

**MANSFIELD MINERALS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MAY 31, 2009**

## AUDITORS' REPORT

To the Shareholders of  
Mansfield Minerals Inc.

We have audited the consolidated balance sheets of Mansfield Minerals Inc. as at May 31, 2009 and 2008 and the consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

September 17, 2009



**MANSFIELD MINERALS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT MAY 31**

	2009	2008
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,037,710	\$ 8,655,045
Performance bonds		8,300
Receivables	163,657	247,516
Prepaid expenses	462	18,690
Short-term investments (Note 3)	<u>                    </u>	<u>114,750</u>
	2,201,829	9,044,301
<b>Long-term investment securities</b> (Note 3)	1,130,000	18,836,625
<b>Equipment</b> (Note 4)	156,783	217,683
<b>Deferred exploration costs</b> (Note 6)	<u>11,328,439</u>	<u>11,745,733</u>
	<u>\$ 14,817,051</u>	<u>\$ 39,844,342</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 120,154	\$ 688,736
Due to related parties (Note 9)	<u>45,994</u>	<u>140,254</u>
	166,148	828,990
<b>Asset retirement obligation</b> (Note 7)	<u>741,599</u>	<u>1,024,577</u>
	<u>907,747</u>	<u>1,853,567</u>
<b>Shareholders' equity</b>		
Capital stock (Note 8)	50,066,348	60,644,560
Treasury stock (Note 8)	(41,600)	(41,600)
Accumulated other comprehensive income (loss)	(1,242,706)	6,918,287
Contributed surplus (Note 8)	10,692,080	9,791,294
Deficit	<u>(45,564,818)</u>	<u>(39,321,766)</u>
	<u>13,909,304</u>	<u>37,990,775</u>
	<u>\$ 14,817,051</u>	<u>\$ 39,844,342</u>

**Nature and continuance of operations** (Note 1)  
**Commitments** (Note 15)

**On behalf of the Board:**

"Gordon P. Leask"

Director

"Megan Cameron-Jones"

Director

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



**MANSFIELD MINERALS INC.**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

	Number of Shares	Amount	Accumulated Other Comprehensive Income	Contributed Surplus	Number of Shares	Treasury Stock	Deficit	Total
<b>Balance, May 31, 2007</b>	42,774,221	\$ 59,786,962	\$	\$ 8,220,740	80,000	\$ (41,600)	\$ (39,551,997)	\$ 28,414,105
Adjustment to fair value of opening balance of long- term investment securities			(34,120)					(34,120)
Shares issued for:								
Exercise of stock options	1,350,000	857,598		(170,598)				687,000
Fair value adjustment of long- term investment securities			6,952,407					6,952,407
Stock-based compensation				1,741,152				1,741,152
Net income for the year							230,231	230,231
<b>Balance, May 31, 2008</b>	44,124,221	60,644,560	6,918,287	9,791,294	80,000	(41,600)	(39,321,766)	37,990,775
Fair value adjustment of long- term investment securities			(8,160,993)					(8,160,993)
Transfer of assets (Note 10)		(10,578,212)						(10,578,212)
Stock-based compensation				900,786				900,786
Loss for the year							(6,243,052)	(6,243,052)
<b>Balance, May 31, 2009</b>	44,124,221	\$ 50,066,348	\$ (1,242,706)	\$ 10,692,080	80,000	\$ (41,600)	\$ (45,564,818)	\$ 13,909,304

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

**MANSFIELD MINERALS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MAY 31**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for the year	\$ (6,243,052)	\$ 230,231
Items not affecting cash:		
Amortization	40,367	49,525
Accretion	41,530	22,623
Write-off of deferred exploration costs	39,527	
Loss (gain) on disposal of long-term investment securities	3,591,312	(365,395)
Gain on disposal of equipment	(13,757)	
Consulting fees - stock-based compensation	900,786	1,741,152
Future income tax recovery		(2,640,858)
Unrealized loss on short-term investments	42,500	
Non-cash portion of loss allocated to spin-off	54,524	(329,353)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	75,175	(186,509)
Decrease in prepaid expenses	18,228	7,116
Increase in accounts payable and accrued liabilities	642,100	5,169
Increase (decrease) in due to related parties	(94,260)	113,192
Net cash used in operating activities	<u>(905,020)</u>	<u>(1,353,107)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of shares for cash, net of issuance costs		687,000
Cash funded to Pachamama	<u>(7,816,234)</u>	
Net cash provided by (used in) financing activities	<u>(7,816,234)</u>	<u>687,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of equipment	34,290	
Proceeds from disposal of long-term investment securities	4,561,250	184,456
Purchase of equipment		(50,170)
Deferred exploration costs, net of option payments	(2,491,621)	(4,325,330)
Acquisition of long-term investment securities		(3,147,741)
Disposal of short-term investments		<u>3,024,475</u>
Net cash provided by (used in) investing activities	<u>2,103,919</u>	<u>(4,314,310)</u>
<b>Decrease in cash and cash equivalents for the year</b>	<b>(6,617,335)</b>	<b>(4,980,417)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>8,655,045</u></b>	<b><u>13,635,462</u></b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,037,710</b>	<b>\$ 8,655,045</b>

**Supplemental disclosures with respect to cash flows (Note 11)**

<b>Cash and cash equivalents</b>		
Cash	\$ 155,615	\$ 569,031
Liquid short term investments	<u>1,882,095</u>	<u>8,086,014</u>
	<b>\$ 2,037,710</b>	<b>\$ 8,655,045</b>

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

## **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 property interests.

At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its mineral property interests. 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 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.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

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	2009	2008
Working capital	\$ 2,035,681	\$ 8,215,311
Deficit	(45,564,818)	(39,321,766)

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## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### **Principles of consolidation**

These consolidated financial statements include the accounts of the Company and the following subsidiaries, all of which are 100% owned:

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

**Principles of consolidation (cont'd...)**

Mansfield (Bermuda) Ltd.	Argex Cerro Gordo Ltd. - until November 28, 2008 (Note 10)
Argex Mining (Barbados) Inc.	Minera El Toro S.A. - until November 28, 2008 (Note 10)
Mansfield Minera S.A.	Argex Mining Samenta Ltd. - until November 28, 2008 (Note 10)

All inter-company transactions and balances have been eliminated upon consolidation.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**Financial Instruments**

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company's investment in equity investees are accounted for using the equity method. Under the equity method, the original cost of the investee is adjusted for the Company's share of post-acquisition earnings or losses and is reduced for dividends received.

The Company has classified its cash and equivalents and short-term investments as held-for-trading. Receivables are classified as loans and receivables. Long-term investment securities are classified as available-for-sale. Accounts payable and accrued liabilities and due to related parties are classified as other liabilities, which are measured at amortized cost.

The Company follows CICA Section 3862, which requires an increased emphasis on disclosing the nature and the extent of risk arising from financial statements and how the entity manages those risks, and CICA Section 3863, which establishes standards for presentation of financial instruments and non-financial derivatives.

**Deferred exploration costs**

The Company records deferred exploration costs, which consist of costs attributable to the exploration of mineral property interests, at cost. All direct and indirect costs relating to the acquisition and exploration of these mineral property interests are capitalized on the basis of specific claim blocks until the mineral property interests to which they relate are placed into production, the mineral property interests are disposed of through sale or where management has determined there to be an impairment. If a mineral property interest is abandoned, the related deferred exploration costs will be written off to operations in the period of abandonment. General exploration costs not attributable to specific mineral property interests are written off at the end of each year.

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

**Deferred exploration costs (cont'd...)**

Any option payments received by the Company from third parties are credited to the capitalized cost of the mineral property. If option payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received.

On an ongoing basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject mineral property interest. Management's determination for impairment is based on: i) whether the Company's exploration programs on the mineral property interests have significantly changed, such that previously identified resource targets are no longer being pursued; ii) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future or iii) whether remaining lease terms are insufficient to conduct necessary studies or exploration work. As at May 31, 2009 and 2008, management believes that no impairment relating to deferred exploration costs was required.

The recorded cost of deferred exploration costs may not reflect recoverable value as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

**Impairment of long-lived assets**

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

**Asset retirement obligations**

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the cost of the related long-lived asset.

**Equipment**

Equipment is recorded at cost and amortization is calculated at the following rates per annum using the declining-balance method:

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

**Equipment (cont'd...)**

Vehicles	30%
Office furnishings	20%
Equipment	30%

**Foreign currency translation**

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Translation gains and losses are reflected in loss for the year.

**Stock-based compensation**

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as consulting fees - stock-based compensation over the vesting period of the stock options with the offsetting credit to contributed surplus. If and when the stock options are ultimately exercised, the applicable amount of contributed surplus is transferred to capital stock.

**Future income taxes**

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Earnings (loss) per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic earnings (loss) per common share is calculated using the weighted-average number of shares outstanding during the year.

The following weighted average number of shares was used for computation of earnings (loss) per share:

**MANSFIELD MINERALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2009**

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

**Earnings (loss) per share (cont'd...)**

	2009	2008
Weighted average shares used in computation of basic earnings (loss) per share	44,044,221	43,331,070
Effect of diluted securities		
Stock option and warrants	_____	<u>1,216,242</u>
Weighted average shares used in computation of diluted earnings (loss) per share	44,044,221	44,547,312

**Capital Disclosures**

The Company follows CICA Section 1535, which establishes standards for the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

**Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.

**Changes in accounting policy**

*General Standards of Financial Statement Presentation (Section 1400)*

In June 2007, the CICA issued amendments to Section 1400, "General Standards of Financial Statement - Presentation" to include requirements to assess and disclose an entity's ability to continue as a going concern. The amendments are effective for interim and annual financial statements beginning on or after January 1, 2008. The Company has applied the new amendments at the beginning of its fiscal year. The implementation did not have a significant impact on the Company's results of operations, or financial position. The new disclosure is provided in Note 1.

*Credit Risk and the Fair Value of Financial Assets and Liabilities (EIC-173)*

In January 2009, the Emerging Issues Committee ("EIC") issued EIC -173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. This new standard is effective for the Company's annual consolidated financial statements for the year ended May 31, 2009. The Company has performed an assessment as of May 31, 2009 and believes there to be no impact on its financial statements.

*Mining Exploration Costs (EIC-174)*

On March 27, 2009, the CICA approved EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The accounting treatment provided for in EIC-174 has been applied in the preparation of these financial statements and did not have an impact on the valuation of the Company's mineral properties.

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

**Future Accounting Changes**

*Goodwill and intangible assets (Section 3064)*

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, EIC 27, "Revenue and Expenditures in the Pre-operating Period", will be withdrawn. The Company does not expect the adoption of this section to have a significant effect on its financial statements. This section will be adopted effective June 1, 2009.

*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.

*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.

**MANSFIELD MINERALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Capital Management (cont'd...)**

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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 year ended May 31, 2009. The Company is not subject to externally imposed capital requirements.

**3. INVESTMENTS**

**Long-term investments**

Long-term investment securities are comprised of the following:

	2009	2008
Fair value of shares of publicly listed entities	\$ 1,130,000	\$ 18,836,625
Historical acquisition cost	2,087,110	9,277,480

**Short-term investments**

Short-term investments are comprised of the following:

	2009	2008
Fair value of shares of publicly listed entities	\$	\$ 114,750
Historical acquisition cost		63,750

**4. EQUIPMENT**

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Vehicles	\$ 307,304	\$ 217,838	\$ 89,466	\$ 357,087	\$ 221,810	\$ 135,277
Office furnishings	103,082	80,755	22,327	102,881	76,698	26,183
Equipment	<u>205,537</u>	<u>160,547</u>	<u>44,990</u>	<u>205,537</u>	<u>149,314</u>	<u>56,223</u>
	<u>\$ 615,923</u>	<u>\$ 459,140</u>	<u>\$ 156,783</u>	<u>\$ 665,505</u>	<u>\$ 447,822</u>	<u>\$ 217,683</u>

**5. 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 property and, to the best of its knowledge, title to its property is in good standing. The mineral property interests in which the Company has committed to earn an interest are located in Argentina and the Company is therefore relying on title opinion by legal counsel who are basing such opinions on the laws of Argentina.

**Lindero, Argentina**

The Company holds a 100% interest in the Lindero property in Salta Province, Argentina.

**Aguas Calientes, Catua, Desierto, El Camino, La Frontera, Lagunas los Patos, Rio Grande, Argentina and Fireweed, Canada**

The Company held a 100% interest in the Aguas Calientes and Catua properties in Jujuy Province, Argentina, the El Camino and Desierto properties in Salta Province, Argentina, the La Frontera and Lagunas los Patos properties in Catamarca Province, Argentina and the Fireweed property in British Columbia, Canada. In addition, the Company held a 50% interest in the Rio Grande property in Salta Province, Argentina. As part of the Plan of Arrangement (Note 10), the Company transferred all mineral properties except the Lindero property to Pachamama during the year ended May 31, 2009.

**6. DEFERRED EXPLORATION COSTS**

	As at May 31, 2009		
	Direct	Written-off or transferred	Total
<b>Argentina properties</b>			
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	12,574,854	(12,574,854)	
<b>Total</b>	<b>\$ 26,325,233</b>	<b>\$(14,996,794)</b>	<b>\$ 11,328,439</b>

**MANSFIELD MINERALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. DEFERRED EXPLORATION COSTS (cont'd...)**

	As at May 31, 2008		
	Direct	Written-off	Total
<b>Argentina properties</b>			
Aguas Calientes	\$ 227,975	\$	\$ 227,975
Arizaro-Lindero	9,005,735		9,005,735
El Camino	189,070		189,070
Rio Grande	2,136,789		2,136,789
Other	12,540,272	(12,354,108)	186,164
<b>Total Argentina</b>	<b>24,099,841</b>	<b>(12,354,108)</b>	<b>11,745,733</b>
<b>Canadian properties</b>			
General exploration	130,565	(130,565)	
<b>Total Canada</b>	<b>130,565</b>	<b>(130,565)</b>	
<b>Total</b>	<b>\$ 24,230,406</b>	<b>\$ (12,484,673)</b>	<b>\$ 11,745,733</b>

	Balance, May 31, 2007	Net Additions	Balance, May 31, 2008	Net Additions	Balance, May 31, 2009
Field operations	\$ 1,226,944	\$ 99,999	\$ 1,326,943	\$ 15,917	\$ 1,342,860
Assays	1,300,996	185,411	1,486,407	106,061	1,592,468
Administrative services	1,654,410	15,589	1,669,999	(489)	1,669,510
Transportation and vehicle maintenance	3,605,161	306,630	3,911,791	241,901	4,153,692
Wages and benefits	316,366		316,366		316,366
Geology and mapping	6,059,905	848,592	6,908,497	1,008,128	7,916,625
Geophysics	144,441		144,441	34,867	179,308
Roads and trenches	1,606,037	143,848	1,749,885	(226,710)	1,523,175
Taxes and licenses	375,918	50,693	426,611	(29,824)	396,787
Office rentals and support	557,918	19,916	577,834	10,249	588,083
Drilling	4,183,617	1,272,308	5,455,925	465,583	5,921,508
Joint venture billings		2,091,538	2,091,538		2,091,538
Option payments and recoveries	(1,536,472)	(299,359)	(1,835,831)	469,144	(1,366,687)
	19,495,241	4,735,165	24,230,406	2,094,827	26,325,233
Less: write-offs and transfers to Pachamama	(12,310,301)	(174,372)	(12,484,673)	(2,512,121)	(14,996,794)
	\$ 7,184,940	\$ 4,560,793	\$ 11,745,733	\$ (417,294)	\$ 11,328,439

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**7. ASSET RETIREMENT OBLIGATION**

The following table presents the aggregate carrying amount of the obligation associated with the retirement of the mineral property interests.

	2009	2008
Asset retirement obligation – beginning of year	\$ 1,024,577	\$ 960,075
Liabilities incurred	276,125	7,854
Accretion expense	41,530	22,623
Accretion expense allocated to Pachamama pursuant to the Plan of Arrangement (Note 10)	3,524	34,025
Transferred to Pachamama (Note 10)	<u>(604,157)</u>	<u>                    </u>
Asset retirement obligation – end of year	<u>\$ 741,599</u>	<u>\$ 1,024,577</u>

The total undiscounted amount of estimated cash flows, required to settle the obligation is \$2,060,213 which was adjusted for inflation at the rate of 22% and then discounted at 4.25%. Certain minimum amounts of asset retirement obligations will occur each year with the significant amounts to be paid on abandonment of the mineral property interests.

**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

**Authorized**

Unlimited common shares without par value.

**Treasury shares**

Treasury shares are 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 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. The expiry date of an option shall be no later than the tenth anniversary of the grant date. 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 May 31, 2009, the following incentive stock options were outstanding:

Number of Options	Exercise Price	Expiry Date	Exercisable
4,375,000	\$ 0.23	December 29, 2013	4,262,500
<u>50,000</u>	0.40	April 7, 2011	<u>50,000</u>
<u>4,425,000</u>			<u>4,312,500</u>

**MANSFIELD MINERALS INC.**  
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**8. CAPITAL STOCK (cont'd...)**

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

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

	Number of Options		Weighted Average Exercise Price
Balance, May 31, 2007	4,675,000	\$	1.75
Options granted	1,100,000		3.18
Options exercised	<u>(1,350,000)</u>		0.51
Balance, May 31, 2008	4,425,000	\$	2.48
Options granted	4,475,000		0.23
Options cancelled	<u>(4,475,000)</u>		2.46
Balance, May 31, 2009	4,425,000	\$	0.23
Number of options currently exercisable	4,312,500	\$	0.23
Weighted average fair value of options granted during the year:			
2008		\$	1.70
2009		\$	0.19

**Stock-based compensation**

The Company recognizes compensation for all stock options and warrants granted using the fair value based method of accounting. The following weighted average assumptions were used for the Black-Scholes valuation of stock options and warrants granted during the year:

	2009	2008
Risk-free interest rate	1.40%	3.95%
Expected life of options and warrants	4.97 Years	5 Years
Annualized volatility	128.18%	57.65%
Dividend	0%	0%

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**8. CAPITAL STOCK (cont'd...)**

**Warrants**

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

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2007	3,330,000	
Warrants expired	<u>(3,000,000)</u>	\$ 4.00
Balance, May 31, 2008	330,000	3.00
Warrants amended	(330,000)	3.00
Warrants amended	330,000	1.50
Warrants expired	(330,000)	1.50
Balance, May 31, 2009		\$

Pursuant to the Plan of Arrangement (Note 10), the exercise price of outstanding warrants was reduced to \$1.50 per warrant. During the year ended May 31, 2009, all warrants expired unexercised.

**9. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees in the amount of \$47,040 (2008 - \$nil) to directors and companies controlled by directors.
- b) Paid or accrued management fees in the amount of \$538,600 (2008 - \$240,000) to companies controlled by directors.
- c) Paid or accrued administrative fees in the amount of \$243,439 (2008 - \$121,280) to officers and to companies controlled by directors of the Company, which included \$164,400 in consulting fees (2008 - \$60,000), \$19,039 in fees and taxes (2008 - \$19,280) and \$60,000 in investor relations and shareholder information (2008 - \$42,000).

Amounts due to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

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. 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 Statements of Operations and Comprehensive Income (Loss) for the year ended May 31, 2009 and May 31, 2008 are the result of a "carve-out" of an allocation of general and administrative expenses for those periods 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 assets and liabilities transferred from the Company to Pachamama are as follows:

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

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

The significant non-cash transactions for the year ended May 31, 2009 included:

- a) The transfer of certain assets and liabilities from the Company to Pachamama pursuant to the Plan of Arrangement (Note 10).
- b) Deferred exploration costs of \$84,927, which were included in accounts payable and accrued liabilities.

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**11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (cont'd...)**

The significant non-cash transaction for the year ended May 31, 2008 was deferred exploration costs of \$635,369 which were included in accounts payable and accrued liabilities.

For the year ended May 31	2009	2008
Cash paid for income taxes	Nil	Nil
Cash paid for interest	Nil	Nil

**12. INCOME TAXES**

Income tax recovery varies from the amount that would be computed by applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	2009	2008
Loss for the year before income taxes	\$ (6,243,052)	\$ (2,410,627)
Expected income tax recovery	\$ (1,896,327)	\$ (796,182)
Write-off of deferred exploration costs	12,006	57,592
Write-down (up) of marketable securities		(21,055)
Stock-based compensation	273,614	575,068
Non taxable gain on disposal of marketable securities	1,090,861	60,341
Amortization and accretion	24,876	35,067
Gain on disposal of equipment	(4,179)	
Share issuance costs	(93,347)	(101,500)
Differences in foreign tax rates	37,512	(50,962)
Tax loss benefit not (recognized) for book purposes	554,984	(2,399,227)
Actual income tax recovery	\$	\$ (2,640,858)

The significant components of the Company's future tax assets are as follows:

	2009	2008
Net operating loss carry forwards	\$ 2,084,425	\$ 1,111,222
Net capital loss carry forwards	29,871	56,925
Cumulative exploration and development expenses	2,815,672	2,192,380
Short term and long term investments	282,500	(2,640,858)
Equipment	24,776	27,580
Share issuance costs	141,597	224,572
	5,378,841	971,821
Less: valuation allowance	(5,378,841)	(971,821)
Net future tax assets	\$	\$

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**12. INCOME TAXES (cont'd...)**

The Company has available for deduction against future taxable income non-capital losses in Canada of approximately \$7,200,000 and in Argentina of approximately \$1,500,000. The Argentinean and Canadian non capital losses, if not utilized, will expire through 2014, and 2029, respectively. The Company also has capital losses available of approximately \$239,000, which can be carried forward indefinitely. Subject to certain restrictions, the Company also has resource expenditures available in Canada of approximately \$8,100,000 and in Argentina of \$10,300,000 to reduce taxable income in future years. Future tax benefits which may arise as a result of the non-capital losses and resource expenditures have been offset by a valuation allowance due to the uncertainty of their realization.

**13. SEGMENTED INFORMATION**

The Company's one reportable operating segment is the exploration and development of mineral properties. Geographic information is as follows:

	Total Assets	Equipment	Deferred Exploration Costs	Other Assets
May 31, 2008				
Canada	\$ 27,531,805	\$ 7,762	\$	\$ 27,524,043
Bermuda	19,910			19,910
Argentina	<u>12,292,627</u>	<u>209,921</u>	<u>11,745,733</u>	<u>336,973</u>
	\$ 39,844,342	\$ 217,683	\$ 11,745,733	\$ 27,880,926
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

	2009	2008
Loss before other items:		
Canada	\$ 2,136,806	\$ 2,451,877
Bermuda	26,786	15,601
Argentina	<u>216,057</u>	<u>129,393</u>
	\$ 2,379,649	\$ 2,596,871

#### **14. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, performance bonds, receivables, long and short-term investments, accounts payable, accrued liabilities and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

##### **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 May 31, 2009, the Company had a cash and cash equivalent balance of \$2,037,710 (May 31, 2008 - \$8,655,045) to settle current liabilities of \$166,148 (May 31, 2008 - \$828,990). 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 May 31, 2009, the Company had term deposits of \$1,882,095.

##### b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in US dollars (US) and Argentinean pesos.

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**14. FINANCIAL INSTRUMENTS (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. The Company currently 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 U.S. dollar and Argentinean peso against the Canadian dollar would affect net loss for the year by approximately \$18,000.

**15. COMMITMENTS**

The Company has entered into lease agreements for its premises in Canada and Argentina. The annual lease commitments are as follows:

	Canada	Argentina
2010	\$ 66,000	\$ 31,000
2011	69,000	37,000
2012	70,000	45,000
2013	71,000	53,000
2014	<u>71,000</u>	<u>53,000</u>
	<u>\$ 347,000</u>	<u>\$ 219,000</u>

The Company has entered into certain management services agreements. The annual management services commitments are as follows:

2009	\$ 600,000
2010	600,000
2011	<u>600,000</u>
	<u>\$ 1,800,000</u>

The Company is obligated to pay key employees certain bonuses if the Lindero project is sold. The maximum amount to be paid if the project is sold would be \$1,600,000.