HUNT

MINING CORP

Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and nine month periods ended September 30, 2012 and 2011

## Hunt Mining Corp.

**An Exploration Stage Enterprise**

Expressed in Canadian Dollars

**Condensed Interim Consolidated Statements of Financial Position (unaudited)**

| | NOTE | September 30, 2012 | December 31, 2011 (Audited) |
|---|---|---|---|
| ***CURRENT ASSETS:*** | | | |
| Cash and equivalents | 6 | $ 4,971,575 | $ 8,840,000 |
| Accounts receivable | | 734,254 | 64,364 |
| Prepaid expenses | | 71,186 | 46,020 |
| Deposits receivable | 10 | 52,177 | 52,177 |
| Total Current Assets | | 5,829,192 | 9,002,561 |
| ***NON-CURRENT ASSETS:*** | | | |
| Property and equipment | 7 | 992,609 | 824,289 |
| Performance bond | | 260,258 | 227,596 |
| VAT receivable, net of discount | 11(ii) | 1,291,292 | 1,143,509 |
| Deposits receivable | 10 | 104,354 | 104,354 |
| Minimal presumed income tax receivable | | 310,054 | 192,479 |
| Total Non-Current Assets: | | 2,958,567 | 2,492,227 |
| **TOTAL ASSETS:** | | $ 8,787,759 | $ 11,494,788 |
| ***CURRENT LIABILITIES:*** | | | |
| Accounts payable and accrued liabilities | | $ 360,415 | $ 516,696 |
| Taxes payable | | 157,859 | 224,233 |
| Total Current Liabilities: | | 518,274 | 740,929 |
| ***NON-CURRENT LIABILITIES:*** | | | |
| Provision | 13(c) | 125,000 | 125,000 |
| Total Non-Current Liabilities: | | 125,000 | 125,000 |
| **TOTAL LIABILITIES:** | | $ 643,274 | $ 865,929 |
| **SHAREHOLDERS' EQUITY:** | | | |
| Preferred shares | 8 | $ 177,417 | $ 177,417 |
| Share capital | 8 | 25,885,064 | 25,885,064 |
| Contributed surplus | 9 | 3,491,659 | 3,159,826 |
| Warrants | 8 | 5,860,183 | 5,860,183 |
| Deficit | | (27,025,994) | (24,324,113) |
| Accumulated other comprehensive loss | | (243,844) | (129,518) |
| Total Shareholders' Equity: | | $ 8,144,485 | $ 10,628,859 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:** | | $ 8,787,759 | $ 11,494,788 |

Going Concern (Note 3)
Subsequent Event (Note 14)
Commitments and Provision (Note 13)

Approved on behalf of the Board of Directors

Signed "Tim Hunt"

Signed "Matt Hughes"

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

**Hunt Mining Corp.**

**An Exploration Stage Enterprise**

Expressed in Canadian Dollars

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)**

| | NOTE | Three months ended September 30, 2012 | Three months ended September 30, 2011 | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 |
|---|---|---|---|---|---|
| *REVENUE:* | | | | | |
| Operator's Fee | 4 | $ 41,613 | $ - | $ 85,148 | $ - |
| *OPERATING EXPENSES:* | | | | | |
| Professional fees | | 137,862 | 279,922 | 506,102 | 1,042,253 |
| Directors fees | | 28,558 | 23,934 | 92,323 | 68,003 |
| Exploration expenses | | 106,575 | 855,784 | 443,007 | 2,431,220 |
| Travel expenses | | 95,506 | 73,350 | 258,423 | 217,415 |
| Administrative and office expenses | | 227,291 | 235,553 | 740,564 | 706,963 |
| Payroll expenses | | 433,460 | 288,880 | 1,541,051 | 784,542 |
| Share based compensation | 9 | 1,284 | 16,282 | 331,833 | 400,902 |
| Interest expense and banking charges | | 12,900 | 15,381 | 38,689 | 44,381 |
| Depreciation | 7 | 65,411 | 27,543 | 153,515 | 82,907 |
| Exploration cost recovery | 4 | (488,327) | - | (1,216,402) | - |
| Total operating expenses: | | 620,520 | 1,816,629 | 2,889,105 | 5,778,586 |
| *OTHER INCOME/(EXPENSE):* | | | | | |
| Interest income | | 14,828 | 33,024 | 53,620 | 60,937 |
| Gain on debt discount | | - | - | - | 3,085 |
| Miscellaneous income | 4 | - | - | 200,000 | 420 |
| Taxes | | (8,677) | (3,585) | (28,059) | (46,881) |
| Bank fees | | - | - | - | (3,388) |
| VAT discount and accretion | | 8,855 | (67,687) | 40,127 | (234,788) |
| Gain (loss) on foreign exchange | | (32,989) | 11,134 | (144,717) | 32,479 |
| Loss on disposal of property and equipment | | (23,224) | - | (23,224) | - |
| Total other expenses: | | (41,207) | (27,114) | 97,747 | (188,136) |
| *LOSS - before income tax* | | (620,114) | (1,843,743) | (2,706,210) | (5,966,722) |
| Income tax recovery (expense) | | 3,269 | (5,132) | 4,329 | (1,598) |
| *NET LOSS FOR THE PERIOD to equity owners* | | $ (616,845) | $ (1,848,875) | $ (2,701,881) | $ (5,968,320) |
| *Other comprehensive loss:* | | | | | |
| Change in value of performance bond | | 1,648 | (1,866) | 32,662 | (30,597) |
| Translation of foreign operations into Canadian dollar presentation | | (150,788) | 32,700 | (146,988) | (101,098) |
| *TOTAL NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD:* | | $ (765,985) | $ (1,818,041) | $ (2,816,207) | $ (6,100,015) |
| Weighted average shares outstanding - basic and diluted | | 100,613,330 | 100,407,287 | 100,613,330 | 83,990,636 |
| *NET LOSS PER SHARE - BASIC AND DILUTED:* | | $ (0.01) | $ (0.02) | $ (0.03) | $ (0.07) |

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

**Hunt Mining Corp.**

**An Exploration Stage Enterprise**

Expressed in Canadian Dollars

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

| | Share Capital | Deficit | Accumulated Other Comprehensive Loss | Contributed Surplus | Warrants | Preferred Shares | Total |
|---|---|---|---|---|---|---|---|
| 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 | - | (5,968,320) | - | - | - | - | (5,968,320) |
| | | | | | | | - |
| Fair value of warrants issuable pursuant to broker compensation units | - | - | - | 807,818 | - | - | 807,818 |
| Other comprehensive income/(loss) | - | - | (131,695) | - | - | - | (131,695) |
| Share Capital Issued | 11,540,250 | - | - | - | - | - | 11,540,250 |
| Share issue costs and filing statement fees | (1,714,786) | - | - | - | - | - | (1,714,786) |
| Portion of units attributable to warrants issued | (3,331,620) | - | - | - | 3,331,620 | - | - |
| Share based compensation | - | - | - | 400,902 | - | - | 400,902 |
| Exercise of warrants | 852,929 | - | - | | (309,904) | - | 543,025 |
| Exercise of agent's options | 49,644 | - | - | (10,044) | - | - | 39,600 |
| Exercise of broker compensation warrants | 71,226 | - | - | (45,009) | - | - | 26,217 |
| Balance - September 30, 2011 | $ 25,717,781 | $ (22,012,272) | $ (187,748) | $ 3,492,739 | $ 5,860,183 | $ 177,417 | $ 13,048,100 |
| | | | | | | | |
| Balance - January 1, 2012 | $ 25,885,064 | $ (24,324,113) | $ (129,518) | $ 3,159,826 | $ 5,860,183 | $ 177,417 | $ 10,628,859 |
| Net Loss | - | (2,701,881) | - | - | - | - | (2,701,881) |
| Other comprehensive loss | - | - | (114,326) | - | - | - | (114,326) |
| Share based compensation | - | - | - | 331,833 | - | - | 331,833 |
| Balance - September 30, 2012 | $ 25,885,064 | $ (27,025,994) | $ (243,844) | $ 3,491,659 | $ 5,860,183 | $ 177,417 | $ 8,144,485 |

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

## Hunt Mining Corp.

**An Exploration Stage Enterprise**

Expressed in Canadian Dollars

**Condensed Interim Consolidated Statements of Cash Flows (unaudited)**

| | NOTE | Nine months ended September 30, 2012 | 2011 |
|---|---|---|---|
| *CASH FLOWS FROM OPERATING ACTIVITIES:* | | | |
| Net loss | | $ (2,701,881) | $ (5,968,320) |
| Items not affecting cash | | | |
| Depreciation | 7 | 153,515 | 82,907 |
| Unrealized foreign exchange loss | | (146,988) | (101,098) |
| Minimal presumed income tax receivable | | (117,575) | (118,093) |
| VAT receivable | | (147,783) | (371,024) |
| Share based compensation | 9 | 331,833 | 400,902 |
| Loss on disposal of property and equipment | | (23,224) | - |
| Net change in non-cash working capital items | | | |
| Increase in accounts receivable | | (669,890) | (734) |
| Increase in prepaid expenses | | (25,166) | (63,954) |
| Increase (decrease) in accounts payable and accrued liabilities | | (156,281) | 264,944 |
| Increase (decrease) in taxes payable | | (66,374) | 34,091 |
| Decrease in accrued interest on shareholder loan | | - | (10,240) |
| Net cash used in operating activities | | (3,569,814) | (5,850,619) |
| *CASH FLOWS FROM INVESTING ACTIVITIES:* | | | |
| Acquisition of property and equipment | 7 | (298,611) | (308,715) |
| Net cash used in investing activities | | (298,611) | (308,715) |
| *CASH FLOWS FROM FINANCING ACTIVITIES:* | | | |
| Proceeds from issuance of share capital, net of share issue costs | | - | 11,242,124 |
| Repayments of shareholder loan | | - | (103,021) |
| Net cash used in financing activities | | - | 11,139,103 |
| *NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS:* | | $ (3,868,425) | $ 4,979,769 |
| *CASH AND EQUIVALENTS, BEGINNING OF PERIOD:* | | 8,840,000 | 6,361,897 |
| *CASH AND EQUIVALENTS, END OF PERIOD:* | | $ 4,971,575 | $ 11,341,666 |
| Cash and cash equivalents consist of: | | | |
| Cash | | 971,575 | 10,341,666 |
| Term deposits (less than 90 days) | | 4,000,000 | 1,000,000 |
| | | 4,971,575 | 11,341,666 |
| ***SUPPLEMENTAL CASH FLOW INFORMATION*** | | | |
| Taxes paid | | (28,059) | (46,881) |
| Interest received | | 38,253 | 9,470 |

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

(Expressed in Canadian Dollars)

## 1. Nature of Business

Hunt Mining Corp. (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.

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 |
| Hunt Gold USA LLC | Washington, USA | 100% | Management Company |
| 1494716 Alberta Ltd. | Alberta | 100% | Nominee Shareholder |

As of September 30, 2012, 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 or a sale of these properties.

## 2. Basis of presentation

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

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 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 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, 2011.

These condensed interim consolidated financial statements were authorized for issue on November 26, 2012 by the Board of Directors of the Company.

**3. Going Concern**

These 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 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 $27,025,994 through September 30, 2012. However, the Company believes it has sufficient cash at September 30, 2012 to fund normal 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 general economic conditions in the United States and Canada provide no assurance that the Company's funding initiatives will continue to be successful. These factors raise significant 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, 2011 consolidated annual financial statements. These condensed interim consolidated financial statements do not include all the information required for full set of annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year end December 31, 2011.

*Revenue Recognition*

Revenue for the Company is derived from operator's fees and the advancement of projects from Stage I to Stage II and Stage II to Stage III, as well as ongoing lease payments once projects have advanced to Stage II or Stage III status. Operator's fees are recognized when the services are provided, when persuasive evidence of an arrangement exists, the fee is determinable, and there is reasonable assurance of collection. Operator's fees are generated when the Company operates an exploration program under a budget approved by the project partner. The Company charges the project partner a pre-determined fee based on a percentage of the total exploration expenditures incurred. As operator, the Company may recover certain direct and indirect costs, and overhead which are recognized as a cost recovery, through the consolidated statements of loss and comprehensive loss.

**5. Accounting standards issued but not yet applied**

Unless otherwise noted, the revised standards and amendments as disclosed in Note 5 of the 2011 annual consolidated financial statements are effective for annual periods beginning on or after January 1, 2013 with earlier adoption permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will adopt them early.

(Expressed in Canadian Dollars)

## 6. Cash and Equivalents

Cash and equivalents are comprised of the following:

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Cash | $ 769,934 | $ 7,489,111 |
| Cash on deposit | 201,641 | 350,889 |
| Short-term investments | 4,000,000 | 1,000,000 |
| | $ 4,971,575 | $ 8,840,000 |

Short-term investments consist of a $4,000,000 term deposit with an annual interest rate of 1.10% issued on September 5, 2012 and a maturity date of December 4, 2012.

## 7. Property and Equipment

| | Land | Vehicles and equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at December 31, 2011 | $ 530,227 | $ 613,806 | $ 1,144,033 |
| Additions | - | 298,611 | 298,611 |
| Disposals | - | (67,685) | (67,685) |
| Foreign exchange movement | (59,297) | 61,617 | 2,320 |
| **Balance at September 30, 2012** | **$ 470,930** | **$ 906,349** | **$ 1,377,279** |
| | | | |
| **Accumulated amortization** | | | |
| Balance at December 31, 2011 | $ - | $ 319,744 | $ 319,744 |
| Depreciation for the period | - | 153,515 | 153,515 |
| Disposals | - | (44,461) | (44,461) |
| Foreign exchange movement | - | (44,128) | (44,128) |
| **Balance at September 30, 2012** | **$ -** | **$ 384,670** | **$ 384,670** |
| | | | |
| **Net book value** | | | |
| At December 31, 2011 | $ 530,227 | $ 294,062 | $ 824,289 |
| **At September 30, 2012** | **$ 470,930** | **$ 521,679** | **$ 992,609** |

(Expressed in Canadian Dollars)

## 8. Share Capital

### a) Authorized:

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

**Issued:**

There were no changes during the periods presented.

### 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.

| | Range of exercise prices | Number outstanding | Weighted average life (years) | Weighted average exercise price | Number exercisable on September 30, 2012 |
|---|---|---|---|---|---|
| **Stock options** | $0.30 - $0.65 | 7,247,470 | 2.83 | $0.33 | 7,247,470 |
| **Agent's options** | $0.30 | 572,996 | 0.23 | $0.30 | 572,996 |
| | | 7,820,466 | 2.31 | $0.32 | 7,820,466 |

| | Nine months ended September 30, 2012 | |
|---|---|---|
| | Number of options | Weighted Average Price |
| **Balance, beginning of period** | 6,570,466 | $0.32 |
| **Granted to officers and directors** | 1,250,000 | $0.30 |
| **Balance, end of period** | 7,820,466 | $0.32 |

On February 27, 2012, the Company granted 1,250,000 stock options to certain directors, officers, employees and consultants of the Company in accordance with the Company's stock option plan. The options are exercisable at a price of $0.30 for a period of five years. All options vested immediately. The associated stock option expense of $313,966 was calculated using the fair value method using the Black-Scholes option pricing model and using the following assumptions:

| | February 27, 2012 |
|---|---|
| Risk free interest rate | 1.28% |
| Expected volatility | 127.40% |
| Expected life (years) | 5 |
| Expected dividend yield | 0% |
| Forfeiture rate | 1.59% |

### 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. As of September 30, 2012, 226,547 seed capital shares (December 31, 2011 – 679,635 shares) remain in escrow.

(Expressed in Canadian Dollars)

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 September 30, 2012, 11,647,403 common shares (December 31, 2011 – 20,382,955 common shares) and 8,352,597 convertible preferred shares (December 31, 2011 – 14,617,045 convertible preferred shares) from the qualifying transaction remain in escrow.

### d) Warrants:

| | Range of exercise prices | Number outstanding | Weighted average life (years) | Weighted average exercise price |
|---|---|---|---|---|
| **Warrants** | $0.35 - $0.65 | 25,481,450 | 0.93 | $0.50 |
| **Broker Warrants** | $0.30 - $0.45 | 4,913,378 | 0.91 | $0.35 |
| **Compensation Warrants** | $0.35 | 55,910 | 1.17 | $0.35 |
| | | 30,450,738 | 0.93 | $0.48 |

| | Number of warrants | Weighted Average Price |
|---|---|---|
| **Balance, beginning and end of period** | 30,450,738 | $0.48 |

## 9. Contributed Surplus

| | |
|---|---|
| Balance, December 31, 2011 | $ 3,159,826 |
| Share based compensation | 331,833 |
| Balance, September 30, 2012 | $ 3,491,659 |

## 10. Related Party Transactions

During the three and nine months ended September 30, 2012, the Company paid US$44,490 and US$94,799 (September 30, 2011 - US$21,510 and US$64,347) respectively to HuntMountain Resources Ltd. ("HuntMountain"), an entity controlled by the Company's Executive Chairman, for the rental of office space. In prepaid expenses as at September 30, 2012, the Company had prepaid rent of US$21,227 (December 31, 2011 – US$Nil).

During the three and nine months ended September 30, 2012, the Company incurred $44,061 and $147,095 (September 30, 2011 – $37,525 and $106,363) respectively in professional fees expense relating to the services of the President of CCSA. Included in accounts payable and accrued liabilities as at September 30, 2012 was $14,876 (December 31, 2011 - $12,773) owing to the President of CCSA for professional geological fees. Included in prepaid expenses as at September 30, 2012, the Company had a receivable due from the President of CCSA for $2,051 (December 31, 2011 - $3,100) for cash advanced for field expenses.

(Expressed in Canadian Dollars)

During the three and nine months ended September 30, 2012, the Company incurred $6,678 and $22,800 (September 30, 2011 – $4,670 and $17,965) respectively in general and administrative expenses relating to rent paid for office space to the President of CCSA.

During the three and nine months ended September 30, 2012, the Company incurred $14,933 and $43,506 (September 30, 2011 - $24,330 and $80,892) respectively in professional fees expense relating to the accounting services of a director of CCSA. Included in accounts payable and accrued liabilities as at September 30, 2012, the Company had a payable owing to the director of CCSA of $5,760 (December 31, 2011 – $5,193). Included in prepaid expenses as at September 30, 2012, the Company had a receivable due from the director of CCSA of $1,042 (December 31, 2011 - $166) 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 year ended December 31, 2011, the balance owed by HuntMountain to Hunt Mining was $157,000. The Company has contacted HuntMountain's management and has confirmed that approximately $40,000 will be received by December 31, 2012, with the balance collected by December 31, 2014.

All related party transactions are in the normal course of business and are recorded at the exchange amount which is the amount agreed to by the related parties.

*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 Controller, is as follows:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | September 30, 2012 | September 30, 2011 | September 30, 2012 | September 30, 2011 |
| Salaries and benefits | $ 136,731 | $ 108,897 | $ 572,594 | $ 308,754 |
| Consulting fees | 86,994 | 85,355 | 281,101 | 253,955 |
| Share based compensation | 1,284 | 46,747 | 302,828 | 321,487 |
| | $ 225,009 | $ 240,999 | $ 1,156,523 | $ 884,196 |

## 11. Financial Instruments

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

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, 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. Cash and equivalents and performance bond are measured and reported as Level 1.

*Fair value*

The fair value of financial instruments at September 30, 2012 and December 31, 2011 is summarized as follows:

| | September 30, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| | Carrying amount $ | Fair value $ | Carrying amount $ | Fair value $ |
| **Financial Assets** | | | | |
| *FVTPL* | | | | |
| Cash and equivalents (Level 1) | 4,971,575 | 4,971,575 | 8,840,000 | 8,840,000 |
| *Available for sale* | | | | |
| Performance bond (Level 1) | 260,258 | 260,258 | 227,596 | 227,596 |
| *Loans and receivables* | | | | |
| Accounts receivable (1) | 734,254 | 734,254 | 64,364 | 64,364 |
| **Financial Liabilities** | | | | |
| *Other financial liabilities* | | | | |
| Accounts payable and accrued liabilities | 360,415 | 360,415 | 516,696 | 516,696 |

(1) Accounts receivable is mainly made up of the recovery of expenses from the Company's project partner, Eldorado Gold Corp.

*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 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 September 30, 2012, the following are denominated in US dollars:

| | |
|---|---|
| Cash and equivalents | $ 21,669 |
| Accounts payable and accrued liabilities | $ 69,430 |

As at September 30, 2012, the following are denominated in Argentine Peso:

| | |
|---|---|
| Cash and equivalents | $ 207,470 |
| Performance bond | $ 260,258 |
| Accounts receivable | $ 81,984 |
| Accounts payable and accrued liabilities | $ 233,973 |

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.

(Expressed in Canadian Dollars)

At September 30, 2012, 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 comprehensive loss |
|---|---|
| U.S. Dollar Exchange rate – 10% increase | $ 5,032 |
| U.S. Dollar Exchange rate – 10% decrease | $ (5,032) |

At September 30, 2012, 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 comprehensive loss |
|---|---|
| Argentine Peso Exchange rate – 10% increase | $ 9,864 |
| Argentine Peso Exchange rate – 10% decrease | $ (9,864) |

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 $207,470 at September 30, 2012 (December 31, 2011 - $747,622) are considered uninsured.

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 believes there to be minimal credit risk on accounts receivable from its exploration partner due to their size and significant operations as a mid-tier mining company.

The Company pays a value added tax “VAT” to the Argentine government on all expenses in Argentina. This creates a VAT receivable on the Company’s books owed to it by the government of Argentina. The Company’s receivable at September 30, 2012 is $1,291,292 (December 31, 2011 - $1,143,509). The Company believes this to be a collectable 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 potentially could lose the full value of the receivable. The Company believes there is significant risk of loss due to the current instability of the Argentine government.

(Expressed in Canadian Dollars)

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. 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.

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 there is no interest bearing debt as at September 30, 2012 and invested cash is short-term in nature.

## 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 September 30, 2012 and December 31, 2011 is as follows:

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Canada | $ 5,469,988 | $ 8,254,187 |
| Argentina | 3,168,029 | 3,166,828 |
| United States | 149,742 | 73,773 |
| | $ 8,787,759 | $ 11,494,788 |

The location of the Company's net loss by geographic area as of September 30, 2012 and September 30, 2011 is as follows:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | September 30, 2012 | September 30, 2011 | September 30, 2012 | September 30, 2011 |
| Canada | $ 390,860 | $ (308,505) | $ 574,743 | $ (1,492,749) |
| Argentina | (754,540) | (1,321,169) | (2,394,288) | (3,875,227) |
| United States | (253,165) | (219,201) | (882,336) | (600,344) |
| | $ (616,845) | $ (1,848,875) | $ (2,701,881) | $ (5,968,320) |

(Expressed in Canadian Dollars)

**13. 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 | 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 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 September 30, 2012, 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.

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 September 30, 2012, the Company has invested approximately US$10.4 million in the La Josefina property.

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

(Expressed in Canadian Dollars)

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 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 without merit and intends to defend the Company and its subsidiaries to the fullest extent possible.

d) On October 31, 2011, CCSA signed an agreement with the owners of Piedra Labrada 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 September 1, 2012, the Company moved into new office space. The Company signed a new office lease with a three-year term, which includes the first four months for free. The new 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$):

| | |
|---|---|
| 2012 | $ - |
| 2013 | 33,744 |
| 2014 | 34,632 |
| 2015 | 35,520 |
| | $ 103,896 |

## 14. Subsequent Event

On November 15, 2012 the Company signed an amendment with its partner, Fomicruz, on the La Josefina project in Santa Cruz Argentina. This amendment extends the time the Company has to develop the La Josefina project by four years, from 2013 to 2019. In addition to the signing of the extension, the Company also signed an agreement with Formicruz for the right to explore and develop the La Valenciana project, also in Santa Cruz, Argentina.