

PACHAMAMA RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2009

AUDITORS' REPORT

To the Shareholders of
Pachamama Resources Ltd.

We have audited the consolidated balance sheets of Pachamama Resources Ltd. as at May 31, 2009 and 2008 and the consolidated statements of operations and comprehensive 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



PACHAMAMA RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
AS AT MAY 31

For periods prior to November 28, 2008, the financial statements of Pachamama, including the results of operations and cash flows, have been prepared on a carve-out basis from Mansfield Minerals Inc. as is described in Note 9. These financial statements may not be indicative of the results that would have been attained if Pachamama had operated as a stand-alone entity for those periods.

	2009	2008
ASSETS		
Current		
Cash and cash equivalents	\$ 5,991,879	\$ 8,300
Performance bonds	8,300	8,300
Receivables	25,808	
Short-term investments (Note 3)	<u>55,250</u>	<u>114,750</u>
	6,081,237	123,050
Long-term investment securities (Note 3)	1,738,505	7,462,875
Deferred exploration costs (Note 5)	<u>4,277,197</u>	<u>2,739,998</u>
	<u>\$ 12,096,939</u>	<u>\$ 10,325,923</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 1,026,460	\$ 602,038
Due to related parties (Note 8)	<u>20,355</u>	<u>602,038</u>
	1,046,815	602,038
Asset retirement obligation (Note 6)	<u>594,167</u>	<u>661,979</u>
	<u>1,640,982</u>	<u>1,264,017</u>
Shareholders' equity		
Capital stock (Note 7)	10,578,212	
Accumulated other comprehensive income	661,555	
Contributed surplus (Note 7)	1,330,236	9,943,239
Deficit	<u>(2,114,046)</u>	<u>(881,333)</u>
	<u>10,455,957</u>	<u>9,061,906</u>
	<u>\$ 12,096,939</u>	<u>\$ 10,325,923</u>

Nature and continuance of operations (Note 1)

Commitments (Note 14)

Subsequent event (Note 15)

On behalf of the Board:

"John M. Leask"

Director

"Megan Cameron-Jones"

Director

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

PACHAMAMA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
YEARS ENDED MAY 31

For periods prior to November 28, 2008, the financial statements of Pachamama, including the results of operations and cash flows, have been prepared on a carve-out basis from Mansfield Minerals Inc. as is described in Note 9. These financial statements may not be indicative of the results that would have been attained if Pachamama had operated as a stand-alone entity for those periods.

	2009	2008
EXPENSES		
Accounting and audit	\$ 48,273	\$ 27,867
Accretion	19,708	34,025
Bank charges and interest	1,606	1,022
Consulting fees	143,945	147,833
Consulting fees – stock-based compensation (Note 7)	306,349	
Fees and taxes	63,567	23,144
Insurance	23,203	19,420
Investor relations and shareholder information	88,474	106,192
Legal	163,229	4,839
Management fees	240,000	240,000
Office and administration	26,151	41,030
Rent	27,702	27,777
Telephone	10,123	12,642
Transfer agent and listing fees	48,666	
Travel and entertainment	9,318	18,564
Wages and benefits	<u>32,958</u>	<u>66,585</u>
Loss before other items	<u>(1,253,272)</u>	<u>(770,940)</u>
OTHER ITEMS		
Gain (loss) on foreign exchange	13,568	(446,649)
Interest income	84,994	135,096
Write-off of deferred exploration costs (Note 5)	(116,633)	(174,372)
Option payments received, net	14,446	311,782
Unrealized gain (loss) on short-term investments	(17,000)	63,750
Gain on disposal of long-term investment securities	<u>41,184</u>	<u> </u>
	<u>20,559</u>	<u>(110,393)</u>
Net loss for the year	<u>(1,232,713)</u>	<u>(881,333)</u>
Fair value adjustment of long-term investment securities	<u>661,555</u>	<u> </u>
Comprehensive loss for the year	<u>\$ (571,158)</u>	<u>\$ (881,333)</u>
Basic and diluted loss per common share	<u>\$ (0.028)</u>	<u>\$</u>
Basic and diluted weighted average number of common shares outstanding	<u>44,124,221</u>	

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

PACHAMAMA RESOURCES LTD.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For periods prior to November 28, 2008, the financial statements of Pachamama, including the results of operations and cash flows, have been prepared on a carve-out basis from Mansfield Minerals Inc. as is described in Note 9. These financial statements may not be indicative of the results that would have been attained if Pachamama had operated as a stand-alone entity for those periods.

	Number of Shares	Amount	Accumulated Other Comprehensive Income	Contributed Surplus	Deficit	Total
Balance, May 31, 2008		\$	\$	\$ 9,943,239	\$ (881,333)	\$ 9,061,906
Initial placement	44,124,221	10,578,212				10,578,212
Transfer of assets				(9,061,906)		(9,061,906)
Funding by Mansfield Minerals Inc.				142,554		142,554
Stock-based compensation				306,349		306,349
Fair value adjustment of available-for-sale securities			661,555			661,555
Loss for the period					(1,232,713)	(1,232,713)
Balance, May 31, 2009	44,124,221	\$ 10,578,212	\$ 661,555	\$ 1,330,236	\$ (2,114,046)	\$ 10,455,957

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

PACHAMAMA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31

For periods prior to November 28, 2008, the financial statements of Pachamama, including the results of operations and cash flows, have been prepared on a carve-out basis from Mansfield Minerals Inc. as is described in Note 9. These financial statements may not be indicative of the results that would have been attained if Pachamama had operated as a stand-alone entity for those periods.

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (1,232,713)	\$ (881,333)
Items not affecting cash:		
Accretion	19,708	34,025
Write-off of deferred exploration costs	116,633	174,372
Unrealized gain (loss) on short-term investments	17,000	(63,750)
Gain on disposal of long-term investment securities	(41,184)	
Stock-based compensation	306,349	
Funding by Mansfield	91,554	736,686
Changes in non-cash working capital items:		
Increase in receivables	(17,124)	
Increase in accounts payable and accrued liabilities	(11,422)	
Increase in due to related parties	<u>20,355</u>	
Net cash used in operating activities	<u>(730,844)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash acquired from Mansfield pursuant to the Plan of Arrangement (Note 9)	<u>7,816,234</u>	
Net cash provided by financing activities	<u>7,816,234</u>	
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of long-term investment securities	357,304	
Deferred exploration costs, net of option payments	<u>(1,450,815)</u>	
Net cash used in investing activities	<u>(1,093,511)</u>	
Increase in cash and cash equivalents for the year	5,991,879	
Cash and cash equivalents, beginning of year	<u> </u>	<u> </u>
Cash and cash equivalents, end of year	\$ 5,991,879	\$

Supplemental disclosures with respect to cash flows (Note 10)

Cash and cash equivalents		
Cash	\$ 436,859	\$
Liquid short term investments	<u>5,555,020</u>	
	\$ 5,991,879	\$

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Pachamama Resources Ltd. (the "Company") is a Canadian company incorporated in British Columbia. The Company is primarily engaged in the acquisition and exploration of mineral property interests.

The Company became a reporting issuer in Alberta and British Columbia on November 28, 2008 by virtue of a reorganization transaction involving the exchange of securities between Mansfield Minerals Inc. ("Mansfield"), the Company and the shareholders of Mansfield. The reorganization transaction involved the acquisition of certain assets and liabilities from Mansfield (Note 9). Concurrently, the Company's shares became publicly listed on the TSX Venture Exchange under the symbol "PMA.", and the Company incorporated a wholly-owned subsidiary, Pachamama (Bermuda) Ltd.

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.

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.

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.

	2009	2008
Working capital (deficit)	\$ 5,034,422	\$ (478,988)
Deficit	(2,114,046)	(881,333)

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.

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

Principles of consolidation

These consolidated financial statements include the accounts of the Company and the following subsidiaries, all of which are 100% owned since November 28, 2008 (Note 9):

Pachamama (Bermuda) Ltd.	Argex Cerro Gordo Ltd.
Argex Mining Samenta Ltd.	Minera El Toro S.A.

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.

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.

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

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.

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

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.

Changes in accounting policy

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.

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

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.

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.

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

Capital Management

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

The 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.

The Company is not subject to externally imposed capital requirements.

3. INVESTMENTS

Long-term investment securities

Long-term investment securities are comprised of the following:

	2009	2008
Fair value of shares of publicly listed entities	\$ 1,738,505	\$ 7,462,875
Historical acquisition cost	2,841,609	3,675,715

Short-term investments

Short-term investments are comprised of the following:

	2009	2008
Fair value of shares of publicly listed entities	\$ 55,250	\$ 114,750
Historical acquisition cost	63,750	63,750

4. MINERAL PROPERTY INTERESTS

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, title to its properties are 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.

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

The Company holds a 100% interest in the Aguas Calientes and Catua properties in Jujuy Province, Argentina, the El Camino property 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 holds a 50% interest in the Rio Grande property in Salta Province, Argentina. As part of the Plan of Arrangement (Note 9), Mansfield Minerals Inc. transferred the afore-mentioned mineral properties to the Company during the year ended May 31, 2009. In addition, Mansfield transferred the Desierto property in Salta Province together with other miscellaneous projects. During the year ended May 31, 2009, the Company wrote-off its interest in the Desierto property.

5. DEFERRED EXPLORATION COSTS

	As at May 31, 2009		
	Direct	Written-off	Total
Argentina properties			
Aguas Calientes	\$ 147,534	\$	\$ 147,534
El Camino	184,018		184,018
La Frontera	24,603		24,603
Rio Grande	3,801,337		3,801,337
Other	<u>236,338</u>	<u>(116,633)</u>	<u>119,705</u>
Total	\$ 4,393,830	\$ (116,633)	\$ 4,277,197
	As at May 31, 2008		
	Direct	Written-off	Total
Argentina properties			
Aguas Calientes	\$ 227,975	\$	\$ 227,975
El Camino	189,070		189,070
Rio Grande	2,136,789		2,136,789
Other	<u>186,164</u>	<u></u>	<u>186,164</u>
Total	\$ 2,739,998	\$	\$ 2,739,998

PACHAMAMA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2009

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

	Balance, May 31, 2008	Reclassifications and Additions	Balance, May 31, 2009
Field operations	\$ 18,026	\$ (13,667)	\$ 4,359
Assays	62,152	(62,152)	
Administrative services	71,622	(59,182)	12,440
Transportation and vehicle maintenance	32,636	(27,858)	4,778
Geology and mapping	478,630	(158,700)	319,930
Roads and trenches	823,297	(87,314)	735,983
Taxes and licenses	65,393	251	65,644
Drilling	17,896	(17,896)	
Third party services	1,751,131	1,503,289	3,254,420
Option payments and recoveries	<u>(580,785)</u>	<u>577,061</u>	<u>(3,724)</u>
	2,739,998	1,653,832	4,393,830
Less: write-offs		<u>(116,633)</u>	<u>(116,633)</u>
	<u>\$ 2,739,998</u>	<u>\$ 1,537,199</u>	<u>\$ 4,277,197</u>

6. 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	\$ 661,979	\$ 576,654
Liabilities incurred (reduced)	(87,520)	51,300
Accretion expense	<u>19,708</u>	<u>34,025</u>
Asset retirement obligation – end of year	<u>\$ 594,167</u>	<u>\$ 661,979</u>

The total undiscounted amount of estimated cash flows, required to settle the obligation is \$682,323, which was adjusted for inflation at the rate of 22.0% 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, which generally have a useful life of 5 years.

7. 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 29, 2008, the Company may grant options for up to 8,824,844 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
4,450,000	\$ 0.10	December 29, 2013

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

	Number of Options	Weighted Average Exercise Price
Balance, May 31, 2008		
Options granted	4,450,000	\$ 0.10
Balance, May 31, 2009	4,450,000	\$ 0.10
Number of options currently exercisable	4,337,500	\$ 0.10
Weighted average fair value of options granted during the year:		
2009		\$ 0.07

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

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	1.67%	
Expected life of options	5 Years	
Annualized volatility	91.50%	
Dividend	Nil	

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2008		\$
Warrants granted	330,000	1.50
Warrants expired	(330,000)	(1.50)
Balance, May 31, 2009		

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees in the amount of \$240,000 (2008 - \$240,000) to companies controlled by directors.
- b) Paid or accrued administrative fees in the amount of \$123,530 (2008 - \$121,280) to officers and to companies controlled by directors of the Company, which included \$45,000 in consulting fees (2008 - \$60,000), \$18,530 in fees and taxes (2008 - \$19,280) and \$60,000 in investor relations and shareholder information (2008 - \$42,000).

Amounts payable 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.

9. PLAN OF ARRANGEMENT

On October 29, 2008, the shareholders of Mansfield approved a Plan of Arrangement to reorganize Mansfield's mineral property assets in an effort to maximize shareholder value. Under the terms of the Plan of Arrangement, all of Mansfield'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, Mansfield's shareholders of record on November 20, 2008 received one share of the Company for every one Mansfield share held. Concurrently, Mansfield transferred certain cash and securities to the Company 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, and the following subsidiaries: Argex Mining Samenta Ltd., Argex Cerro Gordo Ltd. and Minera El Toro S.A.. The Company's common shares commenced trading on the TSX Venture Exchange on November 28, 2008 under the trading symbol "PMA".

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

The Company's Consolidated Statements of Operations and Comprehensive Loss for the years 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 the Company. 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.

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9. PLAN OF ARRANGEMENT (cont'd...)

The aggregate value of the assets and liabilities transferred from Mansfield to the Company are as follows:

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

10. 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 to the Company from Mansfield pursuant to the Plan of Arrangement (Note 9).
- b) Deferred exploration costs of \$979,680 which were included in accounts payable and accrued liabilities.

The significant non-cash transaction for the year ended May 31, 2008 included:

- a) The assets and liabilities transferred from Mansfield to the Company.
- b) Deferred exploration costs of \$602,038 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

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11. 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
Loss for the year before income taxes	\$ (1,232,713)
Expected income tax expense (recovery)	\$ (374,437)
Write-off of deferred exploration costs	35,427
Write-down (up) of marketable securities	18,073
Stock-based compensation	93,053
Non taxable gain on disposal of marketable securities	(12,510)
Accretion	5,986
Allocation of expenditures from Mansfield	43,302
Differences in foreign tax rates	985
Tax loss benefit not (recognized) for book purposes	<u>190,121</u>
Actual income tax recovery	<u>\$</u>

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

	2009
Net operating loss carry forwards	\$ 155,252
Cumulative exploration and development expenses	19,964
Short term and long term investments	<u>277,901</u>
	453,117
Less: valuation allowance	<u>(453,117)</u>
Net future tax assets	<u>\$</u>

The Company has available for deduction against future taxable income non-capital losses in Canada of approximately \$477,000 and in Argentina of approximately \$103,000. The Argentinean and Canadian non-capital losses, if not utilized, will expire through 2014, and 2029, respectively. Subject to certain restrictions, the Company also has resource expenditures available in Canada of approximately \$3,270,000 and in Argentina of \$778,000 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.

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12. SEGMENTED INFORMATION

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

	Total Assets	Deferred Exploration Costs	Other Assets
May 31, 2008			
Canada	\$ 7,585,925	\$	\$ 7,585,925
Bermuda			
Argentina	<u>2,739,998</u>	<u>2,739,998</u>	<u> </u>
	\$ 10,325,923	\$ 2,739,998	\$ 7,585,925
May 31, 2009			
Canada	\$ 7,786,335	\$	\$ 7,786,335
Bermuda	8,856		8,856
Argentina	<u>4,301,748</u>	<u>4,277,197</u>	<u>24,551</u>
	\$ 12,096,939	\$ 4,277,197	\$ 7,819,742

	2009	2008
Loss before other items:		
Canada	\$ 1,104,344	\$ 605,423
Bermuda	32,398	15,601
Argentina	<u>116,530</u>	<u>149,916</u>
	\$ 1,253,272	\$ 770,940

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, 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.

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

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 \$5,991,879 (May 31, 2008 - nil) to settle current liabilities of \$1,046,815 (May 31, 2008 - \$602,038). 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 \$5,555,020 in term deposits.

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.

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.

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

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 \$75,000.

14. COMMITMENTS

The Company has entered into a sub-lease agreement for its premises in Canada. The annual sub-lease commitments are as follows:

	Canada
2010	\$ 48,583
2011	53,183
2012	57,356
2013	62,190
2014	<u>62,190</u>
	<u>\$ 283,502</u>

The Company is obligated to pay key employees certain bonuses if the Rio Grande project is sold. The maximum amount to be paid if the project is sold would be \$2,300,000.

15. SUBSEQUENT EVENT

The Company executed an exploration and exploitation agreement on its wholly owned Catua project located in Jujuy Province, northwestern Argentina. Under the terms of the agreement, AGV Servicios Mineros S.R.L. of Argentina has acquired the right to produce copper from Catua, subject to a US\$0.02 per pound royalty to Pachamama. Upon payback of project cap-ex, the two companies will share revenue profits as to 45% each with the remaining 10% to pay mining royalties and finance project closure.