

HUNT

MINING CORP

Unaudited Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the three month periods ended March 31, 2011 and 2010

Hunt Mining Corp.
An Exploration Stage Enterprise

Expressed in Canadian Dollars

Condensed Interim Consolidated Statements of Financial Position (unaudited)

	NOTE	March 31, 2011	December 31, 2010 (Note 16)	January 1, 2010 (Note 16)
CURRENT ASSETS:				
Cash and equivalents		\$ 4,610,822	\$ 6,361,897	\$ 3,165,966
Accounts receivable		42,890	53,943	11,648
Prepaid expenses and deposits	9	354,284	211,071	200,000
Deferred income tax		-	-	208,754
Total Current Assets		5,007,996	6,626,911	3,586,368
PROPERTY AND EQUIPMENT:				
	6	744,565	632,000	704,754
OTHER ASSETS:				
Performance bond		241,119	257,208	209,303
V.A. Tax, net of discount		700,328	622,761	513,636
Minimal presumed income tax receivable		39,905	-	214,044
Total Other Assets:		981,352	879,969	936,983
TOTAL ASSETS:				
		\$ 6,733,913	\$ 8,138,880	\$ 5,228,105
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities		\$ 492,505	\$ 318,679	\$ 1,444,729
Taxes payable		150,747	76,851	127,919
Shareholder loan	10	-	103,021	842,668
Interest payable on shareholder loan		-	10,240	3,698
Due to related parties		-	-	612,850
Total Current Liabilities:		\$ 643,252	\$ 508,791	\$ 3,031,864
LONG-TERM LIABILITIES:				
Other long-term liabilities	13	125,000	125,000	-
TOTAL LIABILITIES:				
		\$ 768,252	\$ 633,791	\$ 3,031,864
SHAREHOLDERS' EQUITY				
Preferred shares	7	177,417	177,417	177,417
Share capital	7	18,263,553	18,250,138	13,989,654
Contributed surplus	8	2,564,859	2,339,072	460,882
Warrants	7	2,838,467	2,838,467	250,000
Deficit		(17,718,290)	(16,043,952)	(12,681,712)
Accumulated other comprehensive loss		(160,345)	(56,053)	-
Total Shareholders' Equity:		\$ 5,965,661	\$ 7,505,089	\$ 2,196,241
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				
		\$ 6,733,913	\$ 8,138,880	\$ 5,228,105

Going Concern (Note 2)

Subsequent Events (Note 15)

Commitments and Contingencies (Note 13)

Approved on behalf of the Board of Directors

Signed "Tim Hunt"

Director

Signed "Matt Hughes"

Director

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

Hunt Mining Corp.
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Condensed Interim Consolidated Statements of Loss (unaudited)

		Three months ended March 31,	
	NOTE	2011	2010
		(Note 16)	
<i>INCOME:</i>			
Interest income:		\$ 13,192	\$ 3,896
<i>OPERATING EXPENSES:</i>			
Professional fees		242,352	173,953
Directors fees		20,134	-
Exploration expenses		509,038	155,902
Travel expenses		76,848	58,083
Administrative and office expenses		190,974	185,693
Payroll expenses		264,507	229,006
Share based compensation	8	239,201	340,743
Interest expense and banking charges		11,486	20,122
Depreciation	6	34,209	26,409
<i>Total operating expenses</i>		<u>1,588,749</u>	<u>1,189,911</u>
<i>Other income/(expense):</i>			
Debt forgiveness gain		-	1,685,476
Gain on debt discount	9	3,085	21,870
Miscellaneous income/(expense)		420	-
Taxes		(42,427)	-
Bank fees		(3,388)	(1,876)
VAT discount and accretion		(73,348)	(5,437)
Gain (loss) on foreign exchange		14,104	(15,395)
<i>Total other income/(expense):</i>		<u>(101,554)</u>	<u>1,684,638</u>
<i>(LOSS) INCOME - before income tax</i>		(1,677,111)	498,623
<i>Income tax (expense)/recovery</i>		<u>2,773</u>	<u>(565,364)</u>
<i>NET LOSS FOR THE PERIOD to equity owners</i>		(1,674,338)	(66,741)
Weighted average shares issued and outstanding		73,174,898	44,648,666
<i>NET LOSS PER SHARE - BASIC AND DILUTED</i>		(\$0.02)	(\$0.00)

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Condensed Interim Consolidated Statements of Comprehensive Loss and Accumulated Other Comprehensive Loss (unaudited)

	<u>Three months ended March 31,</u> <u>2011</u>	<u>2010</u>	<u>Year ended December 31</u> <u>2010</u>
<i>Loss for the period</i>	\$ (1,674,338)	\$ (66,741)	\$ (3,362,240)
<i>Other comprehensive loss:</i>			
Change in value of performance bond	(16,090)	(165)	47,906
Translation of assets and liabilities into Canadian dollar reporting currency	<u>(88,202)</u>	<u>(32,217)</u>	<u>(103,959)</u>
Comprehensive Loss	<u>\$ (1,778,630)</u>	<u>\$ (99,123)</u>	<u>\$ (3,418,293)</u>
Accumulated other comprehensive loss, beginning balance	\$ (56,053)	\$ -	\$ -
Change in value of performance bond	\$ (16,090)	\$ (165)	\$ 47,906
Translation of asset and liabilities into Canadian dollar reporting currency	<u>\$ (88,202)</u>	<u>\$ (32,217)</u>	<u>\$ (103,959)</u>
Accumulated other comprehensive loss, ending balance	<u>\$ (160,345)</u>	<u>\$ (32,382)</u>	<u>\$ (56,053)</u>

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Condensed Interim Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

	Share Capital	Retained Deficit	Accumulated Other Comprehensive Income/(Loss)	Contributed Surplus	Warrants	Convertible Preferred Shares	Total
Balance - January 1, 2010	\$ 13,989,654	\$ (12,681,712)	\$ -	\$ 460,882	\$ 250,000	\$ 177,417	2,196,241
Net loss	-	(66,741)	-	-	-	-	(66,741)
Other comprehensive loss	-	-	(32,382)	-	-	-	(32,382)
Share Capital Issued	49,396	-	-	326,636	-	-	376,032
Balance - March 31, 2010	\$ 14,039,050	\$ (12,748,453)	\$ (32,382)	\$ 787,518	\$ 250,000	\$ 177,417	\$ 2,473,150
Balance - January 1, 2011	\$ 18,250,138	\$ (16,043,952)	\$ (56,053)	\$ 2,339,072	\$ 2,838,467	\$ 177,417	7,505,089
Net Loss	-	(1,674,338)	-	-	-	-	(1,674,338)
Other comprehensive income/(loss)	-	-	(104,292)	-	-	-	(104,292)
Share Capital Issued	13,415	-	-	225,787	-	-	239,202
Balance - March 31, 2011	\$ 18,263,553	\$ (17,718,290)	\$ (160,345)	\$ 2,564,859	\$ 2,838,467	\$ 177,417	\$ 5,965,661

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

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Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

	Three months ended March 31,	
	2011	2010
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Net loss	\$ (1,674,338)	\$ (66,741)
Items not affecting cash		
Debt forgiveness gain	-	(1,685,476)
Future income taxes	-	208,754
Depreciation	34,209	26,409
Unrealized foreign exchange gain	(88,169)	(31,028)
Minimal presumed income tax receivable	(39,904)	(62,225)
V.A. tax	(77,567)	(17,189)
Share based compensation	239,202	340,743
Net change in non-cash working capital		
Decrease (increase) in accounts receivable	11,053	(7,718)
Increase in prepaid expenses and deposits	(143,213)	(44,243)
Increase (decrease) in accounts payable and accrued liabilities	173,822	(1,239,588)
Decrease in taxes payable	73,896	369,626
Increase in accrued interest on shareholder loan	(10,240)	8,754
Net cash used in operating activities	<u>(1,501,249)</u>	<u>(2,199,922)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Acquisition of property and equipment	(146,805)	(7,607)
Net cash used in investing activities	<u>(146,805)</u>	<u>(7,607)</u>
<i>CASH FLOWS FROM FINANCING ACTIVITIES:</i>		
Proceeds from issuance of share capital, net of share issue costs	-	35,287
Proceeds from (repayments of) shareholder loan	(103,021)	310,846
Net cash from (used in) financing activities	<u>(103,021)</u>	<u>346,133</u>
<i>NET INCREASE IN CASH AND EQUIVALENTS</i>	\$ (1,751,075)	\$ (1,861,396)
<i>CASH AND EQUIVALENTS, BEGINNING OF PERIOD</i>	<u>6,361,897</u>	<u>3,165,966</u>
<i>CASH AND EQUIVALENTS, END OF PERIOD</i>	<u>\$ 4,610,822</u>	<u>\$ 1,304,570</u>
Cash and cash equivalents consist of:		
Cash	1,110,822	1,304,570
Cash equivalents	3,500,000	-
	<u>4,610,822</u>	<u>1,304,570</u>
<i>SUPPLEMENTAL CASH FLOW INFORMATION</i>		
Taxes paid	42,427	4,511

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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1. Nature of Business

Hunt Mining Corp., previously Sinomar Capital Corporation (the “Company”), is a mineral exploration company incorporated on January 10, 2006 under the laws of Alberta, Canada and, together with its subsidiaries, is engaged in the exploration of mineral properties in Santa Cruz Province, Argentina. Prior to December 23, 2009 the Company was a Capital Pool Company within the meaning ascribed by Policy 2.4 of the TSX Venture Exchange. On that date the Company completed its Qualifying Transaction, the acquisition of all of the issued and outstanding shares of Cerro Cazador S.A. (“CCSA”), an Argentine minerals exploration company, in a reverse takeover transaction (“RTO”).

Subsequent to the RTO, the Company changed its name to Hunt Mining Corp.

The Company’s registered office is located at 1900, 736 – 6th Avenue SW, Calgary, Alberta T2P 3T7.

The consolidated financial statements include the accounts of the following subsidiaries after elimination of intercompany transactions and balances:

Corporation	Incorporation	Percentage ownership
CCSA	Argentina	100%
Hunt Gold USA LLC	Washington, USA	100%
1494716 Alberta Ltd.	Alberta	100%

As of March 31, 2011, the Company is in the process of exploring mineral properties in Argentina. 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 is entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Mineral property interests represent acquisition costs incurred to date, less amounts amortized and/or written-off and do not necessarily represent present or future values.

2. Basis of presentation and adoption of IFRS

In 2010, the CICA Handbook was revised to incorporate the *International Financial Reporting Standards* (“IFRS”), as published by the *International Accounting Standards Board* (“IASB”), and require publically accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed interim consolidated financial statements. In the condensed interim consolidated financial statements, the term “Canadian GAAP” refers to Canadian GAAP before adoption of IFRS.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Standard 1, *First-time Adoption of International Financial Reporting Standards*.

Subject to certain transition elections disclosed in note 16, the Company has consistently applied the same accounting policies in its opening IFRS condensed interim consolidated statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 16 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial

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performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued as of June 29, 2011, the date the Board of Directors approved the condensed interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2010 could result in restatement of these condensed interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010. Note 16 discloses IFRS information for the year ended December 31, 2010, which have not been provided in the 2010 annual consolidated financial statements and is useful in understanding these condensed interim consolidated financial statements.

Going concern

These condensed interim consolidated financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying condensed interim consolidated financial statements, the Company has had no revenues and has incurred an accumulated loss of \$17,718,290 through March 31, 2011.

These factors raise doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, the ability to obtain necessary financing to complete development and fund operations and future production or proceeds from their disposition. Management is actively targeting sources of additional financing and while the Company has been successful in raising funds in the past, there can be no assurance that it will be able to do so in the future.

The condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

3. Significant Accounting Policies

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

(a) Basis of measurement

The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value.

(b) Consolidation

The Company's condensed interim consolidated financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions, balances and unrealized gains or losses from intercompany transactions are eliminated on consolidation.

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(c) Foreign currency translation

Monetary assets and liabilities, denominated in currencies other than the Canadian dollar are translated into Canadian dollars at the rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities are translated at the exchange rate prevailing at the transaction date. Revenues and expenses are translated at average exchange rates throughout the reporting period. Gains and losses on translation of foreign currencies are included in operations.

The Company's subsidiaries have adopted the United States Dollar as its functional currency. Financial statements are translated to their Canadian dollar equivalents using the current rate method. Under this method, the statements of operations and cash flows for each period have been translated using the average exchange rates prevailing during each period. All assets and liabilities have been translated using the exchange rate prevailing at the statement of financial position date. Translation adjustments are recorded as income or losses in other comprehensive income or loss. Transaction gains and losses resulting from fluctuations in currency exchange rates on transactions denominated in currencies other than the United States dollar are recognized as incurred in the accompanying consolidated statements of loss.

(d) Financial instruments

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

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

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

Financial assets

Fair value through profit or loss

A financial asset can be classified as fair value through profit or loss only if it is designated at fair value through profit or loss or held-for-trading. The Company's financial assets at fair value through profit or loss are held for trading financial assets.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortized cost using the effective interest method. Any gains or losses on the realization of receivables are included in profit or loss.

Impairment of financial assets

All financial assets except for those at fair value through profit or loss are subject to review for impairment at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets are impaired. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

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Financial liabilities

Fair value through profit or loss

These liabilities are comprised of derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are measured at fair value with changes in fair value included in profit or loss.

Other financial liabilities

They are measured at amortized cost using the effective interest method. Any gains or losses in the realization of other financial liabilities are included in profit or loss.

Fair values

Fair values of financial assets and liabilities are based upon quoted market prices available from active markets or are otherwise determined using a variety of valuation techniques and models using quoted market prices.

(e) Cash and equivalents

Cash and equivalents include cash on hand, deposits held with banks and other highly liquid short-term investments with original maturities of three months or less. In the normal course of business, 30% of all funds wired to CCSA from the Company and Alberta Ltd. are withheld by the Government of Argentina unless they are applied to a capital increase. These withheld amounts are deposited in non enumerated US dollar fixed terms deposits until the Government of Argentina approves the Company's formal application for release.

(f) Value added tax ("VAT")

VAT is generally charged for goods and services purchased in Argentina. The VAT paid can be recovered from VAT payable on future sales and therefore the Company recognizes VAT paid as an asset. The Company discounts its VAT receivable in order to reflect the present value of the VAT asset.

(g) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced.

Repairs and maintenance costs are charged to the consolidated statement of loss during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the property and equipment less their residual values over their estimated useful lives using the straight-line method. Equipment and vehicles are stated at cost and depreciated over an estimated useful life of three years.

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The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains or losses in the consolidated statement of loss.

Exploration and evaluation expenditures

All exploration expenditures are expensed as incurred. Expenditures to acquire mineral rights, to develop new mines, to define further mineralization in mineral properties which are in the development or operating stage, and to expand the capacity of operating mines, are capitalized and amortized on a units-of-production basis over proven and probable reserves.

Should a property be abandoned, its capitalized costs are charged to operations. The Company charges to the consolidated statement of operations the allocable portion of capitalized costs attributable to properties sold. Capitalized costs are allocated to properties sold based on the proportion of claims sold to the claims remaining within the project area.

Impairment

The carrying value of property and equipment and exploration and evaluation expenditures is reviewed for indicators at each reporting period and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs).

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Expected future cash flows for property and equipment and exploration and evaluation expenditures are based on estimates of future metal prices and foreign exchange rates, proven and probable reserves, and future operating, capital, and reclamation cost assumptions.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(h) Provisions

Provisions for environmental restoration, restructuring costs and legal claims, where applicable, are recognized when:

- (i) the Company has a present legal or constructive obligation as a result of past events;
- (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and
- (iii) the amount can be reliably estimated

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Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as accretion expense. Changes in assumptions or estimates are reflected in the period in which they occur.

Provision for environmental restoration represents the legal and constructive obligations associated with the eventual closure of the Company's property and equipment and exploration and evaluation expenditures. These obligations consist of costs associated with reclamation and monitoring of activities and the removal of tangible assets. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. At March 31, 2011 the Company has not recorded any provisions (January 1, 2010 and December 31, 2010 - \$Nil).

(i) Current and deferred income tax

Income tax expense represents the sum of current tax and deferred tax expense. Income tax is recognized in net earnings except to the extent it relates to items recognized directly in shareholders' equity, in which case the income tax expense is recognized in shareholders' equity. Current income taxes are measured at the amount, if any, expected to be recoverable from or payable to taxation authorities based on the income tax rates enacted or expected to be enacted at the end of the reporting period.

The Company follows the liability method of accounting for deferred taxes. Under this method, deferred income tax assets or liabilities are recorded to reflect differences between the accounting and tax base of assets and liabilities, and income tax loss carry forwards. Deferred taxes are measured using tax rates that are expected to apply to the period when the deferred tax asset is realized or deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The effect of any changes in tax rate is recognized in net income in the period in which the change occurs or in shareholders' equity, depending on the nature of the item(s) affected by the adjustment.

Deferred income tax assets and liabilities are not recognized for temporary differences relating to: the initial recognition of goodwill; the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit or loss or taxable profit or loss; certain differences associated with subsidiaries, branches and associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for deductible temporary differences to the extent it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient profits will be available to allow the asset to be recovered.

The Company offsets deferred tax assets and deferred tax liabilities relating to the same taxable entity. The Company may also offset deferred tax assets and deferred tax liabilities relating to different

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taxable entities, where the amounts relate to income taxes levied by the same taxation authority and the entities intended to realize the assets and settle the liabilities simultaneously.

(j) Share-based compensation

The Company offers a share option plan for its directors, officers, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Any consideration paid on exercise of share options is credited to share capital. The contributed surplus resulting from share-based compensation is transferred to share capital when the options are exercised.

(k) Revenue Recognition

Interest income is accrued at the end of accounting periods on a proportion of time basis.

(l) Earnings per share

The calculation of earnings per share ("EPS") is based on the weighted average number of shares outstanding for each period. The basic EPS is calculated by dividing the profit or loss attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The treasury stock method is used to determine the dilutive effect of the warrants and share options. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding warrants and share options.

4. Accounting standards issued but not yet applied

IFRS 9, International Financial Reporting Standard, ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive loss.

Where such equity instruments are measured at fair value through other comprehensive loss, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

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Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive loss.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10, Consolidated Financial Statements

On May 12, 2011 the IASB issued IFRS 10, *Consolidated Financial Statements* that addresses the accounting for consolidated financial statements by establishing a single control model that applies to all entities, including special purpose entities or structured entities. IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent as a single economic entity.

IFRS 10 establishes criteria for determining control which includes the ability to direct the activities of the investee that significantly affect the investee's return, exposes the controlling entity to variable returns of the investee and has power over the investee sufficient to affect returns to the investor. Control activities outlines in IFRS 10 include the ability to determine operating policies, making capital decisions, appointing key management and managing underlying investments.

The standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. IFRS 10 must be adopted in conjunction with IFRS 11 and 12. The Company has not yet assessed the impact the impact of the standard or determined whether it will adopt the standard early.

IFRS 11, Joint Arrangements

On May 12, 2011 the IASB issued IFRS 11, *Joint Arrangements* which establishes principals for financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and is effective for reporting periods after January 1, 2013. IFRS 11 describes the accounting for a "joint arrangement," defined as a contractual arrangement over which two or more parties have joint control. While IFRS 11 supersedes IAS 31, it does not broaden the scope of the standard.

Under IFRS 11 joint control is determined by the contractually agreed sharing of control of an arrangement whereby the decisions about the relevant activities require unanimous consent of the parties sharing control. Key in determining joint control include; contractual agreement among the parties, the ability to exert control over the relevant activities and the requirement for unanimous consent amongst the parties to an arrangement. Joint arrangements will be classified as either "joint operations" or "joint ventures" under IFRS 11. For joint operations the operator will continued to recognize its assets, liabilities, revenues and expenses under its control as they would have under IAS 31. In a joint venture the parties have joint control and rights to the net assets of the arrangement.

The standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. IFRS 11 must be adopted in conjunction with IFRS 10 and 12. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 12, Disclosure of Involvement with Other Entities

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On May 12, 2011 the IASB issued IFRS 12, *Disclosures of Interests in Other Entities*. IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard as previously included in IAS 27, 28 and 31 along with new disclosure standards. IFRS 12 is intended to disclose information that help users of financial statements evaluate the nature and risk associated with interest in another entity and the effect those interests have on its financial position, financial performance and cash flows.

IFRS 12 requires that management disclose significant judgments and estimates used in determining whether it has control, joint control or significant influence over another entity and the type of joint arrangement established when done through a separate vehicle.

The standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. IFRS 12 must be adopted in conjunction with IFRS 10 and 11. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 13, Fair Value Measurements

On May 12, 2011 the IASB issued guidance on the fair value measurement disclosure requirements for IFRS. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

There is no transition date for IFRS 13 as the standard is not yet effective. The Company has not yet assessed the potential impact of the standard.

5. Critical accounting estimates and judgments

The preparation of the interim consolidated financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

The more significant areas requiring the use of management estimates and assumptions relate to environmental rehabilitation obligations; income and mining taxes; share-based compensation and the fair value and accounting treatment of financial instruments. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Company is also exposed to legal risk. The outcome of currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partly, under insurance policies and that could significantly influence the business and results of operations.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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6. Property and Equipment

The following is a summary of property, equipment and accumulated depreciation at March 31, 2011, December 31, 2010 and January 1, 2010.

	March 31, 2011			December 31, 2010			January 1, 2010		
	Cost	Accumulated Amortization	Net book value	Cost	Accumulated Amortization	Net book value	Cost	Accumulated Amortization	Net book value
Land	\$538,186	-	\$538,186	\$562,316	-	\$562,316	\$614,313	-	\$614,313
Vehicles and equipment	450,900	(244,521)	206,379	295,177	(225,493)	69,684	235,781	(145,340)	90,441
	\$989,086	(\$244,521)	\$744,565	\$857,493	(\$225,493)	\$632,000	\$850,094	(\$145,340)	\$704,754

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7. Share Capital**a) Authorized:**

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

Issued:**Common Shares**

	March 31, 2011		December 31, 2010	
	Number	Amount	Number	Amount
Balance, beginning of year/period	73,167,565	18,250,138	44,612,040	13,989,654
Short form prospectus closed on 11/30/2010	-	-	28,420,900	8,526,270
Share issue costs and filing statement fees	-	-	-	(1,487,811)
Portion of units attributable to warrants issued on 11/30/2010	-	-	-	(2,838,467)
Exercise of agent's options	-	-	134,625	60,492
Exercise of broker compensation warrants	30,000	13,415	-	-
Balance, end of period	73,197,565	18,263,553	73,167,565	18,250,138

Preferred Shares

	March 31, 2011		December 31, 2010	
	Number	Amount	Number	Amount
Balance, beginning of year/period	20,881,493	177,417	20,881,493	177,417
	-	-	-	-
Balance, end of period	20,881,493	177,417	20,881,493	177,417

Warrants

	March 31, 2011		December 31, 2010	
	Number	Amount	Number	Amount
Balance, beginning of year/period	14,210,450	2,838,467	2,500,000	250,000
Portion of units attributable to warrants issued on 11/30/2010	-	-	14,210,450	2,838,467
Expiry of warrants issued in 2009	-	-	(2,500,000)	(250,000)
Balance, end of period	14,210,450	2,838,467	14,210,450	2,838,467

Common share issuances

During the three month period ended March 31, 2011 the Company issued 30,000 shares pursuant to the cashless exercise of 111,821 broker compensation warrants granted in conjunction with the Company's November 2010 short form prospectus offering. Pursuant to the issuance, the Company recorded \$13,415 in common shares to reflect the Black-Scholes valuation of the cashless exercise of broker compensation warrants.

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b) Stock options:

Under the Company's share option plan, and in accordance with TSX Venture Exchange requirements, the number of common shares reserved for issuance under the option plan shall not exceed 10% of the issued and outstanding common shares of the Company. In connection with the foregoing, the number of common shares reserved for issuance to: (a) any individual director or officer will not exceed 5% of the issued and outstanding common shares; and (b) all consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised the greater of twelve months after the completion of the Qualifying Transaction and ninety days following cessation of the optionee's position with the Company.

	Range of exercise prices	Number outstanding	Weighted average life (years)	Weighted average exercise price	Number exercisable on March 31, 2011
Stock options	\$0.30 - \$0.65	6,097,470	4.02	\$0.35	3,451,419
Agent's options	\$0.30	666,663	1.73	\$0.30	666,663
		<u>6,764,133</u>	<u>3.67</u>	<u>\$0.34</u>	<u>4,118,082</u>

	Three months ended March 31, 2011		Three months ended March 31, 2010	
	Number of options	Weighted Average Price	Number of options	Weighted Average Price
Balance, beginning of period/year	5,999,398	\$0.32	4,651,013	\$0.30
Granted to officers and directors	764,735	\$0.33	600,000	\$0.65
Exercise of agent's options			(87,625)	\$0.30
Balance, end of period	<u>6,764,133</u>	<u>\$0.32</u>	<u>5,163,388</u>	<u>\$0.34</u>

On January 10, 2011 the Company granted 300,000 stock options to an investor relations consultant of the Company in accordance with the Company's stock option plan. The options are exercisable at a price of \$0.35 for a period of five years. These options will vest over a twelve month period, beginning April 10, 2011. The associated stock options expense of \$37,746 was calculated using the fair value method using the Black-Scholes option pricing model and using the following assumptions:

	<u>January 10, 2011</u>
Risk free interest rate	2.24%
Expected volatility	115.74%
Expected life (years)	5
Expected dividend yield	0%
Forfeiture rate	1.59%

On January 27, 2011 the Company granted 464,735 stock options to two directors of the Company in accordance with the Company's stock option plan. The options are exercisable at a price of \$0.31 for a period of five years. Of these options a total of 116,183 vested immediately with the remainder vesting over an eighteen month period. The associated stock options expense of \$47,267 was calculated using the fair value method using the Black-Scholes option pricing model and using the following assumptions:

	<u>January 27, 2011</u>
Risk free interest rate	2.25%
Expected volatility	115.51%
Expected life (years)	5

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Expected dividend yield	0%
Forfeiture rate	1.59%

On January 18, 2010 the Company granted 600,000 stock options to two directors of the Company in accordance with the Company's stock option plan. The options are exercisable at a price of \$0.65 for a period of five years. Of these options a total of 150,000 vested immediately with the remainder vesting over an eighteen month period. The associated stock options expense of \$309,900 was calculated using the fair value method using the Black-Scholes option pricing model and using the following assumptions:

	<u>January 18, 2010</u>
Risk free interest rate	0.18%
Expected volatility	113%
Expected life (years)	5
Expected dividend yield	0%
Forfeiture rate	0%

c) Escrowed shares

As required by Exchange Policy, all 1,510,300 of the Company's seed capital shares are subject to a timed release escrow agreement dated April 24, 2008. This escrow agreement provides for the release of 10% of the escrowed shares on December 31, 2009 and 15% of the remaining escrowed shares every six months thereafter. In addition, all of the common shares and convertible preferred shares issued pursuant to the Company's qualifying transaction are subject to a TSX Venture Exchange Tier Two surplus escrow agreement allowing for the release of 5% of the shares on December 31, 2009, 5% on June 30, 2010, 10% on each of December 31, 2010 and June 30, 2011, 15% on each of December 31, 2011 and June 30, 2012 and 40% on December 31, 2012. If the Company subsequently meets the Tier 1 Minimum Listing Requirements of the TSX Venture Exchange, the release of these escrowed shares will be accelerated whereby such escrowed shares will be released from escrow as to 10% thereof effective as of December 31, 2009, 20% on June 30, 2010, 30% on December 31, 2010 and 40% on June 30, 2011. As of March 31, 2011, 906,180 shares (December 31, 2010 – 906,180 shares) are outstanding in escrow.

8. Contributed Surplus

	<u>March 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Opening balance	\$ 2,339,072	\$ 460,882
Share based compensation	239,201	1,010,782
Broker compensation warrant exercise	(13,415)	-
Option exercise	-	(20,105)
Fair value of agent's options	-	637,513
Warrant expiration	-	250,000
	<u>\$ 2,564,859</u>	<u>\$ 2,339,072</u>

9. Related Party Transactions

During the three month period ended March 31, 2011 the Company paid US\$21,770 (three months ended March 31, 2010 - \$65,359) to HuntMountain Resources Ltd. ("HuntMountain"), an entity controlled by the Company's Executive Chairman, for the rental of office space.

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During the three months ended March 31, 2011 the Company included \$32,633 (three months ended March 31, 2010 – \$42,775) in professional fees expense relating to the services of the President of CCSA. Included in accounts payable and accrued liabilities as at March 31, 2011 was \$12,242 owing to the President of CCSA for professional geological fees (March 31, 2010 - \$13,730).

At March 31, 2011 the Company had a payable owing to the President of CCSA in the amount of \$713 (March 31, 2010 - \$3,435) relating to expenses incurred on behalf of the Company during the three months ended March 31, 2011.

During the three months ended March 31, 2011 the Company included \$6,675 (three months ended March 31, 2010 – \$10,666) in general and administrative expenses relating to rent paid for office space to the President of CCSA. At March 31, 2011 the Company had a payable owing to the President of CCSA for office rent of \$Nil (March 31, 2010 – \$2,442).

During the three months ended March 31, 2011 the Company included \$28,619 (three months ended March 31, 2010 - \$16,746) in professional fees expense relating to the accounting services of a director of CCSA. At March 31, 2011 the Company had a payable owing to a director of CCSA for accounting services of \$10,119 (March 31, 2010 - \$5,403).

In conjunction with the Qualifying Transaction, the Company advanced \$200,000 to HuntMountain, CCSA's former parent corporation, as a refundable deposit. The deposit was not applied to the consideration of the Qualifying Transaction and therefore is reflected in prepaid expenses and deposits on the Company's consolidated statement of financial position at March 31, 2011 (January 1, 2010 and December 31, 2010 – \$200,000).

All related party transactions related to the normal course of business and are recorded at the exchange amount.

Remuneration of directors and key management of the Company

The remuneration awarded to directors and to senior key management, including the Executive Chairman, the Chief Executive Officer and the Chief Financial Officer, is as follows:

	Three-months ended	
	March 31, 2011	March 31, 2010
Salaries and benefits	\$108,433	\$107,393
Consulting fees	80,952	59,521
Share based remuneration	154,347	308,871
	<u>\$343,732</u>	<u>\$475,785</u>

10. Shareholder Loan

On March 3, 2010 Hunt Gold USA LLC, a wholly owned subsidiary of the Company, acquired US\$700,000 of the US\$803,000 outstanding loan payable from CCSA to HuntMountain for total consideration of US\$679,000, a 3% discount to the outstanding amount payable.

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On March 14, 2011 Hunt Gold USA LLC acquired the remaining amount of the loan owing from CCSA to HuntMountain. The outstanding principal amount of the loan was US\$103,000 and the accrued interest relating to the loan was US\$11,682. The total consideration paid to HuntMountain was 97% of the outstanding principal plus all accrued interest. The total consideration for this transaction was \$108,646.

11. Financial Instruments

The Company's financial instruments consist of cash and equivalents, accounts receivable, performance bond, accounts payable and accrued liabilities, shareholder loan, interest payable on shareholder loan and due to related parties.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and lowest priority to Level 3 inputs. The Company's interim consolidated financial statements in the form of cash and equivalents and performance bond are measured and reported as Level 1.

Fair value

The fair value of financial instruments at March 31, 2011, December 31, 2010 and January 1, 2010 is summarized as follows:

	March 31, 2011		December 31, 2010		January 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
<i>FVTPL</i>						
Cash and equivalents (Level 1)	\$4,610,822	\$4,610,822	\$6,361,897	\$6,361,897	\$3,165,966	\$3,165,966
<i>Available for sale</i>						
Performance bond (Level 1)	241,119	241,119	257,209	257,209	209,303	209,303
<i>Loans and receivables</i>						
Accounts receivable	42,890	42,890	53,943	53,943	11,648	11,648
Financial Liabilities						
<i>Other financial liabilities</i>						
Accounts payable and accrued liabilities	492,505	492,505	318,679	318,679	1,444,729	1,444,729
Shareholder loan	-	-	103,021	103,021	842,668	842,668
Interest payable on shareholder loan	-	-	10,240	10,240	3,698	3,698
Due to related parties	-	-	-	-	612,850	612,850

Financial risk management

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

i. **Currency risk**

The Company holds cash balances and incurs payables that are denominated in the Canadian Dollar, the United States Dollar and the Argentine Peso. These balances are subject to fluctuations in the exchange

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rate between the Canadian Dollar, and the United States Dollar and the Argentine Peso, resulting in currency gains or losses for the Company.

As at March 31, 2011, the following are denominated in US dollars:

Cash and equivalents	\$ 32,265
Accounts payable and accrued liabilities	53,074

As at March 31, 2011, the following are denominated in Argentine Peso:

Cash and equivalents	\$ 343,433
Performance bond	241,119
Accounts receivable	12,339
Accounts payable and accrued liabilities	305,203

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. A significant change in the currency exchange rates between the United States dollar relative to the Canadian dollar and the Argentine Peso could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2011, if the U.S. dollar strengthened or weakened by 10% relative to the Canadian dollar the impact on income and other comprehensive income due to the translation of monetary financial instruments would be as follows:

	Impact on net loss and <u>comprehensive loss</u>
U.S. Dollar Exchange rate – 10% increase	\$1,591
U.S. Dollar Exchange rate – 10% decrease	\$(1,591)

At March 31, 2011, if the Argentine Peso strengthened or weakened by 10% relative to the Canadian dollar the impact on income and other comprehensive income due to the translation of monetary financial instruments would be as follows:

	Impact on net loss and <u>comprehensive</u> <u>loss</u>
Argentine Peso Exchange rate – 10% increase	\$4,987
Argentine Peso Exchange rate – 10% decrease	\$(4,987)

ii. Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and equivalents are held through Canadian and Argentine financial institutions.

The Company maintains its cash and equivalents in multiple financial institutions. The Company maintains cash in an Argentine bank. The Argentine accounts, which had a Canadian dollar balance of \$343,433 at March 31, 2011 (December 31, 2010 - \$2,084) are considered uninsured.

There is no credit risk on accounts receivable as all amounts are considered collectible.

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iii. Liquidity risk

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

iv. Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. There is minimal price risk at the present time as the Company is not yet in the production phase.

vi. Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. In the normal course of business, the Company is not exposed to interest rate fluctuations as its interest bearing debt and due to shareholders is at a fixed rate.

12. Segmented Information

All of the Company's operations are in the mineral properties exploration industry with its principal business activity in the acquisition and exploration of mineral properties. The Company conducts its resource properties exploration activities primarily in Argentina. The location of the Company's assets by geographic area as of March 31, 2011 and December 31, 2010 is as follows:

	March 31, 2011	December 31, 2010
Canada	4,386,782	6,329,919
Argentina	2,244,095	1,734,088
United States	103,036	74,873
	<u>6,733,913</u>	<u>8,138,880</u>

13. Commitments and Contingencies

- a) On March 27, 2007, the Company signed a definitive lease purchase agreement with FK Minera S.A. to acquire a 100% interest in the Bajo Pobre gold property located in Santa Cruz Province, Argentina. The Company may earn up to a 100% equity interest in the Bajo Pobre property by making cash payments and exploration expenditures over a five-year earn-in period. The required expenditures and ownership levels upon meeting those requirements are:

Year of the Agreement	Payment to FK Minera SA	Exploration Expenditures Required	Ownership
First year - 2007	US\$50,000	US\$250,000	0%
Second year - 2008	US\$30,000	US\$250,000	0%
Third year -2009	US\$50,000	-	51%
Fourth year - 2010	US\$50,000	-	60%
Fifth year – 2011	US\$50,000	-	100%

After the fifth year, the Company is obligated to pay FK Minera S.A. the greater of a 1% net smelter royalty ("NSR") on commercial production or US\$100,000 per year. The Company has the option to

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purchase the NSR for a lump-sum payment of US\$1,000,000 less the sum of all royalty payments made to FK Minera S.A. to that point.

As of March 31, 2011, the Company has made all required payments to F.K. Minera (except the disbursements of US\$50,000 due in March of 2010); however, CCSA has not made any exploration expenditures required by the Bajo Pobr  contract. The parties to the contract have not amended the contract terms and therefore the Company's ability to retain rights to explore the Bajo Pobr  property is uncertain at this time.

- b) In March 2007, the Company was the successful bidder for the exploration and development rights to the La Josefina project from Fomicruz. On July 24, 2007 the Company entered into an agreement with Fomicruz pursuant to which the Company agreed to invest a minimum of US\$6 million in exploration and development expenditures over a four year period, including US\$1.5 million before July 2008. The agreement provides that, in the event that a positive feasibility study is completed on the La Josefina property, a joint venture company would be formed by the Company and Fomicruz. A revised schedule for exploration and development of the La Josefina project was submitted in writing to Fomicruz and was adopted on May 3, 2011, mandating that an economic feasibility study and production decision be made by the Company for the La Josefina project by the end of 2013. The Company would own 91% of the joint venture company and Fomicruz would own the remaining 9%. As of March 31, 2011, the Company has invested approximately US\$8 million in the La Josefina property. The carrying value of the performance bond at March 31, 2011 is \$241,119.
- c) On June 30, 2010 a former director and accounting consultant ("the Consultant") to the Company severed his business relationship with the Company. On August 5, 2010 the Consultant claimed that since 2006 he was actually an employee of, not a Consultant to, CCSA. On September 7, 2010 the Argentine Ministry of Labor, Employment and Social Security filed a Certificate of Notice on CCSA and the Company indicating that a representative from CCSA and the Company must appear before a mediator to address the Consultant's claims. The certificates of notice stated the value of the Consultant's claim against the Company at 500,000 pesos (US\$126,811).

On March 18, 2011 a lawsuit was filed against the Company and its subsidiaries by the Consultant. The lawsuit claimed that the Consultant was an employee of the Company, not a consultant, since 2006. The total value of the claim was US\$249,041, including wages, alleged bonus payments, interest and penalties. The consolidated financial statements therefore include a contingent liability of \$125,000 and a charge to operations for the year ended December 31, 2010 in the same amount. Management considers the lawsuit to be baseless and intends to defend the Company and its subsidiaries to the fullest extent possible.

14. Capital Disclosure

Capital management is the key to achieving the Company's growth plans, the maintenance of a strong capital base to ensure financial flexibility, and providing returns to shareholders. The Company's capital is comprised of shareholders' equity and shareholder loan, as follows:

The Company does not have covenants associated with the Company's long-term liabilities. The Company regularly reviews its on-going capital requirements to fund capital expenditures and service upcoming obligations.

Management of capital risk

March 31,

December 31,

January 1,

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	2010	2010	2010
Shareholders' equity	\$5,965,661	\$7,505,089	\$2,196,241
Shareholder loan	-	103,021	842,668
	\$5,965,661	\$7,608,110	\$3,038,909

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of 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 or acquire or dispose of assets. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments.

The Company is not subject to externally imposed capital requirements.

15. Subsequent Event

On June 14, 2011 the Company issued 25,645,000 units at \$0.45 per unit pursuant to a bought-deal private placement for gross proceeds of \$11,540,250. Each unit consisted of one common share and one half share purchase warrant exercisable at \$0.65 per warrant before June 14, 2013. In conjunction with the private placement, the Company granted broker compensation options to Macquarie Capital Markets Canada Ltd to acquire 1,795,150 broker compensation units. Each broker compensation unit will consist of one common share and one half of one common share purchase warrant exercisable at \$0.45 prior to June 14, 2013.

16. Transition to IFRS

The Company adopted IFRS effective January 1, 2010 ("the transition date") and has prepared its opening statement of financial position in accordance with International Financial Reporting Standards.

The date of the first annual financial statements in compliance with IFRS will be for the year ending December 31, 2011.

IFRS 1 'First-time adoption of International Financial Reporting Standards' ("IFRS 1"), which governs the first time adoption of IFRS requires that the same policies are applied for all periods presented and that these policies are based on IFRS effective at the end of the first IFRS reporting year, December 31, 2011. The Company will therefore prepare its opening statement of financial position by applying existing IFRS at December 31, 2011 or earlier. Accordingly, it is possible that the opening statement of financial position and consolidated financial statements for December 31, 2011 may differ from the information presented in these unaudited condensed interim financial statements.

The IFRS accounting policies as presented in Note 2 have been applied in preparing the condensed interim consolidated financial statements for the period ended March 31, 2011, the comparative information and the opening statement of financial position at the date of transition.

(a) *Elected exemptions from full retrospective application*

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IFRS 1 requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's transition date of January 1, 2010, and allows certain exemptions on the transition to IFRS. The optional exemptions applied are as follows:

(i) Business combinations

Under IFRS 1, the Company can elect to not restate in accordance with IFRS 3 *Business Combinations*, all business combinations that occurred prior to the transition date or to only restate all business combinations that occurred after a designated date prior to the transition date. The Company has applied this exemption to all business combinations that occurred prior to January 1, 2010.

(ii) Share-based payment transactions

IFRS 1 encourages, but does not require a first time adopter to apply IFRS 2 *Share-based Payment* ("IFRS 2") to equity instruments that were granted on or before November 7, 2002, or were granted after November 7, 2002 but vested before the Company's IFRS transition date. Accordingly, an entity may elect not to retrospectively apply IFRS 2 to these equity instruments.

The Company has elected this exemption and as a result, has applied IFRS 2 retrospectively only for share-based payments that were granted after November 7, 2002, and had not vested at the date of transition.

(iii) Cumulative translation differences

IFRS 1 allows cumulative translation differences for all foreign operations to be reset to zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising prior to the date of transition to IFRS. The Company has elected this exemption and accordingly, has reset all cumulative translation differences to zero on transition to IFRS.

(iv) Borrowing costs

IFRS 1 permits an entity to apply the transitional provisions of IAS 23 - *Borrowing Costs* as an alternative to full retrospective application. Under these provisions, the Company may elect to only apply IAS 23 to qualifying assets for which the commencement date for capitalization is on or after the date of transition (or an elected earlier date).

The Company has elected to apply this exemption from its transition date of January 1, 2010, and as a result, will apply IAS 23 from this date onwards for projects with a commencement date of January 1, 2010 or later.

(b) Mandatory exceptions to retrospective application

IFRS 1 outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening consolidated statement of financial position dated January 1, 2010:

(i) Estimates

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Hindsight was not used to create or revise estimates and accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

(c) Reconciliations from Canadian generally accepted accounting principles ("GAAP") to IFRS

The Company's transition from Canadian GAAP to IFRS has resulted in a number of adjustments to its consolidated statement of loss, consolidated statement of comprehensive loss, consolidated statement of financial position and consolidated statement of cash flows for the quarter ended March 31, 2010, the year ended December 31, 2010 and to the consolidated statement of financial position for January 1, 2010. Further details of the adjustments are provided in the following reconciliations and the notes that accompany the reconciliations. The adoption of IFRS has not changed the Company's actual cash flows.

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The January 1, 2010 Canadian (CGAAP) consolidated statement of financial position has been reconciled to IFRS as follows:

	CGAAP December 31, 2009		Effect of IFRS Transition	IFRS January 1, 2010
CURRENT ASSETS:				
Cash and equivalents	\$ 3,165,966		\$ -	\$ 3,165,966
Accounts receivable	11,648		-	11,648
Prepaid expenses and deposits	200,000		-	200,000
Deferred income tax	208,754		-	208,754
Total Current Assets	3,586,368		-	3,586,368
PROPERTY AND EQUIPMENT:	854,966	(a)	(150,212)	704,754
OTHER ASSETS:				
Performance bond	209,303		-	209,303
V.A. Tax, net of discount	513,636		-	513,636
Minimal presumed income tax receivable	214,044		-	214,044
Total Other Assets:	936,983		-	936,983
TOTAL ASSETS:	\$ 5,378,317		\$ (150,212)	\$ 5,228,105
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 1,444,729		\$ -	\$ 1,444,729
Taxes payable	127,919		-	127,919
Shareholder loan	842,668		-	842,668
Interest payable on shareholder loan	3,698		-	3,698
Due to related parties	612,850		-	612,850
TOTAL LIABILITIES:	\$ 3,031,864		\$ -	\$ 3,031,864
SHAREHOLDERS' EQUITY				
Preferred shares	177,417		-	177,417
Share capital	13,989,654		-	13,989,654
Contributed surplus	453,832	(b)	7,050	460,882
Warrants	250,000		-	250,000
Deficit	(12,640,589)		(34,073)	(12,681,712)
		(a)(c)	(7,050)	
Accumulated other comprehensive income	116,139	(b)	(116,139)	-
		(c)	-	
Total Shareholders' Equity:	\$ 2,346,453		\$ (150,212)	\$ 2,196,241
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 5,378,317		\$ (150,212)	\$ 5,228,105

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The Canadian GAAP consolidated statement of financial position at March 31, 2010 has been reconciled to IFRS as follows:

	CGAAP March 31, 2010		Effect of IFRS Transition	IFRS March 31, 2010
CURRENT ASSETS:				
Cash and equivalents	\$ 1,304,571		\$ -	\$ 1,304,571
Accounts receivable	19,365		-	19,365
Prepaid expenses and deposits	244,244		-	244,244
Total Current Assets	1,568,180		-	1,568,180
PROPERTY AND EQUIPMENT:				
	836,164	(a)	(151,401)	684,763
OTHER ASSETS:				
Performance bond	209,138		-	209,138
V.A. Tax, net of discount	530,825		-	530,825
Minimal presumed income tax receivable	276,268		-	276,268
Total Other Assets:	1,016,231		-	1,016,231
TOTAL ASSETS:				
	\$ 3,420,575		\$ (151,401)	\$ 3,269,174
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 205,139		\$ -	\$ 205,139
Taxes payable	497,546		-	497,546
Shareholder loan	80,887		-	80,887
Interest payable on shareholder loan	12,452		-	12,452
TOTAL LIABILITIES:				
	\$ 796,024		\$ -	\$ 796,024
SHAREHOLDERS' EQUITY				
Preferred shares	177,417		-	177,417
Share capital	14,039,050		-	14,039,050
Contributed surplus	659,259	(b)	128,259	787,518
Warrants	250,000		-	250,000
Deficit	(12,586,121)	(a)(c)	(34,073)	(12,748,453)
		(b)	(128,259)	
Accumulated other comprehensive income	84,946	(a)(c)	(117,328)	(32,382)
Total Shareholders' Equity:	\$ 2,624,551		\$ (151,401)	\$ 2,473,150
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				
	\$ 3,420,575		\$ (151,401)	\$ 3,269,174

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Canadian GAAP consolidated statement of financial position at December 31, 2010 has been reconciled to IFRS as follows:

	CGAAP December 31, 2010		Effect of IFRS Transition	IFRS December 31, 2010
CURRENT ASSETS:				
Cash and equivalents	\$ 6,361,897		\$ -	\$ 6,361,897
Accounts receivable	53,943		-	53,943
Prepaid expenses and deposits	211,071		-	211,071
Total Current Assets	6,626,911		-	6,626,911
PROPERTY AND EQUIPMENT:				
	784,805	(a)	(152,805)	632,000
OTHER ASSETS:				
Performance bond	257,208		-	257,208
V.A. Tax, net of discount	622,761		-	622,761
Total Other Assets:	879,969		-	879,969
TOTAL ASSETS:				
	\$ 8,291,685		\$ (152,805)	\$ 8,138,880
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 318,679		\$ -	\$ 318,679
Taxes payable	76,851		-	76,851
Shareholder loan	103,021		-	103,021
Interest payable on shareholder loan	10,240		-	10,240
Total Current Liabilities:	\$ 508,791		\$ -	\$ 508,791
LONG-TERM LIABILITIES:				
Other long-term liabilities	125,000		-	125,000
TOTAL LIABILITIES:				
	\$ 633,791		\$ -	\$ 633,791
SHAREHOLDERS' EQUITY				
Preferred shares	177,417		-	177,417
Share capital	18,250,138		-	18,250,138
Contributed surplus	2,139,557	(b)	199,515	2,339,072
Warrants	2,838,467		-	2,838,467
Deficit	(15,810,364)	(a)(c)	(34,073)	(16,043,952)
		(b)	(199,515)	
Accumulated other comprehensive income	62,679	(a)(c)	(118,732)	(56,053)
Total Shareholders' Equity:	\$ 7,657,894		\$ (152,805)	\$ 7,505,089
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				
	\$ 8,291,685		\$ (152,805)	\$ 8,138,880

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Three month periods ended March 31, 2011 and 2010

The Canadian GAAP consolidated statement of loss for the three months ended March 31, 2010 has been reconciled to IFRS as follows:

	CGAAP March 31 2010	Effect of IFRS Transition	IFRS March 31 2010
<i>INCOME:</i>			
Interest income:	\$ 3,896	\$ -	\$ 3,896
<i>OPERATING EXPENSES:</i>			
Professional fees	173,953	-	173,953
Exploration expenses	155,902	-	155,902
Travel expenses	58,083	-	58,083
Administrative and office expenses	185,693	-	185,693
Payroll expenses	229,006	-	229,006
Stock based compensation	219,534	(b) 121,209	340,743
Interest expense and banking charges	20,122	-	20,122
Depreciation	26,409	-	26,409
<i>Total operating expenses</i>	<u>1,068,70</u>	<u>121,209</u>	<u>1,189,911</u>
<i>Other income/(expense):</i>			
Debt forgiveness gain	1,685,476	-	1,685,476
Gain on debt discount	21,870	-	21,870
Bank fees	(1,876)	-	(1,876)
VAT discount and accretion	(5,437)	-	(5,437)
Loss on foreign exchange	(15,395)	-	(15,395)
<i>Total other income/(expense):</i>	<u>1,684,638</u>	<u>-</u>	<u>(102,162)</u>
<i>INCOME - before income tax</i>	619,832	(121,209)	498,623
<i>Income tax expense</i>	<u>(565,364)</u>	<u>-</u>	<u>(565,364)</u>
<i>NET INCOME (LOSS) FOR THE PERIOD</i>	54,468	(121,209)	(66,741)
Weighted average shares issued and outstanding	44,648,666	44,648,666	44,648,666
<i>NET LOSS PER SHARE - BASIC AND DILUTED</i>	(\$0.00)	(\$0.00)	(\$0.00)

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Three month periods ended March 31, 2011 and 2010

The Canadian GAAP consolidated statement of loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	CGAAP December 31 2010	Effect of IFRS Transition	IFRS December 31 2010
<i>INCOME:</i>			
Interest income:	\$ 21,269	\$ -	\$ 21,269
<i>OPERATING EXPENSES:</i>			
Professional fees	954,580	-	954,580
Exploration expenses	395,011	-	395,011
Travel expenses	256,664	-	256,664
Administrative and office expenses	656,272	-	656,272
Payroll expenses	945,383	-	945,383
Stock based compensation	818,318	(b) 192,465	1,010,783
Interest expense and banking charges	66,327	-	66,327
Depreciation	113,497	-	113,497
<i>Total operating expenses</i>	<u>4,206,052</u>	<u>192,465</u>	<u>4,398,517</u>
Other income/(expense):			
Debt forgiveness gain	1,637,578	-	1,637,578
Gain on debt discount	21,870	-	21,870
Bank fees	(1,876)	-	(1,876)
VAT discount and accretion	(5,437)	-	(5,437)
Loss on foreign exchange	(15,395)	-	(15,395)
Contingent liability accrual	(125,000)	-	(125,000)
Total other income/(expense):	<u>1,542,574</u>	<u>-</u>	<u>1,542,574</u>
<i>INCOME - before income tax</i>	(2,642,209)	(192,465)	(2,834,674)
<i>Income tax expense</i>	<u>(527,566)</u>	<u>-</u>	<u>(527,566)</u>
<i>NET INCOME (LOSS) FOR THE PERIOD</i>	(3,169,775)	(192,465)	(3,362,240)
Weighted average shares issued and outstanding	47,172,054	47,172,054	47,172,054
<i>NET LOSS PER SHARE - BASIC AND DILUTED</i>	(\$0.07)	(\$0.00)	(\$0.07)

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The Canadian GAAP consolidated statement of cash flows for the three months ended March 31, 2010 has been reconciled to IFRS as follows:

	CGAAP March 31, 2010	Effect of IFRS Transition	IFRS March 31, 2010
<i>CASH FLOWS FROM OPERATING</i>			
Net loss	\$ 54,468	(121,209)	\$ (66,741)
Items not affecting cash			
Debt forgiveness gain	(1,685,476)	-	(1,685,476)
Future income taxes	208,754	-	208,754
Depreciation	26,409	-	26,409
Unrealized foreign	(31,028)	-	(31,028)
Minimal presumed income	(62,225)	-	(62,225)
V.A. tax	(17,189)	-	(17,189)
Stock based compensation	219,534	(b) 121,209	340,743
			-
Net change in non-cash working	(913,169)	-	(913,169)
Net cash	(2,199,922)	-	(2,199,922)
<i>CASH FLOWS FROM INVESTING</i>			
Acquisition of property and equipment	(7,607)	-	(7,607)
Net cash	(7,607)	-	(7,607)
<i>CASH FLOWS FROM FINANCING</i>			
Proceeds from issuance of share capital, net of share issue costs	35,287	-	35,287
Proceeds from (repayments to) shareholder loan	310,846	-	310,846
Net cash	346,133	-	346,133
<i>NET INCREASE IN CASH AND</i>	\$ (1,861,396)	\$ -	\$ (1,861,396)
<i>CASH AND EQUIVALENTS,</i>	3,165,966		3,165,966
<i>CASH AND EQUIVALENTS, END OF</i>	\$ 1,304,570	\$ -	\$ 1,304,570
Cash and cash equivalents			
Cash	1,304,570		1,304,570
Cash equivalents	-		-
	1,304,570	-	1,304,570
<i>SUPPLEMENTAL CASH FLOW</i>			
Taxes paid	4,511		4,511

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The Canadian GAAP consolidated statement of cash flows for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	CGAAP December 31, 2010	Effect of IFRS Transition	IFRS December 31, 2010
CASH FLOWS FROM OPERATING			
Net loss	\$ (3,169,775)	(192,465)	\$ (3,362,240)
Items not affecting cash			
Debt forgiveness gain	(1,637,578)	-	(1,637,578)
Future income taxes	208,754	-	208,754
Contingent liability	125,000	-	125,000
Depreciation	113,497	-	113,497
Unrealized foreign	(101,366)	-	(101,366)
Minimal presumed income	214,044	-	214,044
V.A. tax	(109,125)	-	(109,125)
Stock based compensation	818,318	(b) 192,465	1,010,783
Net change in non-cash working	(199,214)	-	(199,214)
Net cash	<u>(3,737,445)</u>	<u>-</u>	<u>(3,737,445)</u>
CASH FLOWS FROM INVESTING			
Acquisition of property and equipment	(43,335)	-	(43,335)
Net cash	<u>(43,335)</u>	<u>-</u>	<u>(43,335)</u>
CASH FLOWS FROM FINANCING			
Proceeds from issuance of share capital, net share issue costs	7,716,358	-	7,716,358
Proceeds from (repayments to) shareholder loan	(739,647)	-	(739,647)
Net cash	<u>6,976,711</u>	<u>-</u>	<u>6,976,711</u>
NET INCREASE IN CASH AND	\$ 3,195,931	\$ -	\$ 3,195,931
CASH AND EQUIVALENTS,	<u>3,165,966</u>		<u>3,165,966</u>
CASH AND EQUIVALENTS, END OF	<u>\$ 6,361,897</u>	<u>\$ -</u>	<u>\$ 6,361,897</u>
Cash and cash equivalents			
Cash	896,897		896,897
Cash equivalents	5,465,000		5,465,000
	<u>6,361,897</u>	<u>-</u>	<u>6,361,897</u>
SUPPLEMENTAL CASH FLOW			
Taxes paid	5,500		5,500

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Notes to IFRS reconciliations presented above:

(a) Foreign currency translation

IFRS does not have the concept of group functional currency and requires a separate functional currency assessment for each entity within the consolidated group. The Company's subsidiaries have adopted the United States Dollar as its functional currency. Financial statements are translated to their Canadian dollar equivalents using the current rate method. Under this method, the statements of operations and cash flows for each period have been translated using the average exchange rates prevailing during each period. All assets and liabilities have been translated using the exchange rate prevailing at the statement of financial position date. Translation adjustments are recorded as income or losses in other comprehensive income or loss. Transaction gains and losses resulting from fluctuations in currency exchange rates on transactions denominated in currencies other than the United States dollar are recognized as incurred in the accompanying consolidated statements of loss.

Under IFRS, the Company consolidates assets and liabilities for each consolidated statement of financial position presented at the closing rate at the date of the statement of financial position. Under Canadian GAAP the Company translated property and equipment at the historical rate on the date of transaction.

The results of the differences between IFRS and Canadian GAAP are reflected in the statements above.

(b) Share-based payments

Under Canadian GAAP, the Company recognized each share-based payment award as a single pool with a fair value based on the specified vesting period for the overall arrangement. Under IFRS, the fair value of each tranche of a share-based payment award is considered a separate grant based on the vesting period with the fair value of each tranche determined separately and recognized as compensation expense over the term of its respective vesting period. In addition, IFRS requires that forfeitures be estimated in advance, whereas a policy choice existed under Canadian GAAP.

The results of the differences between IFRS and Canadian GAAP are reflected in the statements above.

(c) Cumulative translation differences

IFRS 1 allows cumulative translation differences for all foreign operations to be reset to zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising prior to the date of transition to IFRS. The Company has elected this exemption and accordingly, has reset all cumulative translation differences to zero on transition to IFRS.

The results of the differences between IFRS and Canadian GAAP are reflected in the statements above.