HUNT

MINING CORP

Audited Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended December 31, 2012 and 2011

Management’s Report

To the Shareholders of Hunt Mining Corp. (the “Company”)

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors has appointed an Audit Committee, consisting entirely of independent directors who are neither management nor employees of the Company. The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

(signed)
Matthew Hughes
President and Chief Executive Officer

(signed)
Matthew Fowler
Chief Financial Officer

Spokane, Washington
April 23, 2013

To the Shareholders of Hunt Mining Corp.:

We have audited the accompanying consolidated financial statements of Hunt Mining Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained during our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hunt Mining Corp. and its subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter - Going Concern
Without qualifying our opinion, we draw attention to Note 3 in the consolidated financial statements which indicates that Hunt Mining Corp. has had minimal revenues and has accumulated losses of $28,496,195. These conditions indicate the existence of substantial doubt on Hunt Mining Corp.'s ability to continue as a going concern.

April 23, 2013
Calgary, Alberta

MNP LLP
Chartered Accountants

Hunt Mining Corp.

Consolidated Financial Statements

Years ended December 31, 2012 and 2011 **Page**

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Hunt Mining Corp.

An Exploration Stage Enterprise

Expressed in Canadian Dollars

Consolidated Statements of Financial Position

	NOTE	December 31, 2012	December 31, 2011
CURRENT ASSETS:			
Cash and equivalents	7	$ 5,220,727	$ 8,840,000
Accounts receivable		44,722	64,364
Prepaid expenses		36,031	46,020
Deposits receivable	14	62,231	52,177
Total Current Assets		5,363,711	9,002,561
NON-CURRENT ASSETS:			
Property and equipment	8	963,596	824,289
Performance bond	9	285,341	227,596
VAT receivable, net of discount	10	682,074	1,143,509
Deposits receivable	14	52,177	104,354
Minimal presumed income tax receivable		355,080	192,479
Total Non-Current Assets:		2,338,268	2,492,227
TOTAL ASSETS:		$ 7,701,979	$ 11,494,788
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities		$ 811,016	$ 516,696
Taxes payable		126,080	224,233
Total Current Liabilities:		937,096	740,929
NON-CURRENT LIABILITIES:			
Provision	17(c)	125,000	125,000
Total Non-Current Liabilities:		125,000	125,000
TOTAL LIABILITIES:		$ 1,062,096	$ 865,929
SHAREHOLDERS' EQUITY:			
Preferred shares	11	$ 177,417	$ 177,417
Share capital	11	25,885,064	25,885,064
Contributed surplus	12	3,491,659	3,159,826
Warrants	11	5,860,183	5,860,183
Deficit		(28,496,195)	(24,324,113)
Accumulated other comprehensive loss		(278,245)	(129,518)
Total Shareholders' Equity:		$ 6,639,883	$ 10,628,859
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:		$ 7,701,979	$ 11,494,788

Going Concern (Note 3)
Subsequent Event (Note 19)
Commitments and Provision (Note 17)

Approved on behalf of the Board of Directors

Signed "Tim Hunt"

Signed "Matt Hughes"

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

Hunt Mining Corp.

An Exploration Stage Enterprise

Expressed in Canadian Dollars

Consolidated Statements of Loss and Comprehensive Loss

	NOTE	Years ended December 31, 2012	2011
REVENUE:			
Operator's Fee		$ 125,655	$ -
OPERATING EXPENSES:			
Professional fees		733,377	1,188,067
Directors fees		121,163	91,937
Exploration expenses		594,904	3,522,458
Travel expenses		365,332	352,576
Administrative and office expenses		1,000,442	913,124
Payroll expenses		2,144,767	1,179,840
Share based compensation	12	331,833	410,912
Banking charges		49,205	69,670
Depreciation	8	224,472	112,448
Cost recovery		(1,795,066)	-
Total operating expenses:		3,770,429	7,841,032
OTHER INCOME/(EXPENSE):			
Interest income		67,708	87,083
Gain on debt discount		-	3,085
Miscellaneous income		200,000	420
VAT discount and accretion	10	(616,331)	(332,308)
Loss on foreign exchange		(184,558)	(109,758)
Gain on disposal of property and equipment	8	33,977	-
Total other expenses:		(499,204)	(351,478)
LOSS - before income tax		(4,143,978)	(8,192,510)
Income taxes	13	(28,104)	(87,651)
NET LOSS FOR THE YEAR		$ (4,172,082)	$ (8,280,161)
Other comprehensive loss:			
Change in value of performance bond	9	57,745	(29,612)
Translation of foreign operations into Canadian dollar presentation		(206,472)	(43,853)
TOTAL NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR:		$ (4,320,809)	$ (8,353,626)
Weighted average shares outstanding - basic and diluted		100,613,330	88,180,466
NET LOSS PER SHARE - BASIC AND DILUTED:		$ (0.04)	$ (0.09)

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

Hunt Mining Corp.

An Exploration Stage Enterprise

Expressed in Canadian Dollars

Consolidated Statement of Changes in Shareholders' Equity

	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	-	(8,280,161)	-	-	-	-	(8,280,161)
							-
Fair value of warrants issuable pursuant to broker compensation units	-	-	-	464,896	-	-	464,896
Other comprehensive loss	-	-	(73,465)	-	-	-	(73,465)
Share capital issued	11,540,250	-	-	-	-	-	11,540,250
Share issue costs and filing statement fees	(1,547,503)	-	-	-	-	-	(1,547,503)
Portion of units attributable to warrants issued	(3,331,620)	-	-	-	3,331,620	-	-
Share based compensation	-	-	-	410,912	-	-	410,912
Exercise of warrants	852,929	-	-		(309,904)	-	543,025
Exercise of agent's options	49,644	-	-	(21,544)	-	-	28,100
Exercise of broker compensation warrants	71,226	-	-	(33,510)	-	-	37,716
Balance - December 31, 2011	$ 25,885,064	$ (24,324,113)	$ (129,518)	$ 3,159,826	$ 5,860,183	$ 177,417	$ 10,628,859
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	-	(4,172,082)	-	-	-	-	(4,172,082)
Other comprehensive loss	-	-	(148,727)	-	-	-	(148,727)
Share based compensation	-	-	-	331,833	-	-	331,833
Balance - December 31, 2012	$ 25,885,064	$ (28,496,195)	$ (278,245)	$ 3,491,659	$ 5,860,183	$ 177,417	$ 6,639,883

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

Hunt Mining Corp.

An Exploration Stage Enterprise

Expressed in Canadian Dollars

Consolidated Statements of Cash Flows

	NOTE	Years ended December 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss		$ (4,172,082)	$ (8,280,161)
Items not affecting cash			
Depreciation	8	224,472	112,448
Translation of foreign exchange		(206,472)	(43,853)
Minimal presumed income tax receivable		(162,601)	(192,479)
VAT receivable		461,435	(520,748)
Share based compensation	12	331,833	410,912
Gain on disposal of property and equipment	8	33,977	-
Net change in non-cash working capital items			
Decrease (increase) in accounts receivable		19,642	(10,421)
Decrease in prepaid expenses		9,989	165,051
Decrease (increase) in deposits receivable		42,123	(156,531)
Increase in accounts payable and accrued liabilities		294,320	198,017
Increase (decrease) in taxes payable		(98,153)	147,382
Decrease in accrued interest on shareholder loan		-	(10,240)
Net cash used in operating activities		(3,221,517)	(8,180,623)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	8	(454,957)	(304,737)
Proceeds on sale of property and equipment	8	57,201	-
Net cash used in investing activities		(397,756)	(304,737)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of share capital, net of share issue costs		-	11,066,484
Repayments of shareholder loan		-	(103,021)
Net cash from financing activities		-	10,963,463
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS:		$ (3,619,273)	$ 2,478,103
CASH AND EQUIVALENTS, BEGINNING OF YEAR:		8,840,000	6,361,897
CASH AND EQUIVALENTS, END OF YEAR:		$ 5,220,727	$ 8,840,000
Cash and cash equivalents consist of:			
Cash		1,220,727	7,840,000
Term deposits (less than 90 days)		4,000,000	1,000,000
		5,220,727	8,840,000
SUPPLEMENTAL CASH FLOW INFORMATION			
Taxes paid		(33,974)	(89,636)
Interest received		50,127	71,339

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

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 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

As of December 31, 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 consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these 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 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 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 consolidated financial statements were authorized for issue on April 23, 2013 by the Board of Directors of the Company.

3. Going Concern

The accompanying 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 consolidated financial statements, the Company has had minimal revenues and has incurred an accumulated loss of $28,496,195 through December 31, 2012 (2011 - $24,324,113). However, the Company believes it has sufficient cash at December 31, 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 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 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

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

(a) Basis of measurement

The 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 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.

(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 the consolidated statements of loss and comprehensive loss.

The Company's subsidiaries have adopted the United States Dollar as their functional currency. Financial statements are translated to their Canadian dollar equivalents using the current rate method. Under this method, the statements of loss and comprehensive loss 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 and comprehensive 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. They are measured at fair value with changes in fair value included in the statement of loss and comprehensive loss.

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 the statement of loss and comprehensive loss.

Assets available for sale
Assets available for sale ("AFS") represent securities and other financial investments that are non-strategic, that are neither held for trading, nor held to maturity, nor held for strategic reasons, and that have a readily available market price. As such, gains or losses from revaluation of the asset are recorded as other comprehensive loss, except to the extent that any losses are assessed as being permanent, and the asset is therefore impaired, under IAS 39, or if the asset is sold or otherwise disposed of. If the asset is impaired, sold or otherwise disposed of the revaluation gain or loss implicit in the transaction is recognized as a revenue or expense in the statement of loss and comprehensive 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 or when events indicate that impairment may exist. 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.

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 the statement of loss and comprehensive 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 the statement of loss and comprehensive 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 are withheld by the Government of Argentina unless they are applied to a capital increase. These withheld amounts are deposited in non-interest bearing US dollar fixed terms deposits until the Government of Argentina approves the Company's formal application for release. Year-end balances of such funds total $46,093 (December 31, 2011 - $350,889).

(f) Value added tax ("VAT")

VAT is generally charged for goods and services purchased in Argentina. The VAT paid may 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 statements of loss and comprehensive loss during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the property and equipment 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.

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 the consolidated statement of loss and comprehensive loss. The Company charges to the consolidated statement of loss and comprehensive loss 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 are liabilities that are uncertain in timing or amount. The Company records a provision when and only when:

(i) The Company has a present obligation (legal or constructive) as a result of past events;
(ii) It is probable that an outflow of resources will be required to settle the obligation; and
(iii) A reliable estimate can be made of the amount of the obligation.

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 exploration properties. These obligations consist of expenditures 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. The Company doesn't have any material environmental restoration obligations at this time.

(i) Current and deferred tax

Income tax expense represents the sum of current tax and deferred tax expense. Income tax is recognized in the statement of loss and comprehensive loss 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 substantively enacted at the end of the reporting period.

The Company follows the liability method of accounting for deferred taxes. Under this method, deferred 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 income 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 the statement of loss and comprehensive loss 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 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 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 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) Provision for Minimum Presumed Income Tax

The Company determines the Minimum Presumed Income Tax ("MPIT") by applying the rate of 1% on the taxable assets in Argentina as of the reporting period. This tax is separate from current and deferred taxes. The Company's tax obligations in each fiscal year will be comprised of the greater of both taxes. However, if the MPIT exceeds the income tax in the fiscal year, such surplus may be computed as payment on account of the income tax that may arise in any of the ten subsequent fiscal years.

(k) 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. Share based 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.

(l) Revenue Recognition

Revenue for the Company is derived from Operator's fees and ongoing lease payments are derived once projects have advanced from Stage I to Stage II. 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.

The Company recovers costs from its exploration partner through the advancement of funds for expenditures before an exploration period has begun. On a monthly basis, the Company provides its exploration partner a reconciliation of expenses over the previous month and any surplus or shortage is carried over and applied to the following month's budget. This recovery of expenditures is classified as Cost Recovery.

The Company also generates one time payments that are classified as miscellaneous income when a project is accepted into the agreement as a Stage I project, when a project advances from a Stage I project to a Stage II project and when a project advances from a Stage II project to Stage III. 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 its exploration partner, or a nominee of their choice, will be granted a 75% interest in the new company. The Company's only Stage II project is Bajo Pobre.

(m) Earnings per share

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

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 earnings 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.

5. Accounting standards issued but not yet applied

At the date of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standard, amendment and interpretation that is expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

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.

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, 2015, with earlier adoption permitted. The Company is assessing the impact of the standard.

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 is assessing the impact of the standard.

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 continue 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 is assessing the impact of the standard.

IFRS 12, *Disclosure of Involvement with Other Entities*

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 is assessing the impact of the standard.

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.

The standard is required to be applied for accounting periods beginning on or after January 1, 2013. The Company is assessing the potential impact of the standard.

IAS 1, *Presentation of Items of OCI: Amendments to IAS I Presentation of Financial Statements*

In June 2011, the IASB issued IAS 1, *Presentation of Items of OCI: Amendments to IAS I Presentation of Financial Statements.* The amendments stipulate the presentation of net earnings and OCI and also require the Company to group items within OCI based on whether the items may be subsequently reclassified to profit or loss. Amendments to IAS 1is effective for annual periods beginning on or after July 1, 2012. The Company is assessing the impact of the standard.

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

In IFRIC 20, the IFRS Interpretations Committee 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. Since the Company is not yet in production this standard does not yet apply to the Company.

6. Critical accounting judgments and estimates

(a) Significant judgments

Preparation of the consolidated financial statements requires management to make judgments in applying the Company's accounting policies. Judgments that have the most significant effect on the amounts recognized in these consolidated financial statements relate to functional currency; exploration and evaluation expenditures; income taxes; provisions and reclamation and closure cost obligations. These judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Functional Currency

Management determines the functional currency for each entity. This requires that management assess the primary economic environment in which each of these entities operates. Management's determination of functional currencies affects how the Company translates foreign currency balances and transactions.

Determination includes an assessment of various primary and secondary indicators. In determining the functional currency of the Company's operations in Canada (Canadian dollar) and Argentina (U.S. dollar), management considered the currency that primarily influences or determines the selling prices of goods and services and the cost of production, including labor, material and other costs, and the currency whose competitive forces and regulations mainly determine selling prices.

Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. The Company's policy is to expense all exploration and evaluation expenditures.

Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain and subject to judgement. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the various jurisdictions in which it operates. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Provisions

Management makes judgments as to whether an obligation exists and whether an outflow of resources embodying economic benefits of a liability of uncertain timing or amount is probable, not probable or remote. Management considers all available information relevant to each specific matter.

Reclamation and closure costs obligations

The Company does not have a reclamation provision and expenses all exploration expenditures as they are incurred. If management makes the judgment in the future that a material reclamation obligation exists; it will use the magnitude and timing of costs to be incurred, inflation rates, regulatory changes and discount rates in calculating its expected obligation.

(b) Estimation uncertainty

The preparation of the 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 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 title to mineral property interests; share-based payments, provisions and value added tax. These estimates 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.

Title to Mineral Property Interests

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

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions is done by application of the Black-Scholes option pricing model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the Black-Scholes option pricing model, including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

Provisions

In the normal course of business, legal proceedings and other claims brought against the Company expose us to potential losses. Given the nature of these events, in most cases the amounts involved are not reasonably estimable due to uncertainty about the final outcome. In estimating the final outcome of litigation, management makes assumptions about factors including experience with similar matters, past history, precedents, relevant financial, scientific and other evidence, and facts specific to the matter. This determines whether management requires a provision or disclosure in the consolidated financial statements.

Value added tax ("VAT")

The Company estimates the VAT based on when it expects the project will go into production and uses a discount rate to calculate net present value. The Company plans to get 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, this is based on the end of the exploration period on the Company's La Josefina project. 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.

7. Cash and Equivalents

Cash and equivalents are comprised of the following:

	December 31, 2012	December 31, 2011
Cash	$ 1,220,727	$ 7,840,000
Short-term investments	4,000,000	1,000,000
	$ 5,220,727	$ 8,840,000

Short-term investments consist of a $4,000,000 (2011 - $1,000,000) term deposit with an annual interest rate of 1.10% (2011 – 1.10%) issued on December 4, 2012 and a maturity date of March 5, 2013.

8. Property and Equipment

	Land	Vehicles and equipment	Total
Cost			
Balance at December 31, 2010	$ 562,315	$ 295,178	$ 857,493
Additions	-	304,737	304,737
Foreign exchange movement	(32,088)	13,891	(18,197)
Balance at December 31, 2011	$ 530,227	$ 613,806	$ 1,144,033
Additions	-	397,756	397,756
Disposals	-	(134,366)	(134,366)
Foreign exchange movement	(75,693)	25,028	(50,665)
Balance at December 31, 2012	**$ 454,534**	**$ 902,224**	**$ 1,356,758**
Accumulated amortization			
Balance at December 31, 2010	$ -	$ 225,493	$ 225,493
Depreciation	-	112,448	112,448
Foreign exchange movement	-	(18,197)	(18,197)
Balance at December 31, 2011	$ -	$ 319,744	$ 319,744
Depreciation	-	224,472	224,472
Disposals	-	(111,142)	(111,142)
Foreign exchange movement	-	(39,912)	(39,912)
Balance at December 31, 2012	**$ -**	**$ 393,162**	**$ 393,162**
Net book value			
At December 31, 2011	$ 530,227	$ 294,062	$ 824,289
At December 31, 2012	**$ 454,534**	**$ 509,062**	**$ 963,596**

The majority of the Company's assets are located in Argentina. The Company owns a ranch, La Josefina which includes approximately 130,000 acres.

During the year, the Company disposed of obsolete equipment which had a net book value of $23,224. Additionally, the Company sold vehicles which had a net book value of nil for a gain of $57,201, which when offset against the disposal, resulted in a net gain of $33,977.

In addition to land owned in Argentina 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. 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 year ended December 31, 2011, the value of the bond decreased to $227,596 (US$223,199). As of the year ended December 31, 2012, the value of the bond increased to $285,341 (US$286,314). The changes in the face value of the performance bond of $57,745 as at December 31, 2012 (2011 - $(29,612)) are recorded in other comprehensive loss in the Company's statement of loss and other comprehensive loss.
Since 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 agreement.

10. Value added tax receivable ("VAT")

The Company's VAT receivable as of December 31, 2012 was $682,074 (2011- $1,143,509). These amounts reflect the VAT receivable accrued due to the payment of value added tax on certain transactions in Argentina. 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, this resulted in a present value adjustment of $616,331 for the year ended December 31, 2012 (2011 - $332,308) in the Company's statement of loss and other comprehensive loss being recorded. The net change of the VAT receivable for the year ended December 31, 2012 was ($461,435) (2011 – $520,748)

Balance at December 31, 2010	**$622,761**
Additions	853,056
Present Value Adjustment	(332,308)
Balance at December 31, 2011	**$1,143,509**
Additions	154,896
Present Value Adjustment	(616,331)
Balance at December 31, 2012	**$682,074**

11. Share Capital

a) Authorized:

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

Issued:

Common Shares

	December 31, 2012		December 31, 2011		
	Number	Amount	Number		Amount
Balance, beginning of year	**100,613,330**	**$ 25,885,064**	73,167,565		$ 18,250,138
Share issue costs and filing statement fees	-	-	-		(1,547,503)
Bought-deal private placement	-	-	25,645,000	(ii)	11,540,250
Portion of units attributable to warrants issued	-	-	-	(ii)	(3,331,620)
Exercise of agent's options	-	-	93,667	(iv)	49,644
Exercise of broker compensation warrants	-	-	108,932	(i)(iii)	50,226
Exercise of broker warrants	-	-	46,666	(vi)	21,000
Exercise of warrants	-	-	1,551,500	(v)	852,929
Balance, end of year	**100,613,330**	**$ 25,885,064**	100,613,330		$ 25,885,064

Preferred Shares

	December 31, 2012		December 31, 2011	
	Number	Amount	Number	Amount
Balance, beginning and end of year	**20,881,493**	**$ 177,417**	20,881,493	$ 177,417

Warrants

	December 31, 2012		December 31, 2011		
	Number	Amount	Number		Amount
Balance, beginning of year	**25,481,450**	**$ 5,860,183**	14,210,450		$ 2,838,467
Exercise of warrants	-	-	(1,551,500)	(v)	(309,904)
Portion of units attributable to warrants issued	-	-	12,822,500	(ii)	3,331,620
Balance, end of year	**25,481,450**	**$ 5,860,183**	25,481,450		$ 5,860,183

Common share issuances

(i) During the year ended December 31, 2011, the Company issued 34,745 shares pursuant to the cashless exercise of 125,196 broker compensation warrants granted in conjunction with the Company's November 2010 short form prospectus offering. Pursuant to the issuance, the Company recorded $14,288 in common shares to reflect the Black-Scholes valuation of the cashless exercise of broker compensation warrants.

(ii) 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, of which $3,331,620 was the fair value of the warrants. 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 1,788,150 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. The fair value of the warrants issuable pursuant to the broker compensation units is $464,896.

(iii) During year ended December 31, 2011, the Company issued 74,187 shares pursuant to the exercise of 45,000 broker compensation warrants and 29,187 compensation warrants granted in

conjunction with the Company's November 2010 short form prospectus offering. Pursuant to the issuance, the Company recorded $12,222 in common shares to reflect the Black-Scholes valuation of the exercise of broker compensation warrants and compensation warrants and cash proceeds of $23,716.

(iv) During the year ended December 31, 2011, the Company issued 93,667 shares pursuant to the exercise of 93,667 agent's options granted in conjunction with the Company's December 2009 qualifying transaction. Pursuant to the issuance, the Company recorded $21,544 in common shares to reflect the Black-Scholes valuation of the exercise of agent's options and cash proceeds of $28,100.

(v) During the year ended December 31, 2011, the Company issued 1,551,500 shares pursuant to the exercise of 1,551,500 warrants granted at an exercise price of $0.35 in conjunction with the Company's November 2010 short form prospectus offering. Pursuant to the issuance, the Company recorded $309,904 in common shares to reflect the Black-Scholes valuation of the exercise of warrants and cash proceeds of $543,025.

(vi) During the year ended December 31, 2011, the Company issued 46,666 shares pursuant to the exercise of 46,666 broker warrants granted in conjunction with the Company's December 2009 qualifying transaction. Pursuant to the issuance, the Company recorded $7,000 in common shares to reflect the Black-Scholes valuation of the exercise of broker warrants and cash proceeds of $14,000.

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 December 31, 2012
Stock options	$0.30 - $0.65	7,147,470	2.58	$0.32	7,147,470

	December 31, 2012		December 31, 2011	
	Number of options	Weighted Average Price	Number of options	Weighted Average Price
Balance, beginning of year	6,570,466	$0.32	5,999,398	$0.32
Granted to officers and directors	1,250,000	$0.30	764,735	$0.33
Forfeiture of stock options	(100,000)	$0.30	(100,000)	$0.30
Exercise of agent's options	-	-	(93,667)	$0.30
Expiration of agent's options	(572,996)	$0.30	-	-
Balance, end of year	7,147,470	$0.32	6,570,466	$0.32

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 option expense of $3,869 (2011 - $76,635) was calculated using the fair value method using the Black-Scholes option pricing model and using the following assumptions:

	January 10, 2011
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 option expense of $11,950 (2011 - $98,310) was calculated using the fair value method using the Black-Scholes option pricing model and using the following assumptions:

	January 27, 2011
Risk free interest rate	2.25%
Expected volatility	115.51%
Expected life (years)	5
Expected dividend yield	0%
Forfeiture rate	1.59%

On February 27, 2012, the Company granted 1,250,000 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 $0.30 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 December 31, 2012, there are no shares (2011 – 679,635 shares) remaining in escrow.

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 December 31, 2012, there are no common shares (2011 – 20,382,955 common shares) and no convertible preferred shares (2011 – 14,617,045 convertible preferred shares) remaining 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	0.68	$0.50
Broker Warrants	$0.30 - $0.45	4,460,044	0.73	$0.36
Compensation Warrants	$0.35	55,910	0.92	$0.35
		29,997,404	0.69	$0.48

	December 31, 2012		December 31, 2011	
	Number of warrants	Weighted Average Price	Number of warrants	Weighted Average Price
Balance, beginning of year	30,450,738	$0.48	17,552,540	$0.34
Warrants (Note 11(a)(ii))	-	-	12,822,500	$0.65
Broker warrants (Note 11(a)(ii))	-	-	1,788,150	$0.45
Compensation warrants resulting	-	-		
from exercise of broker warrants (Note 11(a)(i)(iii))	-	-	85,097	$0.35
Exercise of warrants (Note 11(a)(v))	-	-	(1,551,500)	$0.30
Exercise of broker compensation warrants (Note 11(a)(i)(iii))	-	-	(170,196)	$0.30
Exercise of compensation warrants (Note 11(a)(iii))	-	-	(29,187)	$0.35
Exercise of broker warrants (Note 11(a)(vi))	-	-	(46,666)	$0.30
Expiration of broker warrants	(453,334)	$0.30	-	-
Balance, end of year	29,997,404	$0.48	30,450,738	$0.48

12. Contributed Surplus

	December 31, 2012	December 31, 2011
Balance, beginning of year	$ 3,159,826	$ 2,339,072
Share based compensation	331,833	410,912
Agent’s options exercise	-	(21,544)
Broker compensation warrant exercise	-	(33,510)
Fair value of warrants issuable pursuant to broker compensation warrants	-	464,896
Balance, end of year	$ 3,491,659	$ 3,159,826

13. Income Taxes

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The differences between the "expected" income tax expenses and the actual income tax provision are summarized as follows:

	December 31, 2012	**December 31, 2011**
Loss before income taxes	$(4,143,978)	$ (8,192,510)
Expected income tax recovery at 25.0% (2011 – 26.5%)	(1,035,995)	(2,171,015)
Non-deductible items and other	36,629	92,855
Share based compensation	82,958	95,415
Change in prior year estimates	231,696	(113,923)
Share issuance costs	-	(342,966)
Tax rate differences (mostly comprised of difference from effective Argentina tax rate of 35% and effective United States tax rate of 34%)	480,465	(469,068)
Change in deferred tax assets not recognized	232,351	2,996,353
Total income taxes	$ 28,104	$ 87,651

The components of the deferred tax asset are as follows:

	December 31, 2012	**December 31, 2011**
Canada		
Share issuance costs	$468,040	$ 504,698
Non-capital losses available for future periods	613,017	817,210
Deferred tax assets not recognized	(1,081,057)	(1,321,908)
Canada deferred tax asset	$ -	$ -
Argentina		
Property and equipment	$5,961,941	$ 6,128,246
VAT receivable	594,208	507,448
Non-capital losses available for future periods	761,015	211,711
Contingency accrual	47,216	43,750
Deferred tax assets not recognized	(7,364,380)	(6,891,155)

Argentina deferred tax asset	$ -	$ -
United States		
Property and equipment	$13,461	$ 9,752
Non-capital losses available for future periods	731,313	735,045
Deferred tax assets not recognized	(744,794)	(744,797)
United States deferred tax asset	$ -	$ -
Total deferred tax asset	$ -	$ -

As at December 31, 2012, the Corporation has, for tax purposes, non-capital losses available to carry forward to future years totaling $6,777,317 (2011 - $6,035,624).

The non-capital loss carry-forwards reflected above expire as follows:

Year of Expiry	**Canada**	**Argentina**	**United States**	**Total**
2016	-	562,747	-	562,747
2017	-	1,611,581	-	1,611,581
2029	-	-	480,811	480,811
2030	568,913	-	267,889	836,802
2031	1,883,155	-	255,155	2,138,310
2032	-	-	1,142,066	1,147,066
Total	**$ 2,452,068**	**$ 2,174,328**	**$ 2,150,921**	**$6,777,317**

As at December 31, 2012, the MPIT available for future periods is as follows:

Generation year	**Amount**	**Expiration year**
2010	$6,913	2020
2011	$185,566	2021
2012	$162,601	2022
Total	**$355,080**	

14. Related Party Transactions

During the year ended December 31, 2012, the Company paid $179,055 (2011 - $84,803) to HuntMountain Resources Ltd. ("HuntMountain"), an entity controlled by the Company's Executive Chairman, for the rental of office space. Of the $179,055, $84,291 relates to settlement of a lease break fee, of that $42,123 was applied to refundable deposit made to HuntMountain.

During the year ended December 31, 2012, the Company incurred $191,651 (2011 – $146,546) in professional fees expense relating to the services of the President of CCSA. Included in accounts payable and accrued

liabilities as at December 31, 2012 was $14,999 (December 31, 2011 - $12,773) owing to the President of CCSA for professional geological fees. Included in prepaid expenses as at December 31, 2012, the Company had a receivable due from the President of CCSA for $45 (December 31, 2011 - $3,100) for cash advanced for field expenses.

During the year ended December 31, 2012, the Company incurred $31,075 (2011 – $27,502) 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 December 31, 2012 was $2,754 (2011 – Nil) owing to the President of CCSA relating to rent paid for office space.

During the year ended December 31, 2012, the Company incurred $58,212 (2011 - $94,605) in professional fees expense relating to the accounting services of a director of CCSA. Included in accounts payable and accrued liabilities as at December 31, 2012, the Company had a payable owing to the director of CCSA of $6,098 (2011 – $5,027). Included in prepaid expenses as at December 31, 2012, the Company had a receivable due from the director of CCSA of $196 (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, 2012, the balance owed by HuntMountain to the Company was $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, the Controller and the President of CCSA, is as follows:

	Years ended	
	December 31, 2012	December 31, 2011
Salaries and benefits	$ 723,609	$ 444,717
Consulting fees	368,363	331,351
Share based compensation	294,421	332,729
	$ 1,386,393	$ 1,108,797

15. 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 are summarized as follows:

	December 31, 2012		December 31, 2011	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial Assets				
FVTPL				
Cash and equivalents (Level 1)	5,220,727	5,220,727	8,840,000	8,840,000
Available for sale				
Performance bond (Level 1)	285,341	285,341	227,596	227,596
Loans and receivables				
Accounts receivable	44,722	44,722	64,364	64,364
Financial Liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	811,016	811,016	516,696	516,696

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 December 31, 2012, the following are denominated in US dollars:

Cash and equivalents	$ 12,034
Accounts payable and accrued liabilities	$ 71,172

As at December 31, 2012, the following are denominated in Argentine Peso:

Cash and equivalents	$ 675,090
Performance bond	$ 285,341
Accounts receivable	$ 28,396
Accounts payable and accrued liabilities	$ 504,257

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 December 31, 2012, 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	$ 2,363
U.S. Dollar Exchange rate – 10% decrease	$ (2,363)

At December 31, 2012, 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	$ 6,383
Argentine Peso Exchange rate – 10% decrease	$ (6,383)

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 $675,090 at December 31, 2012 (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 employees. The Company occasionally has a receivable do from its 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 there is no account receivable aging.

The Company pays a value added tax "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 December 31, 2012 is $682,074 ($2,248,028 – undiscounted) (2011 - $1,143,509 ($2,265,205 – undiscounted)). 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 has an account receivable owed to it by the former parent of CCSA, HuntMountain Resources for $114,408 ($156,531 – 2011) The Company believes this to be a collectable amount and has confirmed it is a valid receivable with HuntMountain management. If for some reason HuntMountain did not pay, the Company could potentially 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 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 as there is no interest bearing debt as at December 31, 2012 and invested cash is short-term in nature.

16. 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 December 31, 2012 and December 31, 2011 is as follows:

	December 31, 2012	December 31, 2011
Canada	$ 4,692,176	$ 8,254,187
Argentina	2,965,328	3,166,828
United States	44,475	73,773
	$ 7,701,979	$ 11,494,788

The location of the Company's net loss by geographic area as of December 31, 2012 and December 31, 2011 is as follows:

	December 31, 2012	December 31, 2011
Canada	$ 972,055	$ (1,666,119)
Argentina	(3,923,855)	(5,783,635)
United States	(1,220,282)	(830,407)
	$ (4,172,082)	$ (8,280,161)

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

17. 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 December 31, 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. The Company does not believe that not making the exploration expenditures required by the FK Minera lease purchase agreement jeopardizes the Company's agreement with its exploration partner for the 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 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%.

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.

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 include a provision of $125,000 at December 31, 2012. 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 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 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 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 December 31, 2012 the Company had one stage II project, Bajo Pobre.

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 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$):

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 Pobre Ranch in Santa Cruz province, Argentina. As consideration for access to the Bajo Pobre property and use of the Bajo Pobre estancia 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.

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 Hunt elects to exercise its option to bring the La Valenciana project into production it must grant Fomicruz a 9% ownership in a new JV entity to be created by Hunt 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 Hunt for 10% of the exploration expenses made by Hunt during the exploration period;
- To purchase the next 10% interest in the JV corporation, Fomicruz must reimburse Hunt for 20% of the exploration expenses made by Hunt during the exploration period;
- To the purchase a final additional 20% interest in the JV Corporation, Fomicruz must reimburse Hunt for 25% of the exploration expenses made by Hunt during the exploration period; bring Fomicruz's total ownership interest in the JV Corporation to 49%.

At the Company's' option it can purchase the entire back in from Fomicruz for USD $200,000 per percentage point owned down to 9%. The remaining 9% can be purchased for a mutually agreed amount to be determined by negotiation between Fomicruz and the Company.

18. 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

	December 31, 2012	December 31, 2011
Shareholders' equity	$6,639,883	$10,628,859

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.

19. Subsequent Event

On April 5, 2013 the Company received approval from the TSX to convert 20,881,493 preferred shares issued to HuntMountain Resources and HuntMountain Investments into 20,881,493common shares of the Company. On April 10, 2013 the Company requested its transfer agent to complete the conversion and issue the restricted common shares.