

MANSFIELD MINERALS INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
February 28, 2010
(Unaudited)

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mansfield Minerals Inc.
CONSOLIDATED BALANCE SHEETS
(Unaudited –prepared by management)
Canadian Funds
As at

	February 28 2010	May 31 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 1,492,807	\$ 2,037,710
Receivables	180,863	163,657
Prepaid expenses	<u>429</u>	<u>462</u>
	1,674,099	2,201,829
Long-term investment securities (Note 3)	492,500	1,130,000
Equipment	138,842	156,783
Deferred exploration costs (Note 5)	<u>12,435,500</u>	<u>11,328,439</u>
	<u>\$ 14,740,941</u>	<u>\$ 14,817,051</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 122,304	\$ 120,154
Due to related parties (Note 7)	<u>66,304</u>	<u>45,994</u>
	188,608	166,148
Asset retirement obligation	<u>710,413</u>	<u>741,599</u>
	<u>899,021</u>	<u>907,747</u>
Shareholders' equity		
Capital stock (Note 6)	50,066,348	50,066,348
Treasury stock (Note 6)	(41,600)	(41,600)
Accumulated other comprehensive loss	(100,676)	(1,242,706)
Contributed surplus (Note 6)	10,713,513	10,692,080
Deficit	<u>(46,795,665)</u>	<u>(45,564,818)</u>
	<u>13,841,920</u>	<u>13,909,304</u>
	<u>\$ 14,740,941</u>	<u>\$ 14,817,051</u>

Nature and continuance of operations (Note 1)

Approved by the Board:

Director:

"Gordon P. Leask"

Gordon P. Leask, P.Eng

Director:

"Megan Cameron-Jones"

Megan Cameron-Jones

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

Mansfield Minerals Inc.**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

(Unaudited –prepared by management)

For the period ended February 28 - Canadian Funds

	2010		2009	
	Quarter to Date	Year to Date	Quarter to Date	Year to Date
EXPENSES				
Accounting and audit	\$ 7,631	\$ 20,786	\$ 5,362	\$ 21,422
Accretion	7,077	21,850	7,402	18,366
Amortization	5,796	17,863	11,095	33,729
Bank charges and interest	1,045	3,614	2,022	4,531
Consulting fees	42,242	117,767	37,648	256,341
Consulting fees – stock-based compensation (Note 6)	7,144	21,433	814,452	880,280
Fees and taxes	9,983	33,381	12,701	28,798
Insurance	13,741	29,741		8,824
Investor relations and shareholder information	75,534	174,230	21,053	76,865
Legal	4,446	7,557	3,899	116,915
Management fees	60,000	180,000	60,000	478,660
Office and administration	8,037	19,731	4,447	20,176
Rent	12,065	35,819	12,583	24,433
Telephone	4,290	11,337	3,156	9,877
Transfer agent and listing fees	12,025	18,154	6,300	21,127
Travel and entertainment	4,155	11,736	9,597	14,520
Wages and benefits	14,670	34,134	9,975	44,226
LOSS BEFORE OTHER ITEMS	(289,881)	(759,133)	(1,021,692)	(2,059,090)
OTHER ITEMS				
Gain (loss) on foreign exchange	16,825	25,298	33,416	(202,301)
Interest income	387	6,624	16,496	107,386
Recovery (write-off) of deferred exploration costs (Note 5)	(4,369)	(17,557)	(4,588)	4,511
Unrealized loss on short-term investments				(42,500)
Gain (loss) on disposal of equipment	(100)	7,056		
Loss on disposal of long-term investment securities	(436,991)	(493,135)		(1,476,197)
Loss allocated to spin-out (Note 10)				(167,109)
LOSS FOR THE PERIOD	(714,129)	(1,230,847)	(976,368)	(3,835,300)
Fair value adjustment of long-term investment securities	902,637	1,142,030	2,908,932	(10,656,108)
Comprehensive income (loss) for the period	\$ 188,508	\$ (88,817)	\$ 1,932,564	\$ (14,491,408)
Basic & diluted loss per common share	\$ (0.016)	\$ (0.028)	\$ (0.022)	\$ (0.087)
Basic & diluted weighted average number of common shares outstanding	44,044,221	44,044,221	44,044,221	44,044,221

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

Mansfield Minerals Inc.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited –prepared by management)
For the period ended February 28, 2010 - Canadian Funds

	Number of Shares	Amount	Accumulated Other Comprehen- sive Income	Contributed Surplus	Number of Shares	Treasury Stock	Deficit	Total
Balance, May 31, 2009	44,124,221	\$ 50,066,348	\$ (1,242,706)	\$ 10,692,080	80,000	\$ (41,600)	\$(45,564,818)	\$ 13,909,304
Fair value adjustment of long-term investment securities			1,142,030					1,142,030
Stock-based compensation				21,433				21,433
Loss for the period							(1,230,847)	(1,230,847)
Balance, Feb 28, 2010	44,124,221	\$ 50,066,348	\$ (100,676)	\$ 10,713,513	80,000	\$ (41,600)	\$(46,795,665)	\$ 13,841,920

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

Mansfield Minerals Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited –prepared by management)
For the period ended February 28 – Canadian Funds

	2010		2009	
	Quarter to Date	Year to Date	Quarter to Date	Year to Date
Cash Flows from Operating Activities				
Loss for the period	\$ (714,129)	\$ (1,230,847)	\$ (976,368)	\$ (3,835,300)
Items not affecting cash:				
Accretion	7,077	21,850	7,402	18,366
Amortization	5,796	17,863	11,095	33,729
Stock-based compensation	7,144	21,433	814,452	880,280
Unrealized gain on foreign exchange	(25,878)	(45,902)		
Write-off (recovery) of deferred exploration costs	4,369	17,557	4,588	(4,511)
Unrealized loss on disposal of investments				2,282,571
Loss (gain) on disposal of investments	436,991	493,135		(806,374)
Non-cash portion of loss allocated to spin-off				93,500
Loss (gain) on disposal of equipment	100	(7,056)		
Changes in non-cash working capital items:				
Decrease in prepaid expenses	16	33	20	18,131
Decrease (increase) in receivables	6,438	(17,206)	205,677	74,936
Increase (decrease) in accts pay & acc. liabilities	(13,279)	12,636	(91,344)	548,212
Decrease in intercompany advances				(402,941)
Increase (decrease) in due to related parties	(2,829)	20,310	23,488	(28,132)
Net cash used in operating activities	(288,184)	(696,194)	(990)	(1,127,533)
Cash Flows from Financing Activities				
Cash funded to Pachamama				(7,790,655)
Net cash used in financing activities				(7,790,655)
Cash Flows from Investing Activities				
Acquisition of deferred exploration costs	(373,585)	(1,135,104)	(355,430)	(1,694,682)
Purchase of equipment				(203)
Proceeds from disposal of investments	973,146	1,286,395		4,561,250
Net cash provided by (used in) investing activities	599,561	151,291	(355,430)	2,866,365
Increase (Decrease) in Cash & Cash Equivalents	311,377	(544,903)	(356,420)	(6,051,823)
Cash & Cash Equivalents – Beginning of Period	1,181,430	2,037,710	2,959,642	8,655,045
Cash & Cash Equivalents – End of Period	\$ 1,492,807	\$ 1,492,807	\$ 2,603,222	\$ 2,603,222

Included in cash and cash equivalents is \$1,192,832 in cash and \$299,975 in term deposits.

Supplemental disclosure with respect to cash flows (Note 9).

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

Mansfield Minerals Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited –prepared by management)

For the period ended February 28, 2010

1. NATURE AND CONTINUANCE OF OPERATIONS

Mansfield Minerals Inc. (the "Company") is a Canadian company incorporated in British Columbia. The Company is primarily engaged in the acquisition and exploration of mineral properties.

In November 2008, the Company completed a spin-out of its exploration stage properties to a new company, Pachamama Resources Ltd. ("Pachamama") which came to trade on November 28, 2008 (see Note 10).

The ability of the Company to realize the costs it has incurred to date on these mineral property interests is dependent upon the Company being able to lever its property interests and cash, by way of exploration activities and option/joint ventures, into assets of greater value or to identify a commercial ore body, to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the mineral property interest. To date, the Company has not earned revenues and is considered to be in the exploration stage.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets.

	February 28, 2010	May 31, 2009
Working capital	\$ 1,485,491	\$ 2,035,681
Deficit	(46,795,665)	(45,564,818)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for fair presentation have been included. Operating results for the nine month period ended February 28, 2010 are not necessarily indicative of the results that may be expected for the year ended May 31, 2010.

The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual consolidated financial statements for the year ended May 31, 2009. For further information, refer to the consolidated financial statements and footnotes thereto included for the year ended May 31, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Change in accounting policy

Goodwill and intangible assets (Section 3064)

The Company adopted the new standard “*Goodwill and Intangible Assets*” (Section 3064) for its fiscal year beginning June 1, 2009. This Section replaces Section 3062 “*Goodwill and Other Intangible Assets*” and Section 3450 “*Research and Development Costs*”. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The adoption of this section has had no impact on the Company’s consolidated financial statements.

Amendment to Financial Instruments – Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

See Note 11 for relevant disclosures.

Recent accounting pronouncements

Business combinations (Section 1582)

In January 2009, the CICA issued Section 1582 “Business Combinations” to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The Company does not expect the adoption of this section to have a significant effect on its financial statements.

Consolidated financial statements (Section 1601) and non-controlling interests (Section 1602)

The CICA concurrently issued Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests” which replace Section 1600 “Consolidated Financial Statements.” Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 “Business Combinations.” The Company does not expect the adoption of these sections to have a significant effect on its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Recent accounting pronouncements (cont'd...)

International financial reporting standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of June 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended May 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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 exploration and development of its mineral properties, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash and cash equivalent balances and components of shareholders' equity.

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, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended February 28, 2010. The Company is not subject to externally imposed capital requirements.

3. LONG-TERM INVESTMENT SECURITIES

Long-term investment securities are comprised of the following:

	February 28, 2010	May 31, 2009
Fair value shares of publicly listed entities	\$ 492,500	\$ 1,130,000
Historical acquisition cost	\$ 461,741	\$ 1,847,000

4. MINERAL PROPERTY INTERESTS

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to its mineral properties and believes, to the best of its knowledge that title is in good standing. The mineral property interest in which the Company has committed to earn an interest is located in Argentina and the Company is therefore relying on title opinion by legal counsel who base such opinions on the laws of Argentina.

5. DEFERRED EXPLORATION COSTS

	As at February 28, 2010		
	Direct	Written-off or Transferred	Total
Argentina properties			
Lindero	\$ 12,435,500	\$	\$ 12,435,500
Other	<u>15,014,351</u>	<u>(15,014,351)</u>	<u></u>
Total Argentina	\$ 27,449,851	\$ (15,014,351)	\$ 12,435,500

	As at May 31, 2009		
	Direct	Written-off or transferred	Total
Argentina properties			
Aguas Calientes	\$ 214,027	\$ (214,027)	\$
Lindero	11,328,439		11,328,439
El Camino	184,575	(184,575)	
Rio Grande	2,023,338	(2,023,338)	
Other	<u>12,574,854</u>	<u>(12,574,854)</u>	<u></u>
Total	\$ 26,325,233	\$ (14,996,794)	\$ 11,328,439

5. DEFERRED EXPLORATION COSTS (cont'd...)

As part of the Plan of Arrangement (Note 10), the Company transferred all of its mineral properties except the Lindero property to Pachamama during the year ended May 31, 2009.

	Balance May 31, 2009	Additions	Balance Feb 28, 2010
Field operations	\$ 1,342,860	\$ 18,647	\$ 1,361,507
Assays	1,592,468	6,775	1,599,243
Administrative services	1,669,510	2,847	1,672,357
Transportation & vehicle maintenance	4,153,692	85,018	4,238,710
Wages & benefits	316,366		316,366
Geology & mapping	7,916,625	960,095	8,876,720
Geophysics	179,308		179,308
Roads & trenches	1,523,175		1,523,175
Taxes & licenses	396,787	55,606	452,393
Office rentals & support	588,083	6,890	594,973
Drilling	5,921,508		5,921,508
Joint venture billings	2,091,538		2,091,538
Option payments & recoveries	<u>(1,366,687)</u>	<u>(11,260)</u>	<u>(1,377,947)</u>
	26,325,233	1,124,618	27,449,851
Less: write-offs & transfers to Pachamama	<u>(14,996,794)</u>	<u>(17,557)</u>	<u>(15,014,351)</u>
	<u>\$ 11,328,439</u>	<u>\$ 1,107,061</u>	<u>\$ 12,435,500</u>

6. CAPITAL STOCK

Authorized: unlimited common shares without par value.

The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options and finders warrants.

	February 28, 2010	May 31, 2009
Risk-free interest rate		1.40%
Expected life of options and finders' warrants		4.97 Years
Annualized volatility		128.18%
Dividend rate		0%

Warrants

There were no warrants granted, forfeited, cancelled or exercised during the quarter, or outstanding as at February 28, 2010.

6. CAPITAL STOCK (cont'd...)

Stock-based compensation

The Company recognizes compensation for all stock options granted using the fair value based method of accounting.

Stock options

Under the Company's stock option plan effective October 9, 2002 and amended September 23, 2005, September 26, 2007, and October 27, 2008, the Company may grant options, with a maximum term of ten years, for up to 5,964,916 common shares to directors, employees and consultants at exercise prices to be determined by the market value on the date of grant. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted with the exception of options granted in relation to investor relations. Options granted to consultants engaged in investor relations activities must vest no earlier than as to one-quarter upon the grant date and as to a further one-quarter after each of the following three four-month periods.

At February 28, 2010, the following incentive stock options were outstanding:

Number of Options	Exercise Price	Expiry Date	Exercisable
4,375,000	\$ 0.23	December 29, 2013	4,375,000
<u>50,000</u>	0.40	April 7, 2011	<u>50,000</u>
<u>4,425,000</u>			<u>4,425,000</u>

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, May 31, 2008	4,425,000	\$ 2.48
Options granted	4,475,000	0.23
Options cancelled	<u>(4,475,000)</u>	<u>2.46</u>
Balance, May 31, 2009 and February 28, 2010	<u>4,425,000</u>	<u>\$ 0.23</u>
Number of options currently exercisable	<u>4,425,000</u>	<u>\$ 0.23</u>

7. RELATED PARTY TRANSACTIONS

During the year to date, the Company paid management fees and technical consulting fees in the amount of \$180,000 (2009 - \$525,700) to directors and companies controlled by directors of the Company.

During the year to date, the Company paid administrative consulting fees in the amount of \$95,742 (2009 - \$208,198) to an officer of the Company and to a company controlled by a director of the Company.

7. RELATED PARTY TRANSACTIONS (cont'd...)

Amounts payable to related parties at February 28, 2010 aggregated \$66,304 (May 31, 2009 - \$45,994). Included in receivables at February 28, 2010 was an amount of \$11,705 owing to the Company from Pachamama for services rendered. The fair value for amounts due to and from related parties is not determinable since there are no stated terms of repayment.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and are covered by signed agreements. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. SEGMENTED INFORMATION

The Company operates under one segment, that being the exploration and development of mineral properties. Geographical information is as follows:

	Total Assets	Equipment	Deferred Exploration Costs	Other Assets
February 28, 2010				
Canada	\$ 1,969,059	\$ 4,888	\$	\$ 1,964,171
Bermuda	12,314			12,314
Argentina	<u>12,759,568</u>	<u>133,954</u>	<u>12,435,500</u>	<u>190,114</u>
	\$ 14,740,941	\$ 138,842	\$ 12,435,500	\$ 2,166,599

	Total Assets	Equipment	Deferred Exploration Costs	Other Assets
May 31, 2009				
Canada	\$ 3,152,575	\$ 5,926	\$	\$ 3,146,649
Bermuda	10,146			10,146
Argentina	<u>11,654,330</u>	<u>150,857</u>	<u>11,328,439</u>	<u>175,034</u>
	\$ 14,817,051	\$ 156,783	\$ 11,328,439	\$ 3,331,829

	2010		2009	
	Quarter to Date	Year to Date	Quarter to Date	Year to Date
Loss before other items:				
Canada	\$ 249,083	\$ 638,685	\$ 979,789	\$ 1,921,522
Bermuda	5,933	23,250	178	14,721
Argentina	<u>34,865</u>	<u>97,198</u>	<u>41,725</u>	<u>122,847</u>
	\$ 289,881	\$ 759,133	\$ 1,021,692	\$ 2,059,090

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The significant non-cash transaction for the period ended February 28, 2010 is:

- a) Included in accounts payable and accrued liabilities is \$74,441 (May 31, 2009 - \$84,927, February 28, 2009 - \$21,705) related to deferred exploration costs.

	February 28, 2010	May 31, 2009
Cash paid for income taxes		
Cash paid for interest		

10. PLAN OF ARRANGEMENT

On October 29, 2008, the shareholders approved a Plan of Arrangement to reorganize the Company's mineral property assets in an effort to maximize shareholder value. Under the terms of the Plan of Arrangement, all of the Company's existing mineral properties with the exception of Lindero were transferred into a new company, incorporated under the name Pachamama Resources Ltd. Under the terms of the Plan of Arrangement, the Company's shareholders of record on November 20, 2008 received one share of Pachamama for every one Mansfield share held. Concurrently, Mansfield transferred certain cash and securities to Pachamama to provide working capital and exploration funding along with certain accounts payable and accrued liabilities and asset retirement obligations directly related to the mineral properties transferred, and the following subsidiaries: Argex Mining Samenta Ltd., Argex Cerro Gordo Ltd. and Minera El Toro S.A. The Pachamama common shares commenced trading on the TSX Venture Exchange on November 28, 2008 under the trading symbol "PMA".

The reorganization was designed to allow the Company's shareholders to realize the value of the Company's Lindero property through continued ownership of the Company's common shares, while retaining the upside potential associated with the Company's other exploration and development properties through ownership of Pachamama common shares.

The Company's Consolidated Statement of Operations and Comprehensive Income (Loss) for the period ended February 28, 2009 is the result of a "carve-out" of an allocation of general and administrative expenses for the period to Pachamama. The allocation of the Company's general and administrative expenses was calculated on the basis of each company's share of the expenditures on a line-by-line basis.

The aggregate value of the net assets and liabilities transferred from the Company to Pachamama were as follows:

Asset (liability)		
Cash and cash equivalents	\$	7,816,234
Performance bonds		8,300
Receivables		8,684
Short-term investments		21,250
Long-term investment securities		1,393,070
Deferred exploration costs		2,595,071
Accounts payable and accrued liabilities		(660,240)
Asset retirement obligation		(604,157)
	\$	10,578,212

11. FINANCIAL INSTRUMENTS

Fair value

The carrying value of receivables, accounts payable and accrued liabilities and due to related parties approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,492,807	\$	\$	\$ 1,492,807
Long term investment securities	492,500			492,500
Total	\$ 1,985,307	\$	\$	\$ 1,985,307

Risk management

The Company does not maintain significant cash or other monetary assets or liabilities outside of Canada.

The Company relies on local consultants for the management of its exploration activities and for legal and accounting matters.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2010, the Company had a cash and cash equivalent balance of \$1,492,807 (May 31, 2009 - \$2,037,710) to settle current liabilities of \$188,608 (May 31, 2009 - \$166,148). Management believes that it has sufficient funds to meet its current liabilities as they become due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and interest-bearing investments. The interest earned on the investments approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of February 28, 2010, the Company had a total of \$299,975 in investment-grade short-term deposit certificates.

11. FINANCIAL INSTRUMENTS (cont'd...)

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due to related parties that are denominated in United States dollars (U.S.) and Argentinean pesos.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of the securities.

Sensitivity Analysis

The Company operates in Argentina and is exposed to risk from changes in the U.S. dollar and the Argentinean peso. A simultaneous 10% fluctuation in the United States dollar and Argentinean peso against the Canadian dollar would affect net loss for the period by approximately \$45,000.