrealized foreign exchange loss on EIA deposit | 213,180 | – | 515,134 | – |
| Depreciation | 9,230 | 5,360 | 20,661 | 14,314 |
| Gain on sale of marketable securities | – | – | – | (336,253) |
| Changes in non-cash working capital | | | | |
| Amounts receivable and prepayments | 59,417 | 111,449 | 90,714 | (433,789) |
| Accounts payable and accrued liabilities | (39,518) | 2,681,508 | 164,884 | 2,175,385 |
| | (5,005,857) | 3,897,722 | (13,269,113) | 2,673,146 |
| **Cash flows from (applied to) investing activities** | | | | |
| Mineral property costs | (4,434,454) | (7,699,350) | (14,911,704) | (15,276,541) |
| Payments to acquire plant and equipment | (192,047) | (195,059) | (1,364,081) | (434,177) |
| Other assets | 20,346 | (1,685,601) | (381,808) | (5,056,010) |
| Cash balance of spun-off company (note 3) | – | – | (93,460) | – |
| Proceeds from sale of marketable securities | – | – | – | 336,253 |
| | (4,606,155) | (9,580,010) | (16,751,053) | (20,430,475) |
| **Cash flows from financing activities** | | | | |
| Proceeds from issuance of share capital, net of issue costs | 355,000 | 258,325 | 592,000 | 119,985,185 |
| **Increase (decrease) in cash and cash equivalents** | (9,257,012) | (5,423,963) | (29,428,166) | 102,227,856 |
| **Cash and cash equivalents – beginning of period** | 106,939,525 | 140,092,509 | 127,110,679 | 32,440,690 |
| **Cash and cash equivalents – end of period** | $ 97,682,513 | $ 134,668,546 | $ 97,682,513 | $ 134,668,546 |

**Supplemental cash flow information (note 8)**

## 1 Nature of operations

Corriente Resources Inc. and its subsidiaries (collectively, “Corriente” or “the company”) are engaged in the exploration and development of mineral properties in Ecuador, South America. The company considers itself to be a development stage enterprise.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, receipt of necessary permits and regulatory approvals, the ability of the company to obtain financing to complete their development and future profitable operations or sale of the properties. The investment in and expenditures on mineral properties comprise a significant portion of the company’s assets.

## 2 Significant accounting policies

**Basis of presentation**

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim consolidated financial statements should be read in conjunction with the company’s audited consolidated financial statements including the notes thereto for the year ended December 31, 2006.

The accounting policies followed by the company are set out in note 2 to the audited consolidated financial statements for the year ended December 31, 2006 and have been consistently followed in the preparation of these consolidated financial statements except that the company has adopted the following CICA guidelines effective January 1, 2007:

a) Section 3855 – Financial Instruments - Recognition and Measurement. Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at amortized cost. Investments classified as available-for-sale are reported at fair market value (or marked to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments subject to significant influence are not adjusted to fair value.

b) Section 1530 – Comprehensive Income. Comprehensive income is the change in the company’s net assets that results from transactions, events and circumstances from sources other than the company’s shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments.

c) Transition adjustment to opening balances: The adoption of Sections 1530 and 3855 did not impact, either on a gross or net-of-tax basis, the consolidated balance sheet of the company as at January 1, 2007.

**(expressed in Canadian dollars)**

**Basis of consolidation**

The consolidated financial statements include the accounts of the company, its subsidiaries, all of which are wholly-owned and any variable interest entities (“VIEs”) where the company is the primary beneficiary. The company has determined that it does not have any VIEs as at September 30, 2007 and December 31, 2006. Inter-company balances and transactions have been eliminated.

## 3 Mineral properties

**Corriente Copper Belt, Ecuador**

Under various agreements signed and completed with certain Ecuadorian subsidiaries of BHP Billiton Plc ("BHP Billiton"), the company has earned a 100% interest in BHP Billiton’s mineral properties located in the Rio Zamora copper porphyry district (Corriente Copper Belt) in Ecuador. This required the issue of shares to BHP Billiton and the expenditure of exploration funds under the terms of these agreements. Additionally, these mineral properties are subject to a 2% Net Smelter Royalty (“NSR”) payable to BHP Billiton, though the company has options to reduce the NSR to 1% for the Mirador/Mirador Norte, Panantza and San Carlos mineral properties upon the payment of US$2 million to BHP Billiton for each such option exercised.

Following is a summary of the company’s deferred mineral property expenditures.

| **Corriente Copper Belt** | **Mirador / Mirador Norte** | **Panantza / San Carlos** | **Caya 36/ Piedra Liza** | **Other** (1) | **Total** |
|---|---|---|---|---|---|
| Balance December 31, 2006 | $ 51,415,646 | $ 6,242,751 | $ 220,325 | $ 3,370,338 | $ 61,249,060 |
| Property acquisition | 51,543 | 25,908 | – | – | 77,451 |
| Deferred exploration and development costs - net | 11,273,678 | 922,305 | 52,149 | 310,051 | 12,558,183 |
| Plan of Arrangement – spin-off of gold exploration targets | – | – | (272,474) | – | (272,474) |
| Balance September 30, 2007 | $ 62,740,867 | $ 7,190,964 | $ – | $ 3,680,389 | $ 73,612,220 |

(1) – comprised of the La Florida, San Luis, San Marcos, San Miguel, Sutzu and Dolorosa copper exploration targets in the Corriente Copper Belt.

On January 25, 2007, the company announced that it was extending the Mirador/Mirador Norte project development timeline as key permits and government agreements had not been received consistent with the accelerated project plan. This decision also resulted in the termination clauses of certain agreements with suppliers of key long lead-time components to the Mirador project to be invoked, for which charges for work incurred of $2,951,000 ($US2,532,000) were accrued at December 31, 2006. The company was able to sell the related partially completed assets to third parties in the first quarter of 2007 for net proceeds of $2,750,257 ($US2,382,000), which was received on April 13, 2007 and reflected as a recovery in mineral properties.

**Mineral property titles**

Although the company has taken steps to verify the title to mineral properties it has acquired, these procedures do not guarantee that the titles are without defects. Property title may be subject to unregistered prior agreements, transfers or claims of ownership by third parties.

**Plan of arrangement – spin-off of Caya 36/Piedra Liza gold exploration targets**

On April 3, 2007, the company announced that its Board of Directors had approved the spin-off of the company's Caya 36 (Tundayme) and Piedra Liza gold assets into a new company, by means of a Plan of Arrangement (the "Arrangement").

The Arrangement was approved by shareholders at the company's May 24, 2007 Annual and Special General Meeting and closed on June 18, 2007. Under the Arrangement, which was also approved by the British Columbia Supreme Court, the company's shareholders received shares of a new private company, Q2 Gold Resources Inc. ("Q2 Gold") which holds the gold assets, on the basis of one (1) Q2 Gold share for every three (3) common shares of Corriente held by them at the close of business on June 15, 2007. The company believes the Arrangement and spin-off is not material to the company, therefore note disclosure on discontinued operations is not being presented.

*Advances to Q2 Gold*

In connection with the Arrangement and to assist Q2 Gold with its business objectives, Corriente and Q2 Gold entered into a secured, interest-bearing convertible loan agreement dated April 23, 2007 pursuant to which Corriente agreed to lend Q2 Gold up to $750,000 to be advanced in instalments (the "Loan"). As at September 30, 2007, a total of $381,808 was owed by Q2 Gold to the company, consisting of $372,420 of principal and $9,388 of accrued interest (note 5). The Loan principal and unpaid interest are due on the earlier of December 31, 2008 and the first date on which Q2 Gold obtains a prospectus filing receipt with respect to any of its securities in any province of Canada. At any time prior to maturity, Corriente can require Q2 Gold to convert, in whole or in part, the principal amount outstanding and accrued interest of the Loan into Q2 Gold Shares at a conversion price equal to $0.10 per share. Q2 Gold can repay any or all of the outstanding Loan at any time prior to maturity or conversion.

**(expressed in Canadian dollars)**

## 4 Plant and equipment

| | September 30, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| Description | Cost | Accumulated Depreciation | Net | Cost | Accumulated Depreciation | Net |
| Construction barge | $ 1,401,762 | $ 51,194 | $ 1,350,568 | $ 1,401,529 | $ – | $ 1,401,529 |
| Computer equipment | 898,431 | 435,264 | 463,167 | 792,580 | 262,782 | 529,798 |
| Office furniture and equipment | 390,895 | 112,979 | 277,916 | 253,473 | 74,519 | 178,954 |
| Communications equipment | 249,931 | 44,919 | 205,012 | 117,471 | 18,853 | 98,618 |
| Vehicles | 353,925 | 91,268 | 262,657 | 290,950 | 69,634 | 221,316 |
| Software fees and licences | 330,069 | 247,552 | 82,517 | – | – | – |
| Mobile equipment | 91,148 | 32,002 | 59,146 | 88,041 | 27,799 | 60,242 |
| | $ 3,716,161 | $ 1,015,178 | $ 2,700,983 | $ 2,944,044 | $ 453,587 | $ 2,490,457 |

## 5 Other assets

The following table summarizes information about other assets as at September 30, 2007:

| | September 30, 2007 | December 31, 2006 |
|---|---|---|
| EIA security deposit | $ 3,003,837 | $ 3,518,971 |
| Advances to Q2 Gold (note 3) | 381,808 | – |
| Advances on mineral property expenditures | 93,751 | 1,414,413 |
| | $ 3,479,396 | $ 4,933,384 |

As a requirement of the Ministry of Petroleum and Mines ("MPM", formerly known as the Ministry of Energy and Mines) of Ecuador to approve the Mirador project's Environmental Impact Assessment ("EIA"), the company was required to post US$3,019,539 (Cdn.$ equivalent at September 30, 2007 – $3,003,837; December 31, 2006 – $3,518,971) in favour of the MPM as a security deposit against the company's obligations under the EIA.

Advances on mineral property expenditures and advances on plant and equipment include payments to contractors and suppliers made pursuant to supply agreements prior to the contracted goods and services being provided. Once the goods or services are received, the amount is transferred to mineral properties or plant and equipment, as appropriate.

**(expressed in Canadian dollars)**

## 6 Share capital

a) Authorized

Unlimited (2006 – 100,000,000) common shares, without par value

b) Issued

See Consolidated Statements of Changes in Shareholders' Equity.

c) Stock options

As at September 30, 2007, options to purchase a total of 2,702,500 shares were outstanding, 1,188,433 of which were fully vested.

Effective February 1, 2006, stock options granted have the following vesting provisions:

- Options granted to executive officers, directors and other head office personnel vest on the basis of 1/16th of the total each quarter (from grant date), with such vesting being accelerated based on a change in control of Corriente and/or the attainment of clearly identified milestones, as determined by the company's Directors.
- Options granted to subsidiary personnel vest on a cumulative basis of 50% of the total granted after 12 months from the grant date, 75% of the total granted after 18 months from the grant date and 100% of the total granted after 24 months from grant date, with such vesting being accelerated based on a change in control of Corriente, as determined by the company's Directors.

For the nine-month period ended September 30, 2007, the estimated fair value of the granted options to be expensed or capitalized totalled $1,595,750 (2006 - $735,801), of which $550,775 (2006 – $735,801) is included in stock-based compensation expense and $1,044,975 (2006 – $Nil) is included in mineral properties.

Non-cash stock-based compensation expense for options is determined based on estimated fair values of the options at the time of grant, the cost of which is recognized on a straight-line basis over the vesting period, which ranges from two years to four years, of the respective options and grants. The fair value of the stock options granted is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

| | For the nine month period ended September 30, 2007 | For the nine month period ended September 30, 2006 |
|---|---|---|
| Risk-free interest rate | 3.95 – 4.66% | 3.87–4.16% |
| Expected dividend yield | – | – |
| Expected stock price volatility | 60 – 62% | 65 – 67% |
| Expected option life in years | 3 | 3 |

Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the company's stock options.

**(expressed in Canadian dollars)**

The fair value of the stock options exercised during the nine-month period ended September 30, 2007 was recorded to share capital and the fair value of stock options that expired during the nine-month period ended September 30, 2007 was transferred to contributed surplus.

The following table summarizes information about options granted during the nine-month period ended September 30, 2007:

| Expiry dates | Optionees | Number of options | Exercise Price $ |
|---|---|---|---|
| January 1, 2012 | Executive officers | 290,000 | 4.10 |
| June 1, 2012 | Directors | 125,000 | 3.66 |
| July 12, 2012 | Employees | 447,500 | 4.90 |
| Total granted | | 862,500 | |

A summary of changes to stock options outstanding and exercisable is as follows:

| | For the nine month period ended September 30, 2007 | | | For the year ended December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | Number of Shares | | Weighted average exercise price | Number of shares | | Weighted average exercise price |
| Options outstanding – beginning of period | 2,435,000 | $ | 4.05 | 2,855,000 | $ | 1.89 |
| Granted | 862,500 | | 4.45 | 1,375,000 | | 5.05 |
| Exercised | (175,000) | | 3.38 | (1,770,000) | | 1.33 |
| Expired | (420,000) | | 4.25 | (25,000) | | 5.35 |
| Options outstanding – end of period | 2,702,500 | $ | 4.19 | 2,435,000 | $ | 4.05 |
| Options exercisable – end of period | 1,188,433 | $ | 3.47 | 1,208,436 | $ | 3.05 |

The following table summarizes information about stock options outstanding and exercisable at September 30, 2007:

| | | Outstanding | | | | Exercisable | | | |
|---|---|---|---|---|---|---|---|---|---|
| Year of Grant | Range of exercise prices | Number of options outstanding at September 30, 2007 | | Weighted average exercise price | Weighted average remaining contractual life (years) | Number of options exercisable at September 30, 2007 | | Weighted average exercise price | Weighted average remaining contractual life (years) |
| 2005 | 2.15 – 2.99 | 735,000 | | 2.55 | 0.9 | 735,000 | | 2.55 | 0.9 |
| 2006 | 4.50 – 5.50 | 1,120,000 | | 5.07 | 3.7 | 409,373 | | 5.06 | 3.5 |
| 2007 | 3.66 – 4.90 | 847,500 | | 4.44 | 4.6 | 44,060 | | 4.02 | 4.3 |
| | | 2,702,500 | $ | 4.19 | 3.2 | 1,188,433 | $ | 3.47 | 1.9 |

**(expressed in Canadian dollars)**

## 7 Segmented information

The company operates within a single operating segment, which is the exploration and development of copper-gold mineral properties. The company's mineral property interests are in Ecuador, South America, as set out in note 3.

Geographic segmentation of the company's assets is as follows:

| | September 30, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | Canada | Ecuador | Total | Canada | Ecuador | Total |
| Cash and cash equivalents | $ 97,054,099 | $ 628,414 | $ 97,682,513 | $ 126,295,568 | $ 815,111 | $ 127,110,679 |
| Amounts receivable and prepayments | 114,831 | – | 114,831 | 213,856 | – | 213,856 |
| Mineral properties | – | 73,612,220 | 73,612,220 | – | 61,249,060 | 61,249,060 |
| Plant and equipment | 129,179 | 2,571,804 | 2,700,983 | 73,142 | 2,417,315 | 2,490,457 |
| Other assets | 381,808 | 3,097,588 | 3,479,396 | – | 4,933,384 | 4,933,384 |
| | $ 97,679,917 | $ 79,910,026 | $ 177,589,943 | $ 126,582,566 | $ 69,414,870 | $ 195,997,436 |

With the exception of severance costs in relation to a restructuring of $875,393 (2006 – $Nil) and general exploration costs of $Nil (2006 – $37,034) incurred by the company's Ecuador operations, the consolidated statements of loss for the nine months ended September 30, 2007 and September 30, 2006 reflect the Canadian operations.

## 8 Supplemental cash flow information

Cash and cash equivalents comprise the following:

| | September 30, 2007 | December 31, 2006 |
|---|---|---|
| Cash on hand and balances with banks | $ 731,363 | $ 1,778,235 |
| Short-term investments, with maturity dates less than 90 days at acquisition | 96,951,150 | 125,332,444 |
| | $ 97,682,513 | $ 127,110,679 |

The company has no significant financial or other instruments as at September 30, 2007 except that its short-term investments are invested in overnight bank deposits with R1-High investment ratings (DBRS) and as they mature daily, are easily liquidated. The company has no investments in asset-backed commercial paper.

During the nine-month period ended September 30, 2007, the company conducted non-cash operating, investing and financing activities as follows:

| | September 30 2007 | 2006 |
|---|---|---|
| Depreciation capitalized into mineral properties | $ 557,838 | $ 16,611 |
| Stock-based compensation included in mineral properties | $ 1,044,975 | $ – |
| Change in other assets and accounts payable and accrued liabilities relating to mineral properties | $ (3,919,007) | $ – |
| Change in other assets and accounts payable and accrued liabilities relating to plant and equipment | $ (547,638) | $ – |

## 9 Financial instruments

(a) Fair values

The carrying amounts for cash and cash equivalents, amounts receivable, the EIA security deposit, accounts payable related to mineral properties, accounts payable relating to plant and equipment and other accounts payable and accrued liabilities on the balance sheet approximate fair value because of the short-term nature of these instruments.

The company does not have any material derivative financial instruments at September 30, 2007 or December 31, 2006.

(b) Currency risk

The company's expenditures are predominantly in U.S. dollars and any future equity raised is expected to be predominantly in Canadian dollars.

The company conducts the majority of its business in Ecuador, which uses the U.S. dollar as its primary economic currency. Future project development expenditures are expected to be paid in U.S. dollars.

As such, the company is subject to risk due to fluctuations in the exchange rates for the U.S. and Canadian dollar. The company has a practice of not entering into foreign currency hedging, while maintaining balances in Canadian and U.S. dollars in a proportion related to the magnitude of future mineral property, plant and equipment, and administrative expenditures, and the jurisdictions in which they will likely be made.

A breakdown by currency of the company's cash and cash equivalents at September 30, 2007 and December 31, 2006 is as follows:

| | September 30, 2007 | December 31, 2006 |
|---|---|---|
| Canadian dollar | $ 15,829,972 | $ 125,063,312 |
| U.S. dollar | US$ 82,280,400 | US$ 1,756,794 |
| Closing exchange rate (Cdn$ to US$) | 0.9948 | 1.1654 |