



**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SECOND QUARTER ENDED**

**NOVEMBER 30, 2011**

**(Unaudited)**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**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.**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited –prepared by management)  
Canadian Funds

	November 30 2011	May 31 2011 (Note 14)	June 1 2010 (Note 14)
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents (Note 4)	\$ 4,282,651	\$ 6,962,136	\$ 6,255,222
Receivables (Note 5)	44,542	55,144	37,726
Prepaid expenses (Note 6)	341	6,055	423
	4,327,534	7,023,335	6,293,371
<b>Equipment</b>	50,401	61,791	57,212
<b>Exploration and evaluation assets (Note 7)</b>	<u>15,809,770</u>	<u>14,490,621</u>	<u>10,485,888</u>
	\$ 20,187,705	\$ 21,575,747	\$ 16,836,471
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities (Note 8)	\$ 66,707	\$ 328,431	\$ 211,485
Due to related parties (Note 10)	81,466	111,659	42,105
	148,173	440,090	253,590
<b>Asset retirement obligation</b>	<u>1,277,325</u>	<u>1,314,581</u>	<u>1,123,887</u>
	<u>1,425,498</u>	<u>1,754,671</u>	<u>1,377,477</u>
<b>Shareholders' equity</b>			
Capital stock (Note 9)	61,678,977	61,678,977	54,670,482
Treasury stock (Note 9)	(41,600)	(41,600)	(41,600)
Accumulated other comprehensive income	(2,148,862)	(1,595,544)	
Share compensation reserve (Note 9)	11,095,237	11,095,237	10,907,568
Deficit	<u>(51,821,545)</u>	<u>(51,315,994)</u>	<u>(50,077,456)</u>
	<u>18,762,207</u>	<u>19,821,076</u>	<u>15,458,994</u>
	\$ 20,187,705	\$ 21,575,747	\$ 16,836,471

**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

**Mansfield Minerals Inc.****INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Unaudited –prepared by management)

For the period ended November 30 - Canadian Funds

	2011		2010	
	Quarter to Date	Year to Date	Quarter to Date	Year to Date
<b>EXPENSES</b>				
Accounting and audit	\$ 21,668	\$ 34,701	\$ 17,785	\$ 19,318
Interest expense	16,033	32,166	11,161	22,583
Amortization	4,210	8,686	4,035	9,614
Bank charges and interest	1,525	2,641	2,257	3,821
Consulting fees	37,590	72,182	68,597	104,316
Consulting fees – stock-based compensation (Note 9)			16,038	36,576
Fees and taxes	8,579	14,118	14,163	23,630
Insurance		11,800		14,000
Investor relations and shareholder information	65,375	123,563	64,108	126,146
Legal	9,707	14,955	14,369	29,017
Management fees	60,000	120,000	60,000	120,000
Office and administration	17,354	22,131	19,029	25,774
Rent	12,438	24,166	12,492	24,619
Telephone	3,306	6,297	3,815	7,021
Transfer agent and listing fees	4,000	5,500	4,000	4,000
Travel and entertainment	19,043	28,006	22,277	32,899
Wages and benefits	23,039	45,959	23,064	40,599
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(303,867)</b>	<b>(566,871)</b>	<b>(357,190)</b>	<b>(643,933)</b>
<b>OTHER ITEMS</b>				
Gain on foreign exchange	14,137	26,760	12,328	18,095
Interest income	9,287	25,881	9,958	23,997
Gain on disposal of equipment	8,679	8,679		
Write-off of exploration and evaluation assets (Note 7)			(4,433)	(11,328)
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ (271,764)</b>	<b>\$ (505,551)</b>	<b>(339,337)</b>	<b>(613,169)</b>
<b>Loss per common share – basic and diluted</b>	<b>\$ (0.005)</b>	<b>\$ (0.010)</b>	<b>\$ (0.007)</b>	<b>\$ (0.013)</b>
<b>Weighted average number of common shares outstanding</b>	<b>50,833,131</b>	<b>50,833,131</b>	<b>47,807,782</b>	<b>47,726,448</b>

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



**Mansfield Minerals Inc.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited –prepared by management)  
For the period ended November 30 – Canadian Funds

	2011 Year to Date	2010 Year to Date
<b>Cash Flows from Operating Activities</b>		
Net loss for the period	\$ (505,551)	\$ (613,169)
Items not affecting cash:		
Interest expense	32,166	22,583
Amortization	8,686	9,614
Stock-based compensation		36,576
Write-off of exploration and evaluation assets		11,328
Gain on disposal of equipment	(8,679)	
Changes in non-cash working capital items:		
Decrease in prepaid expenses	5,695	
Decrease (increase) in receivables	10,163	(99,816)
Decrease in accounts payable and accrued liabilities	(3,928)	(48,345)
Increase (decrease) in due to related parties	(30,193)	104,091
Net cash used in operating activities	<u>(491,641)</u>	<u>(577,138)</u>
<b>Cash Flows from Financing Activities</b>		
Issuance of capital stock		<u>2,185,457</u>
Net cash provided by financing activities		2,185,457
<b>Cash Flows from Investing Activities</b>		
Acquisition of exploration and evaluation assets	(2,146,980)	(2,225,911)
Proceeds from disposal of equipment	11,230	
Acquisition of equipment	<u>(2,430)</u>	<u>(43,243)</u>
Net cash used in investing activities	(2,138,180)	(2,269,154)
<b>Effect of foreign exchange on cash and cash equivalents</b>	<u>(49,664)</u>	<u>(45,571)</u>
<b>Decrease in cash and cash equivalents</b>	(2,679,485)	(706,406)
<b>Cash and cash equivalents, beginning of period</b>	<u>6,962,136</u>	<u>6,255,222</u>
<b>Cash and cash equivalents, end of period</b>	\$ 4,282,651	\$ 5,548,816

Included in cash and cash equivalents is \$2,757,651 in cash and \$1,525,000 in term deposits.

Cash paid during the period for interest	\$	\$
Cash paid during the period for income taxes	\$	\$

Supplemental disclosure with respect to cash flows (Note 11)

## **Mansfield Minerals Inc.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited –prepared by management)

For the period ended November 30, 2011

#### **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 exploration and evaluation assets located primarily in Argentina. The Company's registered and records is at Suite 3350, 1055 Dunsmuir Street, Vancouver, BC, V7X 1L2. The Company's head office is at Suite 922, 510 West Hastings Street, Vancouver, BC, V6B 1L8.

The Company commissioned a bankable feasibility study on the Lindero property in the prior year which is ongoing. The ability of the Company to realize the costs it has incurred to date on its mineral property interests is dependent upon the Company being able to finance its exploration and development expenditures 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.

These interim consolidated financial statements were authorized by the audit committee and board of directors of the Company on January 30, 2012.

#### **2. BASIS OF PREPARATION**

These unaudited interim consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these interim consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual consolidated financial statements prepared under Canadian Generally Accepted Accounting Principles ("GAAP"). The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements. They also have been applied in preparing an opening IFRS balance sheet at June 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 14.

The preparation of these interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the interim consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The recoverability of receivables which are included in the consolidated statements of financial position;
- ii) The carrying value and the recoverability of exploration and evaluation assets, which are included in the consolidated statements of financial position;
- iii) The inputs used in accounting for stock-based compensation expense, which are included in the consolidated statements of operations; and
- iv) The recognition of deferred income taxes.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of consolidation**

These interim consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 10). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the interim consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

#### **Foreign exchange**

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for the entities within the Company is the Canadian dollar (the Company), the Argentine peso (Mansfield Minera) and the United States dollar (Mansfield (Bermuda) and Argex Mining (Barbados)). The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting periods, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the consolidated statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statements of operations.

#### **Financial instruments**

##### Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of operations.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of operations.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statement of operations.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of operations.

*Other financial liabilities*: This category includes amounts due to related parties and accounts payables and accrued liabilities which are recognized at amortized cost.

The Company has classified its cash and cash equivalents as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

#### **Exploration and evaluation assets**

Costs related to the acquisition, exploration and development of mineral properties are capitalized by property until the commencement of commercial production. The Company's mineral property is considered to be a cash generating unit. If commercially profitable ore reserves are developed, capitalized costs of the property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

#### **Cash and cash equivalents**

Cash and cash equivalents are comprised of cash on deposit and highly liquid short-term interest bearing variable rate investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

#### **Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **Impairment (cont'd...)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **Provision for environmental rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the consolidated statement of operations for the period.

#### **Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

#### **Stock-based compensation**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

#### **Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Income taxes (cont'd...)**

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Recent accounting pronouncements**

Financial Instruments IFRS 9, "Financial Instruments" ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

Amendments to IFRS 7, *Financial Instruments: Disclosures* are effective for annual periods beginning on or after July 1, 2011 and introduce enhanced disclosure around transfer of financial assets and associated risks. These amendments are not anticipated to impact the disclosures made by the Company.

Amendments to IAS 1, *Presentation of Financial Statements* (effective for annual periods beginning on or after July 1, 2012) require that elements of other comprehensive income that may subsequently be reclassified through profit and loss be differentiated from those items that were not reclassified.

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, and consequential revisions to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (all effective January 1, 2013) provide revised guidelines on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of "control" for identifying entities which are to be consolidated.

IFRS 13 *Fair Value Measurement* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.

The Company is currently evaluating the impact of these new and amended standards on its financial statements.

**4. CASH AND CASH EQUIVALENTS**

	November 30, 2011	May 31, 2011
Cash on deposit	\$ 2,757,651	\$ 762,136
Liquid short term deposit	<u>1,525,000</u>	<u>6,200,000</u>
	<u>\$ 4,282,651</u>	<u>\$ 6,962,136</u>

**5. RECEIVABLES**

The Company's receivables arise from various tax credits receivable from the Canadian and Argentine government taxation authorities, accrued interest receivable on liquid short term deposits and advances receivable. These are broken down as follows:

	November 30, 2011	May 31, 2011
Tax credits receivable	\$ 23,527	\$ 33,901
Advances receivable	8,330	268
Interest receivable	<u>12,685</u>	<u>20,975</u>
	<u>\$ 44,542</u>	<u>\$ 55,144</u>

**6. PREPAID EXPENSES**

The prepaid expenses for the Company are broken down as follows:

	November 30, 2011	May 31, 2011
Rental damage deposit	\$ 341	\$ 360
Vendor pre-payments	<u>          </u>	<u>5,695</u>
	<u>\$ 341</u>	<u>\$ 6,055</u>

**7. EXPLORATION AND EVALUATION ASSETS**

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 property 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.

	As at November 30, 2011		
	Direct	Written-off or Transferred	Total
<b>Argentina properties</b>			
Lindero - Arizaro	\$ 15,809,770	\$	\$ 15,809,770
General exploration, write-offs or transfers to Pachamama	<u>15,030,506</u>	<u>(15,030,506)</u>	<u>          </u>
<b>Total Argentina</b>	<u>\$ 30,840,276</u>	<u>\$ (15,030,506)</u>	<u>\$ 15,809,770</u>

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

	As at May 31, 2011		
	Direct	Written-off or Transferred	Total
<b>Argentina properties</b>			
Lindero - Arizaro	\$ 14,490,621	\$	\$ 14,490,621
General exploration, write-offs or transfers to Pachamama	<u>15,030,506</u>	<u>(15,030,506)</u>	<u></u>
<b>Total Argentina</b>	29,521,127	(15,030,506)	14,490,621

	Balance, May 31, 2011	Additions	Balance, Nov 30, 2011
Field operations	\$ 1,494,126	\$ 27,563	\$ 1,521,689
Assays	1,710,298	60,849	1,771,147
Administrative services	1,686,574	(10,350)	1,676,224
Transportation and vehicle maintenance	4,701,257	79,833	4,781,090
Wages and benefits	316,366	(2,654)	313,712
Geology and mapping	12,478,763	761,058	13,239,821
Geophysics	179,308	(2,219)	177,089
Roads and trenches	2,467,303 <sup>(1)</sup>	(63,359)	2,403,944
Taxes and licenses	547,161	(7,847)	539,314
Office rentals and support	605,572	(3,745)	601,827
Drilling	7,090,447	390,484	7,480,931
Joint venture billings	2,091,538		2,091,538
Option payments and recoveries	<u>(1,473,176)</u>	<u>1,446</u>	<u>(1,471,730)</u>
	33,895,537	1,231,059	35,126,596
Less: write-offs and transfers to Pachamama	<u>(15,030,506)</u>	<u></u>	<u>(15,030,506)</u>
	\$ 18,865,031	\$ 1,231,059	\$ 20,096,090
Foreign exchange adjustment	<u>(4,374,410)</u>	<u>88,090</u>	<u>(4,286,320)</u>
	\$ 14,490,621	\$ 1,319,149	\$ 15,809,770

(1) Included is 32,166 in liabilities incurred with respect to the Company's asset retirement obligation.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities for the Company are broken down as follows:

	Nov 30, 2011	May 31, 2010
Accrued liabilities	\$	\$ 20,000
Trade payables	<u>66,707</u>	<u>308,431</u>
	\$ 66,707	\$ 328,431

All payables and accrued liabilities for the Company fall due within the next 12 months.

**9. CAPITAL STOCK AND RESERVES**

**Authorized:** unlimited common shares without par value. All issued shares are fully paid.

**Treasury shares:** recorded at cost.

**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.

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

	Number of Options	Weighted Average Exercise Price
Balance, May 31, 2010	4,375,000	\$ 0.26
Options granted	135,000	2.34
Options exercised	<u>(185,000)</u>	1.15
Balance, May 31, 2011 and November 30, 2011	<u>4,325,000</u>	\$ 0.28
Number of options currently exercisable	4,325,000	\$ 0.28

**9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options (cont'd...)**

At November 30, 2011, the following incentive stock options were outstanding to directors, officers and employees:

Number of Options	Exercise Price	Expiry Date	Exercisable
4,225,000	\$ 0.23	December 29, 2013	4,225,000
<u>100,000</u>	2.53	March 23, 2013	<u>100,000</u>
4,325,000			4,325,000

**Warrants**

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Expiry Date	Weighted Average Exercise Price
Balance, May 31, 2010	1,932,000		\$ 1.77
Warrants granted	500,000	May 16, 2012	2.75
Warrants granted	952,500	Mar 21, 2012	3.00
Compensation options granted	60,000	May 16, 2012	2.30
Compensation options granted	108,300	Mar 21, 2012	2.50
Compensation options exercised	(37,260)	May 18, 2012	1.50
Finder's warrants granted	<u>30,825</u>	Mar 21, 2012	3.00
Balance, May 31, 2011 and November 30, 2011	3,546,365		\$ 2.28

At November 30, 2011, the following warrants, compensation options and finder's warrants were outstanding:

	Number of Warrants	Exercise Price	Expiry Date
Warrants	952,500	\$ 3.00	March 21, 2012
Compensation Options	108,300	2.50	March 21, 2012
Finder's Warrants	30,825	3.00	March 21, 2012
Warrants	500,000	2.75	May 16, 2012
Compensation Options	60,000	2.30	May 16, 2012
Warrants	1,725,000	1.80	May 18, 2012
Compensation Options	<u>169,740</u>	1.50	May 18, 2012
	3,546,365		

**9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock-based compensation**

The Company recognizes compensation for all stock options granted using the fair value based method of accounting. During the period ended November 30, 2011, the Company recorded \$Nil (2010 - \$36,576) in stock-based compensation expense in relation to options vested during the period. The following weighted average assumptions were used for the Black-Scholes valuation of stock options and warrants granted during the period:

	November 30, 2011	November 30, 2010
Risk-free interest rate		1.51%
Expected life of options and compensation options		1.3 Years
Annualized volatility		65.45%
Dividend		0%
Weighted average fair value per option		\$0.58

**10. RELATED PARTY TRANSACTIONS**

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Mansfield (Bermuda) Ltd.	Bermuda	100%	Holding company
Argex Mining (Barbados) Inc.	Barbados	100%	Holding company
Mansfield Minera S.A.	Argentina	100%	Mineral exploration

All transactions with related parties are in the normal course of operations and are measured at their fair value as determined by management.

During the six months ended November 30, 2011, the Company entered into the following transactions with related parties:

- a) Paid or accrued fees in the amount of \$120,000 (2010 – \$120,000) for consulting services to private companies controlled by officers and directors of the Company. The Company owed \$Nil to these private companies as at November 30, 2011 (2010 - \$Nil).
- b) Paid or accrued administrative fees in the amount of \$60,899 (2010 - \$61,157) to officers and to a company controlled by a director of the Company, which included \$51,000 in consulting fees (2010 - \$51,000) and \$9,899 in fees and taxes (2010 - \$10,157). The Company owed \$81,466 to these companies as at November 30, 2011 (2010 - \$158,748).

Amounts payable to related parties at November 30, 2011 aggregated \$81,466 (May 31, 2011 - \$111,659). 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.

**10. RELATED PARTY TRANSACTIONS (cont'd...)**

The remuneration of directors and other members of key management personnel during the six months ended November 30, 2011 and 2010 are as follows:

	2011		2010	
Management fees	\$	120,000	\$	120,000
		<u>          </u>		<u>          </u>
	\$	120,000	\$	120,000

**11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

The significant non-cash transaction for the period ended November 30, 2011 is:

- a) Included in accounts payable and accrued liabilities is \$12,292 (May 31, 2011 - \$269,364, November 30, 2010 - \$32,126) related to exploration and evaluation assets.

	Nov 30, 2011	May 31, 2011
Cash paid for income taxes	\$	\$
Cash paid for interest		

**12. SEGMENTED INFORMATION**

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

	Total Assets	Equipment	Exploration and Evaluation Assets	Other Assets
November 30, 2011				
Canada	\$ 4,218,007	\$ 3,096	\$	\$ 4,214,911
Bermuda	14,316			14,316
Argentina	<u>15,955,382</u>	<u>47,305</u>	<u>15,809,770</u>	<u>98,307</u>
	\$ 20,187,705	\$ 50,401	\$ 15,809,770	\$ 4,327,534

	Total Assets	Equipment	Exploration and Evaluation Assets	Other Assets
May 31, 2011				
Canada	\$ 6,564,728	\$ 3,494	\$	\$ 6,561,234
Bermuda	6,071			6,071
Argentina	<u>15,004,948</u>	<u>58,297</u>	<u>14,490,621</u>	<u>456,030</u>
	\$ 21,575,747	\$ 61,791	\$ 14,490,621	\$ 7,023,335

### 13. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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.

The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties approximate carrying value, which is the amount payable on the consolidated statements of financial position. The Company's other financial instrument, cash and cash equivalents, under the fair value hierarchy, are based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

#### *Credit risk*

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

The Company's cash and cash equivalents are held at large Canadian financial institutions with a portion in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist mainly of tax credits due from the government of Canada and Argentina and interest receivable on short-term investments held by the Company's bank. As such, the Company does not believe it is subject to 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 November 30, 2011, the Company had a cash and cash equivalent balance of \$4,282,651 (May 31, 2011 - \$6,962,136) to settle current liabilities of \$148,173 (May 31, 2011 - \$440,090). 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 financial institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at November 30, 2011, the Company had a total of 1,525,000 in investment-grade short-term deposit certificates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal because of the short-term nature of these investments.

##### b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to financial instruments that are denominated in United States dollars ("U.S.\$") and the Argentina Peso (Peso). A 10% fluctuation in the U.S.\$ and Peso against the Canadian dollar would affect net loss for the period by approximately \$275,000.

**13. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

*Market risk (cont'd...)*

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.

*Capital management*

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 exploration and evaluation assets, 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 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.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

**14. FIRST TIME ADOPTION OF IFRS**

As stated in Note 2, these consolidated financial statements are for the period covered by the Company's second interim condensed consolidated financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the condensed consolidated financial statements for the period ended November 30, 2011 and 2010, the consolidated financial statements for the year ended May 31, 2011 and the opening IFRS statement of financial position on June 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the interim period ended November 30, 2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- a) to apply the requirements of IFRS 2, Share-based payment, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and
- b) to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arose on adoption of IFRS.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of June 1, 2010 are consistent with its GAAP estimates for the same date.

**14. FIRST TIME ADOPTION OF IFRS (cont'd...)**

The reconciliation between GAAP and IFRS consolidated statement of financial position as at June 1, 2010 (date of transition to IFRS) is provided below:

June 1, 2010				
	Note	GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>				
<b>Current</b>				
Cash and cash equivalents		\$ 6,255,222	\$	\$ 6,255,222
Receivables		37,726		37,726
Prepaid expenses		<u>423</u>		<u>423</u>
		6,293,371		6,293,371
Equipment	(d)	133,186	(75,974)	57,212
Exploration and evaluation assets	(d)	<u>13,334,878</u>	<u>(2,848,990)</u>	<u>10,485,888</u>
		\$ 19,761,435	\$ (2,924,964)	\$ 16,836,471
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current</b>				
Accounts payable and accrued liabilities		\$ 211,485	\$	\$ 211,485
Due to related parties		<u>42,105</u>		<u>42,105</u>
		253,590		253,590
<b>Asset retirement obligation</b>		<u>1,123,887</u>		<u>1,123,887</u>
		1,377,477		1,377,477
<b>Shareholders' equity</b>				
Capital stock		54,670,482		54,670,482
Treasury stock		(41,600)		(41,600)
Share compensation reserve	(a)(c)	10,893,555	14,013	10,907,568
Deficit	(a)(d)	<u>(47,138,479)</u>	<u>(2,938,977)</u>	<u>(50,077,456)</u>
		<u>18,383,958</u>	<u>(2,924,964)</u>	<u>15,458,994</u>
		\$ 19,761,435	\$ (2,924,964)	\$ 16,836,471

**14. FIRST TIME ADOPTION OF IFRS (cont'd...)**

The reconciliation between GAAP and IFRS consolidated statement of financial position as at November 30, 2010 is provided below:

		November 30, 2010		
	Note	GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>				
<b>Current</b>				
Cash and cash equivalents		\$ 5,548,816	\$	\$ 5,548,816
Receivables		137,301		137,301
Prepaid expenses		<u>404</u>		<u>404</u>
		5,686,521		5,686,521
Equipment	(d)	165,393	(77,365)	88,028
Exploration and evaluation assets	(d)	<u>15,464,008</u>	<u>(3,240,134)</u>	<u>12,223,874</u>
		\$ 21,315,922	\$ (3,317,499)	\$ 17,998,423
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current</b>				
Accounts payable and accrued liabilities		\$ 76,653	\$	\$ 76,653
Due to related parties		<u>146,366</u>		<u>146,366</u>
		223,019		223,019
<b>Asset retirement obligation</b>	(b)	<u>1,146,113</u>	<u>(48,495)</u>	<u>1,097,618</u>
		1,369,132	(48,495)	1,320,637
<b>Shareholders' equity</b>				
Capital stock		56,841,563		56,841,563
Treasury stock		(41,600)		(41,600)
Share compensation reserve	(a)(c)	10,934,059	24,461	10,958,520
Accumulated other comprehensive income	(d)		(390,072)	(390,072)
Deficit	(a)(d)	<u>(47,787,232)</u>	<u>(2,903,393)</u>	<u>(50,690,625)</u>
		<u>19,946,790</u>	<u>(3,269,004)</u>	<u>16,677,786</u>
		\$ 21,315,922	\$ (3,317,499)	\$ 17,998,423

**14. FIRST TIME ADOPTION OF IFRS (cont'd...)**

The reconciliation between GAAP and IFRS consolidated statement of financial position as at May 31, 2011 is provided below:

		May 31, 2011		
	Note	GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>				
<b>Current</b>				
Cash and cash equivalents		\$ 6,962,136	\$	\$ 6,962,136
Receivables		55,144		55,144
Prepaid expenses		<u>6,055</u>		<u>6,055</u>
		7,023,335		7,023,335
Equipment	(d)	131,875	(70,084)	61,791
Exploration and evaluation assets	(b)(d)	<u>18,865,031</u>	<u>(4,374,410)</u>	<u>14,490,621</u>
		\$ 26,020,241	\$ (4,444,494)	\$ 21,575,747
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current</b>				
Accounts payable and accrued liabilities		\$ 328,431	\$	\$ 328,431
Due to related parties		<u>111,659</u>		<u>111,659</u>
		440,090		440,090
<b>Asset retirement obligation</b>		<u>1,481,760</u>	<u>(167,179)</u>	<u>1,314,581</u>
		1,921,850	(167,179)	1,754,671
<b>Shareholders' equity</b>				
Capital stock		61,678,977		61,678,977
Treasury stock		(41,600)		(41,600)
Share compensation reserve	(a)(c)	11,095,237		11,095,237
Accumulated other comprehensive deficit	(d)		(1,595,544)	(1,595,544)
Deficit	(a)(d)	<u>(48,634,223)</u>	<u>(2,681,771)</u>	<u>(51,315,994)</u>
		<u>24,098,391</u>	<u>(4,277,315)</u>	<u>19,821,076</u>
		\$ 26,020,241	\$ (4,444,494)	\$ 21,575,747

**14. FIRST TIME ADOPTION OF IFRS (cont'd...)**

The reconciliation between GAAP and IFRS comprehensive loss for the six months ended November 30, 2010, and the year ended May 31, 2011 is provided below.

	Note	Six Months Ended November 30, 2010		
		GAAP	Effect of transition to IFRS	IFRS
<b>EXPENSES</b>				
Audit and accounting		\$ 19,318	\$	\$ 19,318
Interest expense		22,583		22,583
Amortization		11,036	(1,422)	9,614
Bank charges and interest		3,821		3,821
Consulting fees		104,316		104,316
Consulting fees – stock-based compensation	(a)	26,128	10,448	36,576
Fees and taxes		23,630		23,630
Insurance		14,000		14,000
Investor relations and shareholder information		126,146		126,146
Legal		29,017		29,017
Management fees		120,000		120,000
Office and administration		25,774		25,774
Rent		24,619		24,619
Telephone		7,021		7,021
Transfer agent and listing fees		4,000		4,000
Travel and entertainment		32,899		32,899
Wages and benefits		<u>40,599</u>		<u>40,599</u>
<b>Loss before other items</b>		(634,907)	(9,026)	(643,933)
<b>OTHER ITEMS</b>				
Interest income		23,997		23,997
Gain (loss) on foreign exchange	(d)	(26,515)	44,610	18,095
Write-off of exploration and evaluation assets		<u>(11,328)</u>		<u>(11,328)</u>
<b>Loss and comprehensive loss for the period</b>		\$ (648,753)	\$ 35,584	\$ (613,169)

**14. FIRST TIME ADOPTION OF IFRS (cont'd...)**

	Note	Year Ended May 31, 2011		
		GAAP	Effect of transition to IFRS	IFRS
<b>EXPENSES</b>				
Accounting and audit		\$ 50,488	\$	\$ 50,488
Interest expense		43,319		43,319
Amortization		18,575		18,575
Bank charges and interest		7,489		7,489
Consulting fees		193,252		193,252
Consulting fees - stock-based compensation	(a)	172,026	(14,013)	158,013
Fees and taxes		(37,449)		(37,449)
Insurance		27,766		27,766
Investor relations and shareholder information		240,858		240,858
Legal		47,398		47,398
Management fees		240,000		240,000
Office and administration		45,920		45,920
Rent		49,104		49,104
Telephone		15,083		15,083
Transfer agent and filing fees		28,885		28,885
Travel and entertainment		61,500		61,500
Wages and benefits		88,142		88,142
<b>Loss before other items</b>		(1,292,356)	14,013	(1,278,343)
<b>OTHER ITEMS</b>				
Gain (loss) on foreign exchange	(d)	(256,045)	243,193	(12,852)
Interest income		51,924		51,924
Write-off of exploration and evaluation assets		(10,419)		(10,414)
Gain on disposal of equipment		11,147		11,147
<b>Loss and comprehensive loss for the year</b>		\$ (1,495,744)	\$ 257,206	\$ (1,238,538)

**14. FIRST TIME ADOPTION OF IFRS (cont'd...)**

The reconciliation between GAAP and IFRS statements of cash flow for the six months ended November 30, 2010, and the year ended May 31, 2011 is provided below.

	November 30, 2010			
	Note	GAAP	Effect of transition to IFRS	IFRS
<b>Cash Flows from Operating Activities</b>				
Net loss for the period		\$ (648,753)	\$ 35,584	\$ (613,169)
Items not affecting cash:				
Interest expense		22,583		22,583
Amortization		11,036	(1,422)	9,614
Stock-based compensation		26,128	10,448	36,576
Write-off of exploration and evaluation assets		11,328		11,328
Changes in non-cash working capital items:				
Decrease in prepaid expenses		19	(19)	
Increase in receivables		(99,575)	(241)	(99,816)
Decrease in accounts payable and accrued liabilities		(49,380)	1,035	(48,345)
Increase in due to related parties		104,261	(170)	104,091
Net cash used in operating activities		(622,353)	45,215	(577,138)
<b>Cash Flows from Financing Activities</b>				
Issuance of capital stock		2,185,457		2,185,457
Net cash provided by financing activities		2,185,457		2,185,457
<b>Cash Flows from Investing Activities</b>				
Acquisition of exploration and evaluation assets		(2,226,267)	356	(2,225,911)
Acquisition of equipment		(43,243)		(43,243)
Net cash used in investing activities		(2,269,510)	356	(2,269,154)
<b>Effect of foreign exchange on cash and cash equivalents</b>			(45,571)	(45,571)
<b>Decrease in Cash and Cash Equivalents for the Period</b>		(706,406)		(706,406)
<b>Cash and Cash Equivalents – Beginning of Period</b>		6,255,222		6,255,222
<b>Cash and Cash Equivalents – End of Period</b>		\$ 5,548,816	\$	\$ 5,548,816

**14. FIRST TIME ADOPTION OF IFRS (cont'd...)**

	May 31, 2011			
	Note	GAAP	Effect of transition to IFRS	IFRS
<b>Cash Flows from Operating Activities</b>				
Net loss for the year		\$ (1,495,744)	\$ 257,206	\$ (1,238,538)
Items not affecting cash:				
Interest expense		43,319		43,319
Amortization		18,575		18,575
Stock-based compensation		172,026	(14,013)	158,013
Write-off of exploration and evaluation assets		10,414		10,414
Gain on disposal of equipment		(11,147)		(11,147)
Changes in non-cash working capital items:				
Increase in prepaid expenses		(5,632)	4,081	(1,551)
Increase in receivables		(17,418)	(4,852)	(22,270)
Decrease in accounts payable and accrued liabilities		(34,840)	3,587	(31,253)
Increase in due to related parties		69,554	70	69,624
Net cash used in operating activities		(1,250,893)	246,079	(1,004,814)
<b>Cash Flows from Financing Activities</b>				
Issuance of shares for cash, net of issuance costs		7,038,151		7,038,151
Net cash provided by financing activities		7,038,151		7,038,151
<b>Cash Flows from Investing Activities</b>				
Acquisition of exploration and evaluation assets		(5,074,227)	34,145	(5,040,082)
Acquisition of equipment		(25,234)	(36,220)	(61,454)
Disposal of equipment		19,117	21,211	40,328
Net cash provided by investing activities		(5,080,344)	19,136	(5,061,208)
<b>Effect of foreign exchange on cash and cash equivalents</b>			(265,215)	(265,215)
<b>Increase in Cash and Cash Equivalents for the Year</b>		706,914		706,914
<b>Cash and Cash Equivalents – Beginning of Year</b>		6,255,222		6,255,222
<b>Cash and Cash Equivalents – End of Year</b>		\$ 6,962,136	\$	\$ 6,962,136

**14. FIRST TIME ADOPTION OF IFRS (cont'd...)**

**a) Share-based payments**

IFRS requires each tranche of a share-based award with different vesting dates to be considered a separate grant for purpose of fair value calculation, and the resulting fair value is amortized over the vesting period of the respective tranches. Furthermore, forfeiture estimates are recognized in the period they are estimated.

Under GAAP, the fair value of share-based awards with graded vesting was calculated as one single grant and the resulting fair value was recognized on a straight-line basis over the longest vesting period. Forfeitures of awards were only recognized in the period the forfeiture occurred.

**b) Provision for environmental rehabilitation**

IFRS requires provisions for environmental rehabilitation to be estimated based on constructive and legal cash flows discounted based on liability specific risk-free discount rate. The discount rate should be updated periodically at each period end date. Under GAAP, provision for decommissioning liabilities was estimated based on legal cash flows and discounted based on a risk-adjusted discount rate.

Historical net book values of the related mineral properties when the first provisions initially arose were adjusted to reflect historical difference in the provision.

**c) Reclassification with equity section**

Under GAAP, a balance within contributed surplus existed to record the issuance of warrants and options. Under adoption of IFRS, the balances in these accounts have been reclassified to "Reserves – Options" and "Reserves – Warrants".

**d) Functional currency**

Under GAAP, all the Company's subsidiaries were integrated foreign subsidiaries. Therefore, monetary items were translated at year-end rates and non-monetary items were translated at average rates with all currency gains or losses recognized in profit or loss. IFRS requires that the functional currency of each subsidiary of the Company be determined separately. It was determined that, as at the Transition Date, the Canadian dollar was the functional currency of the Company, the Argentine peso was the functional currency of Mansfield Minera S.A. and the United States dollar was the functional currency of Mansfield (Bermuda) Ltd and Argex Mining (Barbados) Inc. In accordance with the IFRS optional exemptions, the Company has elected to transfer the foreign currency differences, recognized as a separate component of shareholders equity, to accumulated loss on the transition date.