HUNT MINING CORP

Unaudited Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the three and six month periods ended June 30, 2013 and 2012

(Expressed in Canadian Dollars)

1. Nature of Business

Hunt Mining Corp. (the "Company" or "Hunt"), 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.

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

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

Corporation	Incorporation	Percentage ownership	Business Purpose
Cerro Cazador S.A.	Argentina	100%	Holder of Assets and Exploration Company
1494716 Alberta Ltd.	Alberta	100%	Nominee Shareholder
Hunt Gold USA LLC	Washington, USA	100%	Management Company

The Company's primary activity is the exploration of 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 or a sale of these properties. There are no significant restrictions on the Company's or its subsidiaries ability to access or use the assets, and settle the liabilities, of the Company.

2. Basis of presentation

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34 – Interim Financial Reporting Standards as issued by the IASB.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Company's functional and presentation currency is the Canadian Dollar.

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Judgments made by management in the application of IFRS that have a significant effect on the condensed interim consolidated financial statements and estimates with significant risk of material adjustment in the current and following years are discussed in Note 6 of the Company's audited consolidated financial statements for the year ended December 31, 2012.

These condensed interim consolidated financial statements were authorized for issue on August 28, 2013 by the Board of Directors of the Company.

3. Going Concern

The accompanying condensed interim consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. The Company is an exploration stage company and has incurred significant losses since its inception. As shown in these condensed interim consolidated financial statements, the Company has had minimal revenues and has incurred an accumulated loss of $29,407,888 through June 30, 2013 (December 31, 2012 - $28,496,195). However, the Company believes it has sufficient cash at June 30, 2013 to fund operations for the next 12 months.

The Company's ability 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. Additionally, the current capital markets and the deteriorating commodity markets worldwide provide no assurance that the Company's funding initiatives will continue to be successful. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The condensed interim consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. If the going concern basis was not appropriate for these condensed interim consolidated financial statements, adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used.

4. Significant Accounting Policies

These condensed interim consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2012 annual audited consolidated financial statements except as disclosed in Note 5. These condensed interim consolidated financial statements do not include all the information required for full set of annual audited financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year end December 31, 2012.

5. Standards and amendments to existing standards effective January 1, 2013

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual audited consolidated financial statements for the year ended December 31, 2012, except for the adoption of new International Financial Reporting Standards ("IFRSs") and interpretations as of January 1, 2013, noted below:

i) Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Company has applied the amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income in the current period. The amendments introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

ii) Application of new and revised IFRSs on consolidation, joint arrangements, associates and disclosures

The Company has applied the requirements of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities and IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine in the current period.

The impact of the application of these standards is set out below.

<u>Impact of the application of IFRS 10</u>
IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The application of IFRS 10 has no impact on the Company's interim condensed consolidated financial statements as the adoption did not result in a change in the consolidation status of any of the Company's subsidiaries.

<u>Impact of the application of IFRS 11</u>
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. The application of IFRS 11 has no impact on the interim condensed consolidated financial statements as the Company has no interests in joint arrangements.

<u>Impact of the application of IFRS 12</u>
IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in additional disclosures in the Company's interim condensed consolidated financial statements.

<u>Impact of the application of IFRIC 20</u>
IFRIC 20 sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. The application of IFRIC 20 has no impact on the interim condensed consolidated financial statements as the Company is not yet in production.

iii) Application of IFRS 13 Fair Value Measurement

The Company has applied the requirements of IFRS 13 Fair Value Measurement in the current period. IFRS 13 improves consistency and reduces 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 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 IFRS. In general, the application of IFRS 13 has resulted in additional disclosures in the Company's interim condensed consolidated financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Company.

Recent accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 9, Financial Instruments was issued in November 2009 as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2015, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company is currently assessing the impact of this standard on the consolidated financial statements.

6. Critical accounting judgments and estimates

There have been no material revisions to the nature of the judgments and estimates disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2012.

7. Cash and Equivalents

Cash and equivalents are comprised of the following:

Short-term investments consist of a $3,000,000 (December 31, 2012 - $4,000,000) term deposit with an annual interest rate of 1.10% (December 31, 2012 – 1.10%) issued on June 4, 2013 and a maturity date of September 3, 2013.

8. Property and Equipment

The majority of the Company's assets are located in Argentina. The Company owns a 130,000-acre ranch called the La Josefina Estancia, on which the Company's La Josefina project is located.

The Company also owns small mobile housing units, trucks and additional mechanical equipment to support exploration activities on the Company's projects, all located in Argentina.

9. Share Capital

a) Authorized:

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Issued:

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.

On April 23, 2013, the Company granted 400,000 stock options to certain directors, officers and employees of the Company in accordance with the Company's stock option plan. The options are exercisable at a price of $0.10 for a period of five years. Of these options, 200,000 will vest on April 23, 2014 with the remainder vesting on April 23, 2015. The associated fair value of the stock options of $13,002 was calculated using the Black-Scholes option pricing model and using the following assumptions:

(Expressed in Canadian Dollars)

	April 23, 2013
Risk free interest rate	1.13%
Expected volatility	143.19%
Expected life (years)	5
Expected dividend yield	0%
Forfeiture rate	2.80%

c) Warrants:

10. Contributed Surplus

Balance, beginning of period	$ 3,491,659
Expiry of warrants	3,331,620
Share based compensation	1,875
Balance, end of period	$ 6,825,154

11. Performance bond

The performance bond, originally required to secure the Company's rights to explore the La Josefina property, is a step-up US dollar denominated coupon bond issued by the Government of Argentina with a face value of US$600,000 and a maturity date of 2035. The bond trades in the secondary market in Argentina. The bond was originally purchased for $292,877 (US$247,487). As of the six months ended June 30, 2013, the value of the bond increased to $329,759 (US$313,608). The changes in the face value of the performance bond of $44,418 for the six months ended June 30, 2013 (June 30, 2012 - $31,013) are recorded as income in other comprehensive loss in the Company's condensed interim consolidated statement of loss and other comprehensive loss.

Since Cerro Cazador SA ("CCSA") fulfilled its exploration expenditure requirement mandated by the agreement with Fomento Minero de Santa Cruz Sociedad del Estado ("Fomicruz"), the performance bond was no longer required to secure the La Josefina project. Therefore, in June 2010 the Company used the bond to secure the La Valenciana project, an additional Fomicruz exploration project.

12. Value added tax receivable ("VAT")

The Company's VAT receivable as of June 30, 2013 was $763,718 (December 31, 2012- $682,074). These amounts reflect the VAT receivable accrued due to the payment of VAT on certain transactions in Argentina.

(Expressed in Canadian Dollars)

The Company expects reimbursement on the VAT once the exports of minerals have commenced, the Company has estimated that if successful in finding an economic mineral deposit, production will begin in 2019. The asset is reported at net present value based upon the Company's estimate of when it will have future revenues. The Company used an expected production date of December 31, 2019, and a discount rate of 18.6% based upon the average Argentine interest rates and has recorded, as other expense, an adjustment in the present value of the VAT receivable. The net change of the VAT receivable for the six months ended June 30, 2013 was $81,644 (six months ended June 30, 2012 – $129,652).

Balance at December 31, 2012	**$ 682,074**
Additions	118,650
Present Value Adjustment	(37,006)
Balance at June 30, 2013	**$ 763,718**

13. Related Party Transactions

During the three months ended June 30, 2013, the Company paid $Nil (June 30, 2012 - $28,007) to HuntMountain Resources Ltd. ("HuntMountain"), an entity controlled by the Company's Executive Chairman, for the rental of office space. During the six months ended June 30, 2013, the Company paid $Nil (June 30, 2012 - $50,308) to HuntMountain Resources Ltd. ("HuntMountain"), an entity controlled by the Company's Executive Chairman, for the rental of office space.

During the three months ended June 30, 2013, the Company incurred $32,225 (June 30, 2012 – $58,189) in professional fees expense relating to the services of the President of CCSA. During the six months ended June 30, 2013, the Company incurred $65,434 (June 30, 2012 – $103,034) in professional fees expense relating to the services of the President of CCSA. Included in accounts payable and accrued liabilities as at June 30, 2013 was $13,679 (December 31, 2012 - $14,999) owing to the President of CCSA for professional geological fees. Included in prepaid expenses as at June 30, 2013, the Company had a receivable due from the President of CCSA for $452 (December 31, 2012 - $45) for cash advanced for field expenses.

During the three months ended June 30, 2013, the Company incurred $7,042 (June 30, 2012 – $9,175) in general and administrative expenses relating to rent paid for office space to the President of CCSA. During the six months ended June 30, 2013, the Company incurred $13,911 (June 30, 2012 – $16,122) in general and administrative expenses relating to rent paid for office space to the President of CCSA. Included in accounts payable and accrued liabilities as at June 30, 2013 was $Nil (December 31, 2012 – $2,754) owing to the President of CCSA relating to rent paid for office space.

During the three months ended June 30, 2013, the Company incurred $15,664 (June 30, 2012 - $16,436) in professional fees expense relating to the accounting services of a director of CCSA. During the six months ended June 30, 2013, the Company incurred $30,186 (June 30, 2012 - $28,573) in professional fees expense relating to the accounting services of a director of CCSA. Included in accounts payable and accrued liabilities as at June 30, 2013, the Company had a payable owing to the director of CCSA of $6,150 (December 31, 2012 – $6,098). Included in prepaid expenses as at June 30, 2013, the Company had a receivable due from the director of CCSA of $35 (December 31, 2012 - $196) for cash advanced for miscellaneous expenses.

In conjunction with the Company's Qualifying Transaction, on December 23, 2009, the Company advanced $200,000 to HuntMountain, CCSA's former parent corporation, as a refundable deposit. As at the period ended June 30, 2013, the balance owed by HuntMountain to the Company was $114,408 (December 31, 2012 - $114,408). The Company has contacted HuntMountain's management and has confirmed that a payment will be received by December 31, 2013, with the balance collected by December 31, 2014.

All related party transactions are in the normal course of business.

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, the Chief Financial Officer and the President of CCSA, is as follows:

14. Financial Instruments

The Company's financial instruments consist of cash and equivalents, accounts receivable, performance bond and accounts payable and accrued liabilities.

The Company characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2: inputs other than quoted prices that are observable, either directly or indirectly. Level 2 valuations are based on inputs, including quoted forward prices for commodities, market interest rates, and volatility factors, which can be observed or corroborated in the market place.

- Level 3: inputs are less observable, unavoidable or where the observable data does not support the majority of the instruments' fair value.

Fair value

As at June 30, 2013, there were no changes in the levels in comparison to December 31, 2012. The fair values of financial instruments are summarized as follows:

Cash and equivalents and performance bond are measured based on level 1 inputs of the fair value hierarchy on a recurring basis.

The carrying value of accounts receivable and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The Company assessed that there were no indicators of impairment for these financial instruments.

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

Financial risk management

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

i. Currency risk

The Company holds cash balances, incurs payables and has receivables that are denominated in the Canadian Dollar, the United States Dollar and the Argentine Peso. These balances are subject to fluctuations in the exchange 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 June 30, 2013, the following are denominated in US dollars:

Cash and equivalents	$ 4,733
Accounts payable and accrued liabilities	$ 59,965

As at June 30, 2013, the following are denominated in Argentine Peso:

Cash and equivalents	$ 60,047
Performance bond	$ 329,759
Accounts receivable	$ 38,823
Accounts payable and accrued liabilities	$ 546,858

(Expressed in Canadian Dollars)

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 June 30, 2013, if the U.S. dollar strengthened or weakened by 10% relative to the Canadian dollar the impact on loss and other comprehensive loss would be as follows:

	Impact on net loss and comprehensive loss
U.S. Dollar Exchange rate – 10% increase	$ 5,374
U.S. Dollar Exchange rate – 10% decrease	$ (5,374)

At June 30, 2013, if the Argentine Peso strengthened or weakened by 10% relative to the Canadian dollar the impact on loss and other comprehensive loss would be as follows:

	Impact on net loss and comprehensive loss
Argentine Peso Exchange rate – 10% increase	$ (53,070)
Argentine Peso Exchange rate – 10% decrease	$ 53,070

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 $60,047 at June 30, 2013 (December 31, 2012 - $675,090) are considered uninsured and may be at risk in case of the failure of the bank.

The Company maintains a cash balance in its bank account in Argentina. This balance is exposed to credit risk if the bank failed to meet its obligation to the Company. The Company controls for this risk by only keeping funds in Argentina sufficient to meet approximately two months of operating expenses.

The Company occasionally has a receivable due from its former exploration partner, it believes there to be minimal credit risk on this account receivable when it exists due to the size and significant operations of its partner as a mid-tier mining company. All receivables are current and no allowance for doubtful accounts or impairment is considered necessary.

The Company pays VAT to the Argentine government on all expenses in Argentina. This creates a VAT receivable owed by the government of Argentina. The Company's receivable at June 30, 2013 is $763,718 ($2,313,221 – undiscounted) (December 31, 2012 - $682,074 ($2,248,028 – undiscounted)). The Company believes this to be a collectible amount and it is backed in the strength and laws of the Argentine government. If for some reason the government did not pay, changed the laws, defaulted on the receivable or the Company never achieved any mineral production, the Company could lose the full value of the receivable.

The Company has an account receivable owed to it by the former parent of CCSA, HuntMountain for $114,408 (December 31, 2012 - $114,408) The Company believes this to be a collectible amount and has confirmed it is a valid receivable with HuntMountain management. If for some reason HuntMountain did not pay, the Company could lose the full value of the receivable.

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. The Company is dependent on the capital markets to raise capital by issuing equity in the Company to support operations. The current environment is prohibitive for the issuance of capital and there is no guarantee that should the Company need to raise new capital to support operations it will be able to do so on favorable terms, if at all. All of the Company's accounts payable and accrued liabilities are current and payable within one year.

iv. Price risk

The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. A dramatic decline in commodity prices could impact the viability of the Company and the carrying value of its properties. The Company is exposed to price risk with respect to commodity prices. There is minimal price risk at the present time as the Company is not yet in the production phase.

v. 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 because it has no interest bearing debt as at June 30, 2013 and invested cash is short-term in nature.

15. 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 June 30, 2013 and December 31, 2012 is as follows:

(Expressed in Canadian Dollars)

The location of the Company's net loss by geographic area as of June 30, 2013 and June 30, 2012 is as follows:

The Company generates 100% of its revenue from its former exploration partnership in Argentina. All revenue is paid in Canada and generated from service performed in Argentina.

16. Commitments and Provision

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 Pobré gold property located in Santa Cruz Province, Argentina. The Company may earn up to a 100% equity interest in the Bajo Pobré 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	PAID	US$250,000	0%
Second year – 2008	US$30,000	PAID	US$250,000	0%
Third year –2009	US$50,000	PAID	-	51%
Fourth year – 2010	US$50,000	PAID	-	60%
Fifth year – 2011	US$50,000	PAID	-	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 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 June 30, 2013, the Company has made all required payments to F.K. Minera, however CCSA has not made sufficient exploration expenditures required by the Bajo Pobré contract. The parties to the contract have not finalized an amendment to the contract terms and therefore the Company's ability to retain rights to explore the Bajo Pobré property is uncertain at this time. The Company does not believe that not making the exploration expenditures required by the FK Minera lease purchase agreement jeopardizes the Company's Bajo Pobre project.

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 Corporation ("JV Corporation") 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%.

On November 15, 2012 the Company signed an amended agreement with Fomicruz extending the exploration term by 7 years; the new agreement requires the Company to make a production decision by the end of 2019. The Company's projected production date is December 31, 2019.

The Company has agreed to make a minimum investment of US$12 million, of which it has already invested approximately US$9 million. Additionally, and subject to proof of compliance with committed investments, the Company has the option to continue exploration for a second additional term of four years, ending on June 30, 2019, requiring it to make an additional investment US$6 million, which will bring the total investments in the La Josefina Project to US$18 million.

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 condensed interim consolidated financial statements include a provision of $125,000 at June 30, 2013. Management considers the lawsuit to be without merit and intends to defend the Company and its subsidiaries to the fullest extent possible.

d) On October 31, 2011, the Company signed an agreement with the owners of the Piedra Labrada Ranch for the use and lease of facilities on the same premises as the Company's La Josefina facilities. The term is for three years beginning November 1, 2011 and ending on October 31, 2014, including annual commitments of $60,000.

e) On April 1, 2012 the Company entered into a 9 month agreement with the surface rights holder of the Piedra Grande Ranch, located in Santa Cruz province, Argentina for access and use of their property. The agreement allows for the Company to engage in exploration activity as well as use the property and the facilities to house and store the Company's equipment and personnel. The Company agreed to consideration of US$3,000 per month under this agreement. The initial term of the agreement ended on December 31, 2012, The Company was given an exclusive option to extend the agreement for 1 year, which it exercised. The agreement now ends on December 31, 2013. The Company's total obligation under this new agreement for the year ending December 31, 2013 is US$36,000.

f) On May 3, 2012, the Company entered into an exploration agreement with Eldorado Gold Corp. ("Eldorado") for the purpose of exploring the Company's exploration projects in Santa Cruz province, Argentina. The agreement classifies projects into three stages: Stage I is an early exploration project that is not ready for exploration drilling; Stage II is a project that is drill ready, or being drilled; Stage III requires that the Company and its exploration partner jointly create a new company where by the Company will retain a 25% interest in the new company and Eldorado Gold Corp., or a nominee of their choice, will be granted a 75% interest in the new company. As of June 30, 2013, the Company had two Stage II projects, Bajo Pobré and La Valenciana, and one new Stage I project, La Josefina.

(Expressed in Canadian Dollars)

On May 24, 2013, the Company received one-time payments of $200,000 for its La Valenciana project and $125,000 for its La Josefina project, as well as a yearly lease payment of $125,000 for its Bajo Pobre project.

On July 10, 2013, the Company was notified by Eldorado that they were terminating the agreement. The Company is actively pursuing new exploration partners.

g) On September 1, 2012, the Company moved into new office space. The Company signed a new office lease with a three-year term, which included the first four months for free. The office lease expires on December 31, 2015 and calls for monthly payments of approximately US$2,812 in 2013; US$2,886 in 2014; and US$2,960 in 2015.

Minimal annual lease payments pursuant to the lease agreement are as follows (in US$):

2013	$ 33,744
2014	34,632
2015	35,520
	$ 103,896

h) On October 1, 2012, the Company entered into an agreement with the surface owner of the Bajo Pobré Ranch in Santa Cruz province, Argentina. As consideration for access to the Bajo Pobré property and use of the Bajo Pobré Ranch the Company agreed to pay the owner $5,000 per month over a period of 9 months ending on June 30, 2013. At the Company's sole option it can extend the agreement for an additional year, ending June 1, 2014. The Company's total commitment for 2013 under this agreement is US$30,000. The Company did not elect to extend the lease for an additional year.

i) On November 1, 2012, the Company entered into an agreement with Fomicruz for the exploration of the La Valenciana project in Santa Cruz province, Argentina. The agreement is for a total of 7 years, expiring on October 31, 2019. The 7 years is broken into 3 economic periods, at the end of each period the Company will have the option of reporting its results to Fomicruz or terminating the agreement.

The agreement with Fomicruz requires the Company to spend USD $5,000,000 in exploration on the project over 7 years. If the Company elects to exercise its option to bring the La Valenciana project into production it must grant Fomicruz a 9% ownership in a new JV Corporation to be created by the Company to manage the project. If Fomicruz elects to increase their ownership they can under the following formula up to a maximum of 49% interest.

- To purchase an additional 10% in the JV corporation, Fomicruz must reimburse the Company for 10% of the exploration expenses made by the Company during the exploration period;
- To purchase the next 10% interest in the JV corporation, Fomicruz must reimburse the Company for 20% of the exploration expenses made by the Company during the exploration period;
- To purchase a final additional 20% interest in the JV Corporation, Fomicruz must reimburse the Company for 25% of the exploration expenses made by the Company during the exploration period; bringing Fomicruz's total ownership interest in the JV Corporation to 49%.

(Expressed in Canadian Dollars)

At the Company's option it can purchase all but the 9% granted ownership interest in the JV Corporation from Fomicruz for USD $200,000 per percentage point owned. The remaining 9% can be purchased for a mutually agreed amount, to be determined by negotiation between Fomicruz and the Company.

17. 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, as follows:

Management of capital risk

	June 30, 2013	December 31, 2012
Shareholders' equity	$5,828,187	$6,639,883

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.

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.

18. Subsequent Events

On July 10, 2013 the Company received notice from Eldorado that it has elected to terminate the Exploration Agreement entered into on May 3, 2012. The Company is actively working on finding a new exploration partner for its Argentine property package. Because of the termination of the Exploration Agreement, the Company will no longer receive revenue from operator fees as well as the reimbursement of exploration expenses. As a result, the Company has reduced expenses on its Argentina properties to a minimum level for the remainder of 2013 as it re-evaluates exploration data to determine priority exploration targets.

Also on July 10, 2013, the Company was notified by Mr. Andrew Gertler that he was resigning from the Board to pursue other opportunities.