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**PANTHERA EXPLORATION INC.**

*(An Exploration Stage Company)*

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2009, 2008 AND 2007

*(Expressed in Canadian Dollars)*

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**CHARTERED  
ACCOUNTANTS**

MacKay LLP

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**Auditors' Report**

**To the Shareholders of  
Panthera Exploration Inc.**

We have audited the consolidated balance sheets of Panthera Exploration Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations and deficit, comprehensive loss, changes in shareholders' equity (deficiency), 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 consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 December 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.

The comparative financial statements for the year ended December 31, 2007 were audited by another firm of Chartered Accountants which expressed an opinion without reservation on those financial statements in their report dated April 23, 2008.

**Vancouver, Canada.  
April 7, 2010**

**"MacKay LLP"  
Chartered Accountants**

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**Comments by Auditors for U.S. Readers on Canada – United States Reporting Differences**

**In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the company's ability to continue as a going concern, such as those described in note 1 to the consolidated financial statements. Our report to the shareholders dated April 7, 2010, is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditor's report when these are adequately disclosed in the financial statements.**

**Vancouver, Canada.  
April 7, 2010**

***"MacKay LLP"*  
Chartered Accountants**

**PANTHERA EXPLORATION INC.**  
*(An Exploration Stage Company)*  
**CONSOLIDATED BALANCE SHEETS**  
**(See Note 1 – Nature of Operations and Going Concern)**  
**DECEMBER 31, 2009 AND 2008**  
*(Expressed in Canadian Dollars)*

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash	186,280	24,502
Marketable securities (Note 3)	4,200	5,000
Other receivables and prepaids	<u>4,003</u>	<u>26,516</u>
	194,483	56,018
<b>MINERAL PROPERTY INTERESTS</b> (Note 4)	<u>9,764</u>	<u>1,468,502</u>
	<u><u>204,247</u></u>	<u><u>1,524,520</u></u>

**L I A B I L I T I E S**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	<u>501,549</u>	<u>555,194</u>

**S H A R E H O L D E R S ' E Q U I T Y ( D E F I C I E N C Y )**

<b>SHARE CAPITAL</b> (Note 5)	12,500,883	12,298,254
<b>WARRANTS</b> (Note 5)	307,417	554,690
<b>CONTRIBUTED SURPLUS</b>	1,730,689	1,319,921
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	(800)	-
<b>DEFICIT</b>	<u>(14,835,491)</u>	<u>(13,203,539)</u>
	<u>(297,302)</u>	<u>969,326</u>
	<u><u>204,247</u></u>	<u><u>1,524,520</u></u>

**SUBSEQUENT EVENTS** (Note 14)

APPROVED ON BEHALF OF THE BOARD

"Bruce Winfield" , Director

"David Horton" , Director

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

**PANTHERA EXPLORATION INC.**  
*(An Exploration Stage Company)*  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007**  
*(Expressed in Canadian Dollars)*

	2009 \$	2008 \$	2007 \$
<b>EXPENSES</b>			
Accounting and audit	29,325	58,900	45,448
Corporate development and investor relations	19,561	267,716	320,774
Consulting fees (Note 6)	276,540	111,500	94,167
Exploration (Note 4)	(90,815)	2,165,600	1,364,324
Interest expenses	35,555	20,021	-
Legal and professional fees	34,771	50,032	55,621
Office and sundry	5,494	97,402	198,998
Rent	-	40,709	78,122
Salaries	-	207,236	368,660
Stock-based compensation (Note 5)	-	470	296,581
Transfer agent and regulatory fees	19,869	30,497	23,020
Travel	7,149	34,601	131,145
	<u>(337,449)</u>	<u>(3,084,684)</u>	<u>(2,976,860)</u>
<b>LOSS BEFORE OTHER ITEMS</b>			
<b>OTHER INCOME (EXPENSE)</b>			
Foreign exchange gain (loss)	5,129	38,071	(21,080)
Interest income	-	14,210	80,383
Other than temporary loss on marketable securities (Note 3)	-	(28,000)	-
Write-off of mineral properties (Note 4)	(1,299,632)	(411,946)	(156,240)
	<u>(1,294,503)</u>	<u>(387,665)</u>	<u>(96,937)</u>
<b>LOSS FOR THE YEAR</b>	(1,631,952)	(3,472,349)	(3,073,797)
<b>DEFICIT - BEGINNING OF YEAR</b>	<u>(13,203,539)</u>	<u>(9,731,190)</u>	<u>(6,657,393)</u>
<b>DEFICIT - END OF YEAR</b>	<u>(14,835,491)</u>	<u>(13,203,539)</u>	<u>(9,731,190)</u>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<u>\$(0.26)</u>	<u>\$(0.90)</u>	<u>\$(1.00)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<u>6,395,393</u>	<u>3,852,576</u>	<u>3,061,599</u>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	2009 \$	2008 \$	2007 \$
<b>LOSS FOR THE YEAR</b>	(1,631,952)	(3,472,349)	(3,073,797)
<b>OTHER COMPREHENSIVE INCOME</b>			
Unrealized gain (loss) on available-for-sale marketable securities	(800)	-	14,000
<b>TOTAL COMPREHENSIVE LOSS</b>	<u>(1,632,752)</u>	<u>(3,472,349)</u>	<u>(3,059,797)</u>

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

**PANTHERA EXPLORATION INC.**  
*(An Exploration Stage Company)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007**  
*(Expressed in Canadian Dollars)*

	2009 \$	2008 \$	2007 \$
<b>CASH PROVIDED FROM (USED FOR)</b>			
<b>OPERATING ACTIVITIES</b>			
Loss for the year	(1,631,952)	(3,472,349)	(3,073,797)
Adjustment for items not affecting cash			
Write-off of mineral properties	1,299,632	411,946	156,240
Stock-based compensation	-	470	296,581
Loss on marketable securities (Note 3)	-	28,000	-
Foreign exchange (gain) loss	(5,129)	(38,071)	21,080
	<u>(337,449)</u>	<u>(3,070,004)</u>	<u>(2,599,896)</u>
Change in non-cash working capital balances	<u>(26,003)</u>	<u>692,115</u>	<u>9,734</u>
	<u>(363,452)</u>	<u>(2,377,889)</u>	<u>(2,590,162)</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of common shares and warrants	380,490	1,027,600	4,095,000
Share and warrant issuance costs	(14,256)	(73,333)	(333,895)
Shares returned to treasury	(110)	-	-
	<u>366,124</u>	<u>954,267</u>	<u>3,761,105</u>
<b>INVESTING ACTIVITIES</b>			
Expenditures on mineral property interests	(9,764)	(117,894)	(236,051)
Decrease (increase) in short-term investments	-	1,400,000	(1,300,000)
Proceeds from sale of mineral property interest	168,870	-	-
	<u>159,106</u>	<u>1,282,106</u>	<u>(1,536,051)</u>
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	161,778	(141,516)	(365,108)
<b>CASH - BEGINNING OF YEAR</b>	<u>24,502</u>	<u>166,018</u>	<u>531,126</u>
<b>CASH - END OF YEAR</b>	<u><u>186,280</u></u>	<u><u>24,502</u></u>	<u><u>166,018</u></u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>			
Income taxes paid in cash	<u>-</u>	<u>-</u>	<u>-</u>
Interest paid in cash	<u>-</u>	<u>-</u>	<u>-</u>

**ADDITIONAL SUPPLEMENTARY CASH FLOW INFORMATION** (Note 12)

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

**PANTHERA EXPLORATION INC.**

*(An Exploration Stage Company)*

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

**FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007**

*(Expressed in Canadian Dollars)*

	2009	2008	2007
	\$	\$	\$
<b>SHARE CAPITAL</b>			
Balance at beginning of year	12,298,254	11,487,909	7,804,571
Private placement	380,490	1,027,600	4,095,000
Warrant valuation	(169,859)	(141,968)	(368,550)
Shares issued for payment of agent's fees	-	-	49,141
Shares issued for mineral properties	-	-	333,000
Shares returned to treasury	(110)	-	-
Share issue costs	(7,892)	(75,287)	(425,253)
Balance at end of year	<u>12,500,883</u>	<u>12,298,254</u>	<u>11,487,909</u>
<b>WARRANTS</b>			
Balance at beginning of year	554,690	908,793	498,025
Warrant valuation from private placement warrants	169,859	141,968	368,550
Warrant valuation from agent's warrants	-	10,658	84,276
Contributed surplus reallocated on expiry of warrants	(410,768)	(498,025)	-
Warrant issue costs	(6,364)	(8,704)	(42,058)
Balance at end of year	<u>307,417</u>	<u>554,690</u>	<u>908,793</u>
<b>CONTRIBUTED SURPLUS</b>			
Balance at beginning of year	1,319,921	821,426	524,845
Contributed surplus as a result of stock options granted	-	470	296,581
Contributed surplus reallocated on expiry of warrants	410,768	498,025	-
Balance at end of year	<u>1,730,689</u>	<u>1,319,921</u>	<u>821,426</u>
<b>DEFICIT</b>			
Balance at beginning of year	(13,203,539)	(9,731,190)	(6,657,393)
Loss for the year	(1,631,952)	(3,472,349)	(3,073,797)
Balance at end of year	<u>(14,835,491)</u>	<u>(13,203,539)</u>	<u>(9,731,190)</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Balance at beginning of year	-	21,000	-
Transition adjustment – marketable securities	-	-	7,000
Net unrealized gain (loss) on available-for-sale marketable securities	(800)	(49,000)	14,000
Other than temporary loss on marketable securities	-	28,000	-
Balance at end of year	<u>(800)</u>	<u>-</u>	<u>21,000</u>
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<u>(297,302)</u>	<u>969,326</u>	<u>3,507,938</u>

**PANTHERA EXPLORATION INC.**

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

(An Exploration Stage Company)  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(Expressed in Canadian Dollars)

**ACQUISITION COSTS**

	Argentina	Peru				USA	Total
	Mogote \$	Cocha \$	Mitu \$	Acero \$	Fuyani \$	Roy & Hills \$	
Balance - beginning of year	1,389,309	54,711	14,616	6,212	3,654	-	1,468,502
Acquisition costs – cash	-	-	-	-	-	9,764	9,764
	1,389,309	54,711	14,616	6,212	3,654	9,764	1,478,266
Write-off of mineral properties	(1,229,546)	(48,420)	(12,935)	(5,497)	(3,234)	-	(1,299,632)
	159,763	6,291	1,681	715	420	9,764	178,634
Proceeds from sale of mineral properties	(159,763)	(6,291)	(1,681)	(715)	(420)	-	(168,870)
Balance - end of year	-	-	-	-	-	9,764	9,764

**EXPLORATION EXPENDITURES**

	Argentina	Peru				USA	Total
	Mogote \$	Cocha \$	Mitu \$	Acero \$	Roy & Hills \$	General (*) \$	
Cumulative costs expensed - beginning of year	1,583,813	1,386,723	137,336	36,945	21,135	3,369,131	6,535,083
Exploration expenditures during the period:							
Foreign value added tax	-	-	-	-	-	829	829
Salaries and Contractors	-	-	-	-	-	11,947	11,947
Supplies and equipment	-	-	-	-	-	144	144
Reversal of expenditure accrual	-	-	-	-	-	(103,735)	(103,735)
	-	-	-	-	-	(90,815)	(90,815)
Cumulative costs expensed - end of year	1,583,813	1,386,723	137,336	36,945	21,135	3,278,316	6,444,268

\* Properties that were written of in previous years are included in the opening balance of general exploration

**PANTHERA EXPLORATION INC.**

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

(An Exploration Stage Company)  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(Expressed in Canadian Dollars)

**ACQUISITION COSTS**

	Argentina	Peru				USA	Total \$
	Mogote \$	Cocha \$	Laguna \$	Mitu \$	Other \$	Roy & Hills Nevada \$	
Balance - beginning of year	1,389,309	28,768	179,377	-	50,664	64,010	1,712,128
Acquisition costs during the year							
Cash	-	25,943	58,439	14,616	69,322	-	168,320
	1,389,309	54,711	237,816	14,616	119,986	64,010	1,880,448
Write-off mineral properties	-	-	(237,816)	-	(110,120)	(64,010)	(411,946)
Balance - end of year	<u>1,389,309</u>	<u>54,711</u>	<u>-</u>	<u>14,616</u>	<u>9,866</u>	<u>-</u>	<u>1,468,502</u>

**EXPLORATION EXPENDITURES**

	Argentina	Peru				USA	General Exploration (*) \$	Total \$
	Mogote \$	Cocha \$	Laguna \$	Mitu \$	Other \$	Roy & Hills, Nevada \$		
Cumulative costs expended - beginning of year	1,576,903	1,127,527	78,973	56,235	72,395	21,135	1,436,315	4,369,483
Exploration expenditures during the year:								
Assays	-	4,097	4,856	731	8,704	-	-	18,388
Drilling	-	52,563	396,033	20,067	-	-	-	468,663
Office	6,046	43,968	62,075	21,622	54,863	-	-	188,574
Salaries and contractors	38	99,036	102,530	19,722	170,917	-	-	392,243
Supplies and equipment	-	1,953	20,451	1,836	7,760	-	-	32,000
Transportation	-	25,979	68,841	7,430	50,485	-	-	152,735
Imagery and base maps	-	621	103	-	376	-	-	1,100
Foreign value added tax	826	30,979	-	9,693	39,788	-	-	81,286
General exploration	-	-	-	-	-	-	830,611	830,611
	<u>6,910</u>	<u>259,196</u>	<u>654,889</u>	<u>81,101</u>	<u>332,893</u>	<u>-</u>	<u>830,611</u>	<u>2,165,600</u>
Cumulative costs expended - end of year	<u>1,583,813</u>	<u>1,386,723</u>	<u>733,862</u>	<u>137,336</u>	<u>405,288</u>	<u>21,135</u>	<u>2,266,926</u>	<u>6,535,083</u>

\* Properties that were written of in previous years are included in the opening balance of general exploration

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

**PANTHERA EXPLORATION INC.**

*(An Exploration Stage Company)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007**

*(Expressed in Canadian Dollars)*

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Panthera Exploration Inc. (the "Company") was incorporated on April 11, 2000 in the Province of British Columbia and was transitioned under the Business Corporations Act (BC) on June 17, 2004. The Company is a natural resource company engaged in the acquisition and exploration of resource properties in the Americas. The Company presently has no proven or probable reserves and, on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

The amounts shown as mineral property interests represent acquisition costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral properties and deferred costs is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to advance the properties beyond the exploration stage, and future profitability of the properties.

The Company does not have adequate resources to maintain its core activities and has ceased its exploration activities for the time being, as well as taking steps to reduce overhead and other costs. The Company will need to raise further financing in order to continue its operations and fulfill its commitments. The Company may not be able to raise the necessary funds or may not be able to raise such funds at terms which are acceptable to the Company. In the event the Company is unable to raise adequate finances to fund the proposed activities, it will need to reassess its alternatives and may have to abandon one or more of its property interests as a result. Any further additional equity financing undertaken by the Company may cause dilution to its shareholders. The December 31, 2009 audited consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred significant losses and negative cash flow from operations since inception. Adjustments to the carrying value of assets and liabilities, the reported expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate could be material.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant measurement differences between Canadian GAAP and those that would be applied under United States generally accepted accounting principles ("US GAAP") as they affect the Company are disclosed in Note 11.

*Use of Estimates*

The preparation of financial statements in conformity with Canadian GAAP 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 period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations, the recoverability of mineral properties and the assumptions used in the determination of the fair value of stock-based compensation and warrants. Actual results may differ from these estimates.

**PANTHERA EXPLORATION INC.**  
*(An Exploration Stage Company)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007**  
*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Principles of Consolidation***

These consolidated financial statements include the accounts of the Company and its subsidiaries. The principal subsidiaries are Recursos de los Andes S.A.C. (Peru) (100%), Amera-Chile Sociedad Contractual Minera (Chile) (100%) and Amera Resources Inc. (US) (100%). The Company operates in Argentina as a registered branch. All inter-company balances and transactions have been eliminated.

***Marketable Securities***

Marketable securities are designated as available-for-sale and recorded at fair value, with changes in fair value recorded in the statement of other comprehensive income. The fair value of marketable securities is obtained by reference to the current quoted bid price on the balance sheet date. When it is determined that a decrease in fair value is other than temporary a loss will be recorded in other income (expense).

***Mineral Property Interests***

Exploration expenditures are charged to earnings as they are incurred until the property reaches the development stage. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned costs are written off, or if its carrying value has been impaired, the costs are written down to fair value.

Mineral property acquisition costs include cash costs and the fair market value of common shares, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments relating to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment.

The Company accounts for foreign value added taxes paid as part of exploration expense. The recovery of these taxes will commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a recovery in exploration expense.

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

***Asset Retirement Obligations***

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at December 31, 2009, the Company does not have any asset retirement obligations.

**PANTHERA EXPLORATION INC.**  
*(An Exploration Stage Company)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007**  
*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Long-Lived Assets Impairment***

Long-lived assets are reviewed for impairment when events or changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

***Translation of Foreign Currencies***

The Company's foreign operations are integrated and are translated using the temporal method. Under this method, the Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. The resulting gains or losses are reflected in operating results in the period of translation.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

***Income Taxes***

The Company uses the liability method of accounting for future income taxes. Under this method of tax allocation, income taxes are recognized for the estimated income taxes payable for the current year and future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Potential future income tax assets are not recognized, as they are not considered more likely than not to be realized.

***Loss Per Share***

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. The Company follows the treasury stock method in the calculation of diluted earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Since the Company has losses, the exercise of outstanding stock options and warrants has not been included in this calculation as it would be antidilutive. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 5.

On December 23, 2008 the Company consolidated its shares on a 10 to 1 basis. The weighted average number of shares and net loss per share for the comparative periods has been restated to reflect the December 23, 2008 share consolidation.

**PANTHERA EXPLORATION INC.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Valuation of Equity Units Issued in Private Placements***

The Company has adopted a pro rata basis method with respect to the measurement of shares and warrants issued as private placement units. The pro rata basis method required each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components.

The fair value of the common shares is based on the closing quoted bid price on the announcement date and the fair value of the common share purchase warrants is determined at the announcement date using the Black- Scholes pricing model. The fair value attributed to the warrants is recorded as warrants.

***Share Issue Costs***

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

***Stock-based Compensation***

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The estimated fair value of awards of stock-based compensation is charged to expense over the period that it is earned, with offsetting amounts to contributed surplus. If the stock-based compensation is for past services, it is expensed immediately. If the stock-based compensation is forfeited, no amounts are charged to expense. If stock options are exercised then the fair value of the options is re-classified from contributed surplus to share capital.

***Financial Instruments***

The Company is required to designate its financial instruments into one of the following five categories: held for trading; available-for-sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value except for certain related party transactions. Financial instruments classified as held for trading or available-for-sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Company has designated its financial instruments as follows:

- (i) Cash is classified as "*Held-for-trading*" and recorded at fair value with changes in fair value recorded in income.
- (ii) Marketable securities are classified as "*Available-for-sale*". The fair value is obtained by reference to the closing bid price on the balance sheet date.
- (iii) Amounts receivable and deposits are classified as "*Loans and Receivables*" and are recorded at their amortized cost.
- (iv) Accounts payable and accrued liabilities are classified as "*Other Financial Liabilities*" and are carried at their amortized cost.

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

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***Recent Accounting Pronouncements***

New accounting standards were issued by the CICA which may impact the Company in the future as follows:

**(a) *Goodwill and Intangible Assets***

CICA Handbook Section 3064, *Goodwill and Intangible Assets*, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the preoperating period. On January 1, 2009, the Company adopted these changes, with no impact on its consolidated financial statements.

**(b) *Credit Risk and Fair Value of Financial Assets and Liabilities***

In January 2009, the CICA issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments.

This standard is effective for our fiscal year beginning January 1, 2009. Adoption of this EIC did not have a significant effect on the Company's financial statements for the year ended December 31, 2009.

**(c) *Mining Exploration Costs***

In March 2009, the CICA issued EIC-174, *Mining Exploration Costs*. The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on the Company's financial statements for the year ended December 31, 2009.

**(d) *General Standard of Financial Statement Presentation***

For the year ended December 31, 2009, the Corporation adopted the amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures, which expands financial instrument fair value measurement and liquidity risk management disclosures.

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*Future Accounting Standards*

*Business combinations, consolidated financial statements and non-controlling interest*

In January 2009, the CICA issued CICA Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-controlling Interests*. These sections replace the former CICA Handbook Section 1581, *Business Combinations* and Section 1600, *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, *Business Combinations* (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination.

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently. At this time the Company does not anticipate these sections prior to the adoption of IFRS and therefore does not expect any impact to the consolidated financial statements.

*International Financial Reporting Standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("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 the date for publicly-listed companies to use IFRS, replacing Canadian GAAP, is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is evaluating the financial reporting impact of the transition to IFRS.

**3. MARKETABLE SECURITIES**

At December 31, 2009, the Company held 10,000 (2008 – 10,000) common shares of Astral Mining Corporation ("Astral") which had a quoted market value of \$4,200 (2008 - \$5,000). The Company has designated its marketable securities as financial assets available-for-sale and accordingly, changes to their fair value are recorded in other comprehensive income in the period they occur. The Company holds these marketable securities as a result of entering into an option agreement for its Walker Lane mineral property holdings (see Note 4 (f)). In 2008, management determined that the decrease in fair value of Astral was other than temporary. As a result a loss of \$28,000 was recorded in Other income (expenses).

**4. MINERAL PROPERTY INTERESTS**

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(a) Mogote Property

The Company exercised its option agreement with Golden Arrow Resources Corporation (“Golden Arrow”), a publicly traded company with common management, and has earned a 51% interest in eight mineral concessions, comprising 8,009 hectares (the “Mogote Property”), located in San Juan Province, Argentina. The Company issued a total of 1,650,000 common shares and incurred a minimum of US \$1.25 million of exploration expenditures to fulfil the requirements to earn this 51% interest.

On May 14, 2007, the Company gave notice to Golden Arrow that it would not proceed with the additional expenditures required in order to earn an additional 24% interest.

During the year, management determined that the property should be written down to its net realizable value. Accordingly, the Company wrote down the acquisition costs by \$1,229,546 to \$159,763.

On July 22, 2009 this property was sold to Golden Arrow as part of the sale of its 51% interest in the Mogote property and four Peruvian property concessions for \$168,870 CDN (\$150,000 USD) and a 1% net smelter return royalty (one-half of which may be purchased by Golden Arrow for US\$1,000,000). The amount allocated to proceeds for Mogote was \$159,763 CDN.

(b) Cocha Property

The Cocha property is located in the Department of Junin, Peru approximately 23km east of the city of Huancayo and 220km east of Lima. Staked in 2006, the Cocha property was expanded from 2,400 to 7,060 hectares in 2007. The Company held a 100% interest in the property.

During the year, management determined that the property should be written down to its net realizable value. Accordingly, the Company wrote down the acquisition costs by \$48,420 to \$6,291.

On July 22, 2009 this property was sold to Golden Arrow as part of the sale of its 51% interest in the Mogote property and four Peruvian property concessions for \$168,870 CDN (\$150,000 USD) and a 1% net smelter return royalty (one-half of which may be purchased by Golden Arrow for US\$1,000,000). The amount allocated to proceeds for Cocha was \$6,291 CDN.

(c) Mitu Property

The Mitu property is located in the Department of Junin, Peru approximately 155km northeast of Lima. Acquired by direct staking the Company held a 100% interest.

During the year, management determined that the property should be written down to its net realizable value. Accordingly, the Company has written down the acquisition costs by \$12,935 to \$1,681.

On July 22, 2009 this property was sold to Golden Arrow as part of the sale of its 51% interest in the Mogote property and four Peruvian property concessions for \$168,870 CDN (\$150,000 USD) and a 1% net smelter return royalty (one-half of which may be purchased by Golden Arrow for US\$1,000,000). The amount allocated to proceeds for Mitu was \$1,681 CDN.

**4. MINERAL PROPERTY INTERESTS (continued)**

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(d) Other Properties

Included in other properties are the Acero Property and the Fuyani Property located in the Department of Cuzco, Peru. The Company held a 100% interest acquired by staking in the Acero Property and Fuyani Property.

During the year, management determined that the properties should be written down to their net realizable value. Accordingly, the Company has written down the Acero acquisition costs by \$5,497 to \$715 and written down the Fuyani acquisition costs by \$3,234 to \$420.

On July 22, 2009 these properties were sold to Golden Arrow as part of the sale of its 51% interest in the Mogote property and four Peruvian property concessions for \$168,870 CDN (\$150,000 USD) and a 1% net smelter return royalty (one-half of which may be purchased by Golden Arrow for US\$1,000,000). The amount allocated to proceeds for Acero was \$715 and the amount allocated to Fuyani was \$420 CDN.

(e) Laguna Project

On January 18, 2007, the Company signed a letter of intent to enter into an option agreement to acquire up to a 90% interest in the 11,250 hectare Laguna Gold Project in the Pasco Department of west central Peru. The letter of intent was finalized in a definitive contract effective May 22, 2007.

In the first quarter of 2008 the Company terminated the option. Accordingly, the Company wrote off \$237,816 of acquisition costs capitalized to the property to date.

(f) Roy and Hills Properties

On June 9, 2006, the Company optioned the Roy and Hills properties in the Walker Lane District in Nevada to Astral. Under the terms of the agreement, Astral may earn up to an 80% undivided interest in the Walker Lane Properties. An initial 65% interest in the properties may be earned by incurring US \$2,500,000 in work expenditures over four years and issuing 500,000 common shares to the Company (10,000 shares were received on August 4, 2006). Astral may then elect to earn an additional 15% interest, by issuing a further 500,000 shares and completing a bankable feasibility study within three years.

During 2008 the option agreement was terminated by Astral. Accordingly, in 2008 the Company wrote off \$64,010 of acquisition costs. The Company dropped the Hills property and still maintains title to the Roy property.

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Authorized - unlimited common shares without par value	Number	\$
Issued - common shares		
Balance, December 31, 2006	21,748,592	7,804,571
Private placements	11,700,000	4,095,000
Warrants valuation	-	(368,550)
For agent's fees	157,444	49,141
For mineral properties	900,000	333,000
Less share issue costs	-	(425,253)
Balance, December 31, 2007	34,506,036	11,487,909
Private placements	7,340,000	1,027,600
Warrants valuation	-	(141,968)
Less share issue costs	-	(75,287)
Share consolidation on a 10 to 1 basis	(37,661,432)	-
Balance, December 31, 2008	4,184,604	12,298,254
Private placements	4,612,000	380,490
Warrants valuation	-	(169,859)
Shares repurchased and returned to treasury	(1,000)	(110)
Less share issue costs	-	(7,892)
Balance, December 31, 2009	8,795,604	12,500,883

- (a) During the year ended December 31, 2009, the Company completed:
- i) a non-brokered private placement financing of 4,612,000 units at a price of \$0.0825 per unit for net proceeds of \$366,234, net of related share and warrants issue costs of \$14,256. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share, exercisable at a price of \$0.11 expiring July 9, 2011. The fair value assigned to the warrants was \$169,859. The warrants were valued on a proportionate basis using the Black-Scholes Pricing Model at \$0.04 per warrant using the following assumptions: dividend yield 0%, risk-free rate 1.23%, expected annual volatility 183% and expected life of 2 years.
- (b) During the year ended December 31, 2008, the Company completed:
- i) a brokered private placement financing of 3,470,000 units at \$0.14 per unit for gross proceeds of \$485,800. The financing was completed in two tranches of 3,320,000 units and 150,000 units on April 30, 2008 and June 12, 2008, respectively. Each unit entitled the holder to acquire one common share and one half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.18 per share, expiring April 30, 2010. In addition to cash commissions and related costs of \$67,670, the agents were granted 265,600 agent's warrants in the first tranche and 12,000 agent's warrants in the second tranche exercisable at \$0.18 each, expiring on or before April 30, 2010 and June 12, 2010, respectively.

**5. SHARE CAPITAL (continued)**

The fair value of warrants and agent's warrants were as follows:

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- 1) value assigned to 1,735,000 warrants was \$62,506, less share issue costs of \$8,704
- 2) value assigned to the 277,600 agent's warrants was \$10,658

The Black-Scholes Pricing Model was used to value the warrants and agent's warrants on a proportionate basis with the related shares. The warrants were valued at \$0.038 per warrant based on the following assumptions: dividend yield 0%, risk-free rate 2.74%, expected volatility 76% and expected life of 1.7 years.

- ii) a non-brokered private placement financing of 3,870,000 units at \$0.14 per unit for gross proceeds of \$541,800. The financing was completed on June 16, 2008. Each unit entitled the holder to acquire one common share and one half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.18 per share, expiring June 16, 2010.

The value assigned to 1,935,000 warrants was \$79,462. The Black-Scholes Pricing Model was used to value the warrants and agent's warrants on a proportionate basis with the related shares. The warrants were valued at \$0.05 per warrant based on the following assumptions: dividend yield 0%, risk-free rate 3.26%, expected volatility 81% and expected life of 1.7 years.

- iii) On December 23, 2008 the Company consolidated its shares on a 10 to 1 basis.

(c) During the year ended December 31, 2007, the Company completed:

- i) a brokered private placement financing of 11,700,000 units at \$0.35 per unit for gross proceeds of \$4,095,000. The financing was completed in two tranches of 2,200,000 units and 9,500,000 units on April 12, 2007 and April 19, 2007, respectively. Each unit is comprised of one common share and one half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.45 per share for two years from the close of the financing. In addition to cash commissions and related costs of \$333,895, the agents were granted 930,800 agent's warrants and 157,444 agent's units. Each agent's unit entitles the holder to acquire one common share and one half common share purchase warrant. Each full agent's warrant is exercisable for one share at a price of \$0.45, for a period of two years from the close of the financing.

The fair value of warrants and agent's warrants were as follows:

- 1) value assigned to 5,850,000 warrants was \$326,492, net of warrant issue costs of \$42,058
- 2) value assigned to the 1,009,523 agent's warrants was \$84,276

The Black-Scholes Option Pricing Model was used to value the warrants and agent's warrants on a proportionate basis with the related shares. The warrants were valued at (tranche 1 - \$0.075 per warrant; tranche 2 - \$0.086 per warrant) based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 55% and expected life of 12 months.

**5. SHARE CAPITAL (continued)**

- (d) Stock options and stock-based compensation

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The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the grant date, less allowable discounts in accordance with the policies of the TSX Venture Exchange. There were no stock options granted during 2009. Stock options granted are subject to a four-month hold period and exercisable for a period of five years. A summary of the Company's outstanding options at December 31, 2009, 2008 and 2007 and the changes for the years ended on those dates are presented below:

	2009		2008		2007	
	Options Outstanding and Exercisable	Weighted Average Exercise Price \$	Options Outstanding and Exercisable	Weighted Average Exercise Price \$	Options Outstanding and Exercisable	Weighted Average Exercise Price \$
Balance, beginning of year	-	-	3,432,000	0.53	1,824,500	0.68
Granted	-	-	5,000	0.20	1,987,500	0.39
Cancelled	-	-	(3,262,000)	0.53	(380,000)	0.56
Forfeited	-	-	(175,000)	0.43	-	-
Balance, end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,432,000</u>	<u>0.53</u>

During fiscal 2009, the Company granted stock options to its employees to acquire Nil common shares (2008 - 5,000; 2007 - 1,987,500) and recorded stock-based compensation expense of \$Nil (2008 - \$470; 2007 - \$296,581). The fair value of stock options granted is estimated on the dates of grants using the Black-Scholes Option Pricing Model with the following weighted average assumptions used for the grants made during the year:

	2009	2008	2007
Risk-free interest rate	-	2.83%	4.10%
Estimated volatility	-	86%	82%
Expected life	-	2.8 years	2.42 years
Expected dividend yield	-	0%	0%

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

**5. SHARE CAPITAL (continued)**

(e) Warrants

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A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agent's warrants outstanding at December 31, 2009, 2008 and 2007 and the changes for the years ending on those dates is as follows:

	<b>2009 Number</b>	<b>2008 Number</b>	<b>2007 Number</b>
Balance, beginning of year	1,080,712	10,562,523	3,703,000
Issued	4,612,000	3,947,600	6,859,523
Expired	(685,952)	(3,703,000)	-
Share consolidation	-	(9,726,411)	-
Balance, end of year	<u>5,006,760</u>	<u>1,080,712</u>	<u>10,562,523</u>

Common shares reserved pursuant to warrants and agent's warrants outstanding and exercisable at December 31, 2009 are as follows:

<b>Number</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
192,560	1.80	April 30, 2010
8,700	1.80	June 12, 2010
193,500	1.80	June 18, 2010
<u>4,612,000</u>	<u>0.11</u>	July 9, 2011
<u>5,006,760</u>	<u>0.24</u>	

**6. RELATED PARTY TRANSACTIONS**

- a) The Company had engaged Grosso Group Management Ltd., ("Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company that is currently owned by Blue Sky Uranium Corp. ("Blue Sky") and Golden Arrow, each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee was based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each user company with regard to the mutually agreed average annual level of services provided to each shareholder company.

The arrangement with the Grosso Group was terminated effective September 1, 2008. There were no fees paid during the year ended December 31, 2009. During the year ended December 31, 2008, the Company incurred fees of \$295,551 to the Grosso Group as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. In addition, included in other receivables, prepaids and deposits as at December 31, 2008 was a \$9,152 deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

**6. RELATED PARTY TRANSACTIONS (continued)**

- b) The former President of the Company provided his services on a full-time basis under a contract with a private company controlled by the former President for an annual fee of \$87,500. During the fiscal

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2009, the Company paid \$83,854 (2008 - \$65,275) to the President and \$30,559 was included in accounts payable (2008 - \$22,225). The contract also provided that, in the event the services are terminated without cause or upon a change in control of the Company, a termination payment would include eighteen months of compensation plus a bonus amount agreed to by the parties.

On December 18, 2009 the Company terminated his contract. Included in accounts payable is a termination payment of \$131,250. This amount was paid subsequent to year end.

- c) Effective May 1, 2007, the Company entered into an agreement with IMA Exploration Inc. ("IMA") to pay a monthly fee for the services provided by IMA's Chief Executive Officer who was a director of the Company. This agreement was terminated on June 30, 2008. For fiscal 2008, the Company paid \$9,000 to IMA for these services.
- d) During the year ended December 31, 2009 the Company paid consulting fees in the amount of \$35,000 (2008 - \$15,000) to a company controlled by a director of the Company.
- e) During the year ended December 31, 2009 the Company paid consulting fees in the amount of \$29,435 (2008 - \$Nil) to a company controlled by a director of the Company.
- f) During the year ended December 31, 2009 the Company paid consulting fees in the amount of \$8,250 (2008 - \$Nil) to a company controlled by a director of the Company.
- g) As at December 31, 2009, the Company has a balance owing to Golden Arrow, a company managed by a director of the Company, of \$14,731 (2008 - \$1,864).

All of the related party transactions and balances in these consolidated financial statements arose 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.

**7. CAPITAL RISK MANAGEMENT**

The Company defines capital as the items included in shareholders' equity (deficiency). The Company's objectives in managing capital are to safeguard its ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders. To meet this objective the Company will ensure it has sufficient cash resources to pursue the acquisition, exploration and development of mineral properties and fund potential acquisitions.

To support these objectives, the Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to maximize the exploration and development efforts, the Company does not pay out dividends.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2009.

**8. MANAGEMENT OF FINANCIAL RISK**

The Company's financial instruments are exposed to certain risks, including currency, credit and metal price risk.

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*Currency Risk:* Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

The Company has not hedged its exposure to currency fluctuations. As at December 31, 2009, the Company was exposed to currency risk through the following assets and liabilities in US dollars and Peruvian Soles:

	<b>December 31, 2009</b>	
	<b>US Dollar</b>	<b>Peruvian Soles</b>
	\$	\$
Cash	8,836	3,853
Accounts payable and accrued liabilities	(229,584)	-
	(220,748)	3,853
Foreign exchange rate at December 31, 2009	1.0510	0.3623

Based on the net exposures as at December 31, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and Peruvian Soles would have an insignificant impact in the Company's net earnings.

*Liquidity Risk:* Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company will need to raise further financing in order to continue its operations and fulfill its commitments. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company's cash is primarily invested in business bank accounts which are available on demand. The Company expects to raise additional equity capital in 2010.

**Fair Values**

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate fair values due to their short terms to maturity or ability to readily convert to cash.

The fair value of investments in equity securities classified as available for sale is determined using bid prices at the balance sheet date with any temporary unrealized gains or losses recognized in other comprehensive income.

The following table outlines the Corporation's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

As at December 31, 2009 the Company's financial instruments measured at fair value are as follows:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash	186,280	-	-	186,280
Marketable securities	4,200	-	-	4,200

**8. MANAGEMENT OF FINANCIAL RISK** (continued)

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

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**Level 2** – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

**Level 3** – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Corporation's cash instruments and marketable securities are valued using quoted market prices in active markets, and therefore are classified as Level 1.

**9. SEGMENTED INFORMATION**

The Company is primarily involved in mineral exploration activities in the United States and Peru. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the years ended December 31, 2009 and 2008.

The Company's total assets are segmented geographically as follows:

	<b>December 31, 2009</b>			
	<b>Corporate Canada \$</b>	<b>United States \$</b>	<b>Peru \$</b>	<b>Total \$</b>
Current assets	193,087	-	1,396	194,483
Mineral properties	-	9,764	-	9,764
	<u>193,087</u>	<u>9,764</u>	<u>1,396</u>	<u>204,247</u>

  

	<b>December 31, 2008</b>			
	<b>Corporate Canada \$</b>	<b>Argentina \$</b>	<b>Peru \$</b>	<b>Total \$</b>
Current assets	42,676	(52)	13,394	56,018
Mineral properties	-	1,389,309	79,193	1,468,502
	<u>42,676</u>	<u>1,389,257</u>	<u>92,587</u>	<u>1,524,520</u>

**10. INCOME TAXES**

The recovery of income taxes shown in the consolidated statements of operations and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

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	<b>2009</b>	<b>2008</b>	<b>2007</b>
Statutory tax rate	<u>30.00%</u>	<u>31.00%</u>	<u>34.12%</u>
	\$	\$	\$
Loss for the year	<u>(1,631,952)</u>	<u>(3,472,349)</u>	<u>(3,073,797)</u>
Provision for income taxes based on statutory Canadian combined federal and provincial income tax rates	(489,586)	(1,076,428)	(1,048,780)
Differences in foreign tax rates	(592)	12,932	13,958
Effect of statutory rate change	149,729	101,430	-
Non-deductible items	8	660	162,902
Losses for which an income tax benefit has not been recognized	<u>340,441</u>	<u>961,406</u>	<u>871,920</u>
	<u>-</u>	<u>-</u>	<u>-</u>

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

	<b>2009</b>	<b>2008</b>
	\$	\$
Future income tax assets		
Marketable securities	6,225	-
Share and warrant issuance costs	55,594	88,402
Mineral properties	807,204	1,347,981
Operating loss carryforward	<u>3,017,562</u>	<u>2,091,815</u>
	3,886,585	3,528,198
Valuation allowance for future tax assets	<u>(3,886,585)</u>	<u>(3,528,198)</u>
	<u>-</u>	<u>-</u>

The realization of income tax benefits related to these potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no future income tax assets have been recognized for accounting purposes in 2009 and 2008.

**10. INCOME TAXES (continued)**

The Company has Canadian non-capital loss carryforwards of \$6,747,714 that may be available for tax purposes. The losses expire as follows:

Expiry Date	\$
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2010	195,857
2014	852,555
2015	1,219,352
2026	1,081,390
2027	1,485,734
2028	1,536,404
2029	<u>376,422</u>
	<u>6,747,714</u>

At December 31, 2009, the Company had a net operating loss carryforward for Peru income tax purposes of approximately Cdn\$4,392,535 (2008 – Cdn\$1,385,000) which, if not utilized to reduce Peru taxable income in future periods, expires through the year 2014. These available tax losses may only be applied to offset future taxable income from the Company's current Peru subsidiary.

At December 31, 2009, the Company had a net operating loss carryforward for Chile income tax purposes of approximately Cdn\$76,000 (2008 – Cdn\$76,000) that may be available for tax purposes. These available tax losses may only be applied to offset future taxable income from the Company's current Chile subsidiary.

**11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

- (a) The financial statements of the Company have been prepared in accordance with Canadian GAAP which differ in certain material respects from US GAAP. Material differences between Canadian and US GAAP and their effect on the Company's consolidated financial statements are summarized in the tables below.

	2009	2008	2007
	\$	\$	\$
<b>Consolidated statements of operations</b>			
Loss for the year under Canadian and US GAAP	(1,631,952)	(3,472,349)	(3,073,797)
Unrealized gains on available-for-sale securities	-	-	14,000
Comprehensive loss	<u>(1,631,952)</u>	<u>(3,472,349)</u>	<u>(3,059,797)</u>
Basic and diluted loss per share under US GAAP	<u>(\$0.26)</u>	<u>(\$0.90)</u>	<u>(\$1.00)</u>
Weighted average number of common shares outstanding	<u>6,395,393</u>	<u>3,852,576</u>	<u>3,061,599</u>

**11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)**

- (i) Income Tax

Under Canadian GAAP, future income tax assets are calculated based on enacted or

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substantively enacted tax rates applicable to future years. Under US GAAP, only enacted rates are used in the calculation of deferred income taxes. This difference in GAAP did not have any effect on the financial position or results of operations of the Company for the years ended December 31, 2009, 2008 and 2007.

- (ii) For US GAAP purposes a subtotal in the statement of cash flows under operating activities prior to the change in non-cash working balances is not allowed.

**Accounting for uncertainty in income taxes**

For US GAAP purposes the Company recognizes tax uncertainties when it is “more likely than not” that the Company’s tax position would not be upheld on reviews by the tax authority. The Company measures a tax uncertainty for US GAAP purposes at the largest amount that is more likely than not to be upheld. The Company did not have any unrecognized tax benefits at January 1, 2007. In addition, no adjustments were recognized for uncertain tax benefits during the years ended December 31, 2007, 2008 and 2009. There are no unrecognized tax benefits at December 31, 2009.

The Company files income tax returns in Canada, Argentina and the United States. Years ranging from 2006 to 2009, as applicable, are subject to examination by the taxing authorities in the respective jurisdictions where returns are filed.

Impact of recent United States accounting pronouncements:

- (i) On July 1, 2009, the FASB launched its Accounting Standards Codification (ASC). The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles, the ASC is the sole source of authoritative US GAAP for interim and annual periods ending September 15, 2009, except for rules and interpretive releases of the Securities and Exchange Commission which are also sources of authoritative GAAP for the Company.
- (ii) The FASB has a new accounting standard related to business combinations which provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed and any non-controlling interest in the acquire. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The new standard is effective for the Company on January 1, 2009. The adoption of this statement had no effect on the consolidated financial statements.
- (iii) The FASB has issued a new accounting standard related to non-controlling interests in consolidated financial statements which establishes accounting and reporting standards pertaining to (i) ownership interests in subsidiaries held by parties other than the parent, (ii) the amount of net income attributable to the parent and to the non-controlling interest, (iii) changes in a parent’s ownership interest, and (iv) the valuation of any retained non-controlling equity investment when a subsidiary is deconsolidated. For presentation purposes, the new standard requires non-controlling interests to be classified as a separate component of shareholders’ equity. The new standard is effective for the Company on January 1, 2009. The adoption of this standard had no effect on the consolidated financial statements.

**11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)**

- (iv) The FASB has issued new accounting standards related to disclosures about derivative instruments and hedging activities which revises disclosure requirements for derivative instruments and hedging

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activities. The new standard is effective for the Company on January 1, 2009. The adoption of this standard had no effect on the consolidated financial statements.

- (v) The FASB has issued a new accounting standard related to recognition and presentation of other-than-temporary investments which amends previous impairment guidance for debt securities to make guidance more operational and to improve the presentation and disclosure of other than temporary impairments on debt and equity securities. The new standard is effective for interim periods ending after June 15, 2009. The adoption of this standard had no effect on the consolidated financial statements.
- (vi) The FASB has issued a new accounting standard related to determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not ordinary which provides additional guidance for estimating fair value when the level of activity for the asset or liability has decreased. The adoption of this standard had no effect on the consolidated financial statements.

**12. SUPPLEMENTARY CASH FLOW INFORMATION**

Non-cash investing and financing activities were conducted by the Company during the years ended December 31, 2009, 2008 and 2007 as follows:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Investing activities			
Accounts payable for mineral properties	-	50,426	-
Expenditures on mineral property interests	-	(50,426)	(333,000)
Shares issued for mineral properties	-	-	333,000
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Financing activities			
Share and warrant issuance costs	-	(10,658)	(133,417)
Warrants	-	10,658	84,276
Shares issued for payment of agent's fees	-	-	49,141
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Change in non-cash working capital			
Other receivables and prepaids	22,513	229,935	(99,133)
Subscription receivable	-	-	166,250
Accounts payable	(48,516)	462,180	(57,383)
	<u>(26,003)</u>	<u>692,115</u>	<u>9,734</u>

**13. CHANGE IN ACCOUNTING POLICY**

During the year ended December 31, 2008, the Company retrospectively changed its accounting policy for exploration expenditures to be more relevant and reliable. Prior to the year ended December 31, 2008, the

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Company capitalized all such costs to mineral properties held directly or through an investment and only wrote down capitalized costs when the property was abandoned or if the capitalized costs were not considered to be economically recoverable.

Exploration expenditures are now charged to earnings as they are incurred until the property reaches development stage. All direct costs related to the acquisition of resource property interests will continue to be capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

The Company has accounted for this change in accounting policy on a retroactive basis. The impact of this change on the previously reported December 31, 2007 and 2006 consolidated financial statements are as follows:

	As previously reported \$	Restatement \$	As restated \$
Mineral property interests as at December 31, 2007	4,493,081	(2,780,953)	1,712,128
Future income taxes as at December 31, 2007	(38,434)	(38,434)	-
Exploration expense for the year ended December 31, 2007	(522,136)	(842,188)	(1,364,324)
Write-off of mineral properties for the year ended December 31, 2007	(250,956)	94,716	(156,240)
Loss for the year ended December 31, 2007	(2,326,325)	(747,472)	(3,073,797)
Loss per share for the year ended December 31, 2007	(0.76)	(0.24)	(1.00)
Deficit at December 31, 2007	(6,988,671)	(2,742,519)	(9,731,190)
Mineral property interests as at December 31, 2006	3,356,158	(2,056,841)	1,299,317
Future income taxes as at December 31, 2006	(61,794)	61,794	-
Exploration expense for the year ended December 31, 2006	(296,810)	(520,820)	(817,630)
Write-off of mineral properties for the year ended December 31, 2006	(525,514)	318,703	(206,811)
Loss for the year ended December 31, 2006	(1,920,249)	(202,117)	(2,122,366)
Loss per share for the year ended December 31, 2006	(\$1.00)	(\$0.11)	(\$1.11)
Deficit at December 31, 2006	(4,662,346)	(1,995,047)	(6,657,393)

**14. SUBSEQUENT EVENTS**

On January 25, 2010 the Company completed a non-brokered private placement financing of 4,700,000 units at a price of \$0.13 per unit for net proceeds of \$610,064, net of related share issue costs of \$936. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to

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purchase one common share, exercisable at a price of \$0.18 in year one and \$0.22 in year two. The value assigned to 4,700,000 warrants was \$282,690. The Black-Scholes Pricing Model was used to value the warrants on a proportionate basis with the related shares. The warrants were valued at \$0.0189 per warrant based on the following assumptions: dividend yield 0%, risk-free rate 1.18%, expected volatility 254% and expected life of 1.3 years.

On March 12, 2010 the Company granted stock options to its officers and directors to purchase up to 700,000 common shares of the Company at a price of \$0.13 per share, exercisable for a period of five years. The options are subject to a four month hold period. The fair value of stock options granted was estimated on the date of grant using the Black-Scholes Option Pricing Model with stock price of \$0.14, expected life of 2.5 years, risk free rate of 1.46% and volatility of 166%. The value assigned to the options is \$80,351.

On April 7, 2010 the Company settled a debt of \$215,696 with a drilling Company by paying cash of \$129,361 and transferring the shares of the Company's Peruvian subsidiary, Recursos de los Andes S.A.C.

**15. COMPARATIVE FIGURES**

Certain comparative figures have been re-classified to conform with current year financial statements presentation.

## **PANTHERA EXPLORATION INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009**

#### **Introduction**

The following discussion of the operating results and the financial position of Panthera Exploration Inc. (the "Company") which have been prepared on the basis of available information up to April 29, 2010, should be read in conjunction with the annual audited consolidated financial statement and notes thereto of the Company for the years ended December 31, 2009 and 2008. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). The discussion also provides an indication of future developments along with issues and risks that can be expected to impact future operations. There is no guarantee of future performance as actual results could change based on factors beyond management's control. Except as otherwise disclosed all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

#### **Forward Looking Statements**

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act or "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 of the United States. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Annual Information Form and in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of gold, silver and copper; that the Company can access financing, appropriate equipment and sufficient labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

#### **Company Overview**

As of April 29, 2010, the Company had working capital of approximately \$288,000. The Company does not have adequate resources to maintain its core activities and has ceased its exploration activities for the time being, as well as taking steps to reduce overhead and other costs. The Company will need to raise further financing in order to continue its operations and fulfill its commitments. The Company may not be able to raise the necessary funds or may not be able to raise such funds at terms which are acceptable to the Company. In the event the Company is unable to raise adequate finances to fund the proposed activities, it will need to reassess its alternatives and may have to abandon one or more of its property interests as a result. Any further additional equity financing undertaken by the Company will cause dilution to its shareholders. The December 31, 2009 audited consolidated financial statements have been prepared on a going concern basis in accordance with Canadian GAAP. The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred significant losses and negative cash flow from operations since inception. Adjustments to the carrying value of assets and liabilities, the reported expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate could be material.

The Company was incorporated on April 11, 2000 and was transitioned under the Business Corporations Act (BC) on June 17, 2004. The Company remained without a business asset until March 2003, when the Company negotiated a number of agreements to option and acquire interests in various mineral concessions located in Argentina. In December 2003, the Company completed its initial public offering and commenced trading on the TSX Venture Exchange (“TSX-V”) under the symbol “AMS”.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company’s material mineral property interest is located in the United States. As of the date of this MD&A, the Company has not earned any production revenue, nor found any proven reserves on any of its properties. The Company is a reporting issuer in British Columbia, Alberta and the USA (SEC).

During 2008 several option agreements on Peruvian properties were terminated as the Company’s financial position did not allow exploration and payment commitments to be met. The Company consolidated its outstanding common shares on a 10 for 1 basis and changed the name of the Company to Panthera Resources Inc. trading on the TSX-V under the symbol “PNX”.

## **Peru**

### ***Cocha Copper-Silver Project, Department of Junin***

The Cocha property is located in the Department of Junin, Peru approximately 23km east of the city of Huancayo and 220km east of Lima. Staked in 2006, the Cocha property was expanded from 2,400 to 7,060 hectares in 2007. The Company held a 100% interest in the property.

During the year, management determined that the property should be written down to its net realizable value. Accordingly, the Company wrote down the acquisition costs by \$48,420 to \$6,291.

On July 22, 2009 this property was sold to Golden Arrow as part of the sale of its 51% interest in the Mogote property and four Peruvian property concessions for \$168,870 CDN (\$150,000 USD). The amount allocated to proceeds for Cocha was \$6,291 CDN.

### ***Mitu Copper-Silver property, Department of Junin***

The Mitu property is located in the Department of Junin, Peru approximately 155km northeast of Lima. Acquired by direct staking the Company held a 100% interest.

During the year, management determined that the property should be written down to its net realizable value. Accordingly, the Company has written down the acquisition costs by \$12,935 to \$1,681.

On July 22, 2009 this property was sold to Golden Arrow as part of the sale of its 51% interest in the Mogote property and four Peruvian property concessions for \$168,870 CDN (\$150,000 USD). The amount allocated to proceeds for Mitu was \$1,681 CDN.

### ***Other Properties:***

Included in other properties is the Acero Property and the Fuyani Property located in the Department of Cuzco, Peru. The Company held a 100% interest in the Acero Property and Fuyani Property.

During the year, management determined that the properties should be written down to their net realizable value. Accordingly, the Company has written down the Acero acquisition costs by \$5,497 to \$715 and written down the Fuyani acquisition costs by \$3,234 to \$420.

On July 22, 2009 these properties were sold to Golden Arrow as part of the sale of its 51% interest in the Mogote property and four Peruvian property concessions for \$168,870 CDN (\$150,000 USD). The amount allocated to proceeds for Acero was \$715 and the amount allocated to Fuyani was \$420 CDN.

## **Argentina**

### ***Mogote Property, San Juan Province***

The Company exercised its option agreement with Golden Arrow Resources Corporation (“Golden Arrow”), a publicly traded company with common management, and has earned a 51% interest in eight mineral concessions, comprising 8,009 hectares (the “Mogote Property”), located in San Juan Province, Argentina. The Company issued a total of 1,650,000 common shares and incurred a minimum of US \$1.25 million of exploration expenditures to fulfil the requirements to earn this 51% interest.

On May 14, 2007, the Company gave notice to Golden Arrow that it would not proceed with the additional expenditures required in order to earn an additional 24% interest.

During the year, management determined that the property should be written down to its net realizable value. Accordingly, the Company wrote down the acquisition costs by \$1,229,546 to \$159,763.

On July 22, 2009 this property was sold to Golden Arrow as part of the sale of its 51% interest in the Mogote property and four Peruvian property concessions for \$168,870 CDN (\$150,000 USD). The amount allocated to proceeds for Mogote was \$159,763 CDN.

## **USA**

### ***Roy and Hills Properties, Nevada***

The Roy and Hills Properties consist of two claim blocks in the Roysten Hills in the Walker Lane District of west central Nevada. The 478 ha (1,180 acres) Roy claim blocks and the 227 ha (560 acres) Hills claim block are located 45 kilometres northwest of Tonopah along the northern margin of the prolific Walker Lane epithermal belt which has seen past production of more than 35 million gold equivalent ounces.

In 2006, the Company signed a Letter of Intent with Astral Mining Corporation (“Astral”) to option to them the Roy and Hills properties. Under the terms of this Letter of Intent, Astral may earn up to an 80% undivided interest in the Roy and Hills Properties. Astral can earn an initial 65% interest in the project may be earned by incurring US\$2,500,000 in work expenditures over four years and issuing 500,000 common shares (100,000 common shares issued) to the Company. Astral may then elect to earn an additional 15% interest, by issuing a further 500,000 shares and completing a bankable feasibility study, within three years. The Company received approval from TSX Venture Exchange for this agreement.

On May 18, 2007 Astral reported the results from a 7-hole 1,000m Phase I Reverse Circulation (RC) drill program on the Roy and Hills gold projects. The best results from the program were a 6.1m interval averaging 0.89 g/t gold, including a 1.5m interval assaying 2.1 g/t gold (hole R-07-5). This hole, along with R-07-03, was designed to test the area where surface samples of subcropping bladed quartz vein material assayed 41.5 g/t gold. The option agreement was terminated by Astral. Accordingly, in 2008 the Company wrote off \$64,010 of acquisition costs. The Company dropped the Hills property and still maintains title to the Roy property.

The Roy and Hills drilling program was carried out under the supervision of John Rice, C.P.G., and a Qualified Person. All analytical work for the Roy and Hills drilling program was performed by American Assay Laboratories Inc, located in Sparks, Nevada. The technical information discussed above has also been reviewed by Dr. David A. Terry, P.Geo, a director of the Company and a Qualified Person.

## **Selected Quarterly Financial Information and Fourth Quarter Discussion**

The following selected financial information is derived from the unaudited interim financial statements of the Company prepared in accordance with Canadian GAAP.

	2009				2008			
	Dec. 31 \$	Sep. 30 \$	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sep. 30 \$	Jun. 30 \$	Mar. 31 \$
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	(258,474)	(6,521)	(14,484)	(1,352,473)	(315,755)	(529,824)	(949,888)	(1,676,882)
Net Loss per Common Share Basic and Diluted	(0.04)	(0.00)	(0.00)	(0.21)	(0.09)	(0.13)	(0.24)	(0.44)

For the three months ended December 31, 2009, the Company reported a consolidated loss of \$258,474 (\$0.04 per share), a decrease of \$57,281 from the loss of \$315,755 (\$0.09 per share) for the three months ended December 31, 2008. The decrease in loss is primarily a result of:

- (i) Exploration decreased by \$137,397 to \$39,911 in the 2009 period from \$177,308 in the 2008 period as a result of the level of exploration activities decreasing in the 2009 period.
- (ii) Severance expense was \$131,250 for the 2009 period compared to \$Nil for the 2008 period as a result of the company terminating its contract with the President of the Company.
- (iii) Other than temporary write-down of marketable securities was \$Nil for the 2009 period compared to \$28,000 for the 2008 period as a result of the writing down its investment in Astral Mining Corporation in 2008.
- (iv) The Company wrote off mineral property costs of \$Nil in the 2009 period compared to \$31,725 in the 2008 period.

## **Selected Annual Financial Information**

The following selected consolidated financial information is derived from the audited consolidated financial statements and notes thereto. The information has been prepared in accordance with Canadian GAAP.

	Years Ended December 31,		
	2009 \$	2008 \$	2007 \$
Total Revenues	Nil	Nil	Nil
General and Administrative Expenses	(428,264)	(919,084)	(1,612,536)
Exploration recovery (expenses)	90,815	(2,165,600)	(1,364,324)
Other income (expenses)	(1,294,503)	(387,665)	(96,937)
Net Loss	(1,631,952)	(3,472,349)	(3,073,797)
Basic and diluted Loss per Common Share	(0.26)	(0.90)	(1.00)
Total Assets	204,247	1,524,520	3,588,597

## **Summary of Financial Results**

For the year ended December 31, 2009, the Company reported a consolidated loss of \$1,631,952 (\$0.26 per share), a decrease of \$1,840,397 from the loss of \$3,472,349 (\$0.90 per share) for the year ended December 31, 2008. The decrease in the loss in 2009, compared to 2008, was due to a number of factors of which \$2,747,235 can be attributed to decreases in operating expenses and a \$906,838 increase in other expense items.

## **Results of Operations**

The Company's operating expenses for the year ended December 31, 2009, were \$337,449, representing a decrease of \$2,747,235 from \$3,084,684 in 2008 as a result of the following:

- (i) Corporate development and investor relations decreased to \$19,561 in 2009 compared to \$267,716 during 2008, mainly due to decreased costs associated with advertising and attendance at investor conferences.

(ii) Exploration expenses decreased by \$2,256,415 to a recovery of \$90,815 in 2009 compared to \$2,165,600 in 2008. In 2009, the Company had a recovery as a result of a reversal for accrued validity fees for its former Peruvian properties. In the 2008 the Company was actively exploring its properties in Peru.

(iii) Consulting fees increased by \$165,040 as a result of Severance expense of \$131,250 for the 2009 period compared to \$Nil for the 2008 period as a result of the termination of the contract with the President of the Company.

(iv) Office and sundry expenses decreased by \$91,908 to \$5,494 in 2009 from \$97,402 in 2008 as a result of decreased activity levels in 2009.

(v) Salaries decreased to \$Nil in 2009 compared to \$207,236 in 2008 as a result of Company no longer using the services of the Grosso Group and management taking steps to reorganize the Company during the year.

During the year ended December 31, 2009, the Company recorded interest income of \$Nil compared to \$14,210 in 2008 year as a result of a decrease of short-term investments. The Company recorded interest expense of \$35,555 in 2009 compared to \$20,021 in 2008. This interest expense relates to a balance owing to a drilling company which has been outstanding since 2008.

On December 17, 2009 the Company terminated its contract with the former President of the Company and accrued severance of \$131,250. This was paid subsequent to year end.

During the year, management determined that the Peruvian and Argentine properties should be written down to their net realizable values. Accordingly, the Company wrote down the acquisition costs by \$1,299,632 to \$168,870. On July 22, 2009 the Company sold Mogote, Cocha, Acero, Fuyani and Mitu properties to Golden Arrow Resources Corporation for \$168,870 CDN (\$150,000 USD).

The Company still maintains title to the Roy property located in the United States. During the year the Company incurred acquisition costs of \$9,764 on the Roy property.

### **Operating Cash Flow**

Cash outflow from operating activities was \$363,452 for the year ended December 31, 2009 compared to \$2,377,889 for 2008.

### **Financing Activities**

Cash inflow from financing activities was \$366,124 for 2009 compared to \$954,267 for 2008. In 2009 the financing activities included cash proceeds of \$380,490 from the issuance of shares less \$14,256 of share and warrant issue costs and \$110 paid for the return of 1,000 shares to treasury. In 2008 the Company received \$1,027,600 from the issuance of shares less \$73,333 share issue costs.

### **Investing Activities**

Investing activities generated cash of \$159,106 for 2009 compared to a cash generated of \$1,282,106 for 2008. In 2009 the investing activities included validity fees of \$9,764 for the Roy property and proceeds of \$168,870 from the sale of mineral properties to Golden Arrow. In 2008 investing activities included additions of \$117,894 to mineral property interests and a decrease of \$1,400,000 in short-term investments.

### **Liquidity and Capital Resources**

The Company's cash position at December 31, 2009 was \$186,280, an increase of \$161,778 from December 31, 2008. Total assets decreased to \$204,247 at December 31, 2009 from \$1,524,520 at December 31, 2008. This decrease is primarily due to the decrease in mineral properties partially offset by an increase in cash.

The Company has financed its operations through the sale of its equity securities. During the year ended December 31, 2009, the Company completed:

- a non-brokered private placement financing of 4,612,000 units at a price of \$0.0825 per unit for net proceeds of \$366,234, net of related share issue costs of \$14,256. Each unit consisted of one common share and one

common share purchase warrant. Each warrant entitles the holder to purchase one common share, exercisable at a price of \$0.11 expiring July 9, 2011.

Subsequent to year ended December 31, 2009, the Company:

- a non-brokered private placement financing of 4,700,000 units at a price of \$0.13 per unit, for gross proceeds to the Company of \$611,000. Each Unit will consist of one common share and one common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.18 per share in year one and \$0.22 per share in year two.

The Company has received \$Nil from the exercise of warrants and options for the year ended December 31, 2009 (2008 - \$Nil).

The Company presently does not have adequate resources to maintain its core activities for the next fiscal year or sufficient working capital to fund all its planned activities. The Company will continue to rely on successfully completing additional equity financing to maintain its core activities and further exploration of its existing and new properties in the Americas. There can be no assurance that the Company will be successful in obtaining the required financing. The failure to obtain such financing could result in the loss of the Company's interest in one or more of its mineral claims.

The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs. The Company does not have any loans or bank debt and there are no restrictions on the use of its cash resources.

### **Subsequent Events**

On March 12, 2010 the Company granted stock options to its officers and directors to purchase up to 700,000 common shares of the Company at a price of \$0.13 per share, exercisable for a period of five years. The options are subject to a four month hold period. The fair value of stock options granted was estimated on the date of grant using the Black-Scholes Option Pricing Model with stock price of \$0.14, expected life of 2.5 years, risk free rate of 1.46% and volatility of 166%. The value assigned to the options is \$80,351.

On April 7, 2010 the Company settled a debt of \$215,696 with a drilling Company by paying cash of \$129,361 and transferring the shares of the Company's Peruvian subsidiary, Recursos de los Andes S.A.C.

### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

### **Related Parties Transactions**

- a) The Company had engaged Grosso Group Management Ltd., ("Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company that is currently owned by Blue Sky Uranium Corp. ("Blue Sky") and Golden Arrow, each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee was based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company.

The arrangement with the Grosso Group was terminated effective September 1, 2008. There were no fees paid during the year ended September December 301, 2009. During the year ended December 31, 2008, the Company incurred fees of \$295,551 to the Grosso Group as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. In addition, included in other receivables, prepaids and deposits as at December 31, 2008 was a \$9,152 deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working

capital.

- b) The former President of the Company provided his services on a full-time basis under a contract with a private company controlled by the President for an annual fee of \$87,500. During the fiscal 2009, the Company paid \$83,854 (2008 - \$65,275) to the President and \$30,559 was included in accounts payable (2008 - \$22,225). The contract also provided that, in the event the services are terminated without cause or upon a change in control of the Company, a termination payment would include eighteen months of compensation plus a bonus amount agreed to by the parties.

On December 18, 2009 the Company terminated his contract. Included in accounts payable is a termination payment of \$131,250. This amount was paid subsequent to year end.

- c) Effective May 1, 2007, the Company entered into an agreement with IMA to pay a monthly fee for the services provided by IMA's Chief Executive Officer who is a director of the Company. This agreement was terminated on June 30, 2008. For fiscal 2008, the Company paid \$9,000 to IMA for these services.
- d) During the year ended December 31, 2009 the Company paid consulting fees in the amount of \$35,000 (2008 - \$Nil) to a company controlled by a director of the Company.
- e) During the year ended December 31, 2009 the Company paid consulting fees in the amount of \$29,435 (2008 - \$Nil) to a company controlled by a director of the Company.
- f) During the year ended December 31, 2009 the Company paid consulting fees in the amount of \$8,250 (2008 - \$Nil) to a company controlled by a director of the Company.
- g) As at December 31, 2009, the Company has a balance owing to Golden Arrow, a company managed by a director of the Company, of \$14,731 (2008 - \$1,864).

All of the related party transactions and balances in these consolidated financial statements arose 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.

### **Contractual Commitments**

As of December 31, 2009, the Company had no commitments.

### **Critical Accounting Estimates and Recent Accounting Pronouncements**

The preparation of financial statements in conformity with Canadian GAAP 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 period. Actual results may differ from these estimates.

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's consolidated financial statements for the years ended December 31, 2009, 2008 and 2007. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

### ***Mineral Property Interests***

Exploration expenditures are charged to earnings as they are incurred until the property reaches development stage. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices and reports and opinions of outside geologists, mine engineers and

consultants. When it is determined that a project or property will be abandoned then costs are written off, or if its carrying value has been impaired, the costs are written down to fair value.

Mineral property acquisition costs include cash costs and the fair market value of common shares, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments relating to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment.

The Company accounts for foreign value added taxes paid as part of exploration expense. The recovery of these taxes will commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a recovery in exploration expense.

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

### ***Recent Accounting Pronouncements***

New accounting standards were issued by the CICA which may impact the Company in the future as follows:

**(a) *Goodwill and Intangible Assets***

CICA Handbook Section 3064, *Goodwill and Intangible Assets*, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the preoperating period. On January 1, 2009, the Company adopted these changes, with no impact on its consolidated financial statements.

**(b) *Credit Risk and Fair Value of Financial Assets and Liabilities***

In January 2009, the CICA issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments.

This standard is effective for our fiscal year beginning January 1, 2009. Adoption of this EIC did not have a significant effect on the Company's financial statements for the year ended December 31, 2009.

**(c) *Mining Exploration Costs***

In March 2009, the CICA issued EIC-174, *Mining Exploration Costs*. The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on the Company's financial statements for the year ended December 31, 2009.

**(d) *General Standard of Financial Statement Presentation***

For the year ended December 31, 2009, the Corporation adopted the amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures, which expands financial instrument fair value measurement and liquidity risk management disclosures.

### ***Future Accounting Standards***

### ***Business combinations, consolidated financial statements and non-controlling interest***

In January 2009, the CICA issued CICA Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-controlling Interests*. These sections replace the former CICA Handbook Section 1581, *Business Combinations* and Section 1600, *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, *Business Combinations* (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination.

It is equivalent to the corresponding provisions of IFRS International Accounting Standards (“IAS”) 27, *Consolidated and Separate Financial Statements* (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently. At this time the Company does not anticipate these sections prior to the adoption of IFRS and therefore does not expect any impact to the consolidated financial statements.

### ***International Financial Reporting Standards (“IFRS”)***

In February 2008, the CICA announced that publicly accountable enterprises will be required to transition from Canadian GAAP to IFRS for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. This includes a requirement to present comparative financial information in accordance with IFRS for 2010. Accordingly, our first interim consolidated financial statements will be presented in accordance with IFRS for the three months ending March 31, 2011 with 2010 comparative results.

The Company has commenced a preliminary review of the Canadian equivalents to IFRS. At this stage of the transition, a small number of areas have been identified that may have an impact on the financial statements of the Company. We expect that there may be changes with respect to foreign currency translations, share-based compensation and asset impairment. The Company has not adopted an IFRS changeover plan at December 31, 2009 however management has completed an IFRS diagnostic and analysis. We note that Canadian GAAP to IFRS may be amended prior to adoption.

Management has considered the differences between Canadian GAAP and IFRS and to date has identified that there are likely no material differences to the majority of line items appearing in the Company’s balance sheet and income statement from what it has recorded under Canadian GAAP.

The specific areas where no applicable differences in recognition and measurement have been identified between IFRS and Canadian GAAP are cash, amounts receivable, prepaid expenses, and accounts payable and accrued liabilities.

Certain relevant accounting differences between Canadian GAAP and IFRS and the possible impacts on the consolidated financial statements of the Company are described below:

Financial Statement Component	IFRS	Canadian GAAP	Possible Impact
Exploration Expenditures and Development Costs	<p>An entity shall determine a policy specifying which expenditures are recognized as exploration and evaluation assets and apply the policy consistently. In making this determination, an entity considers the degree to which the expenditure can be associated with finding specific mineral resources.</p> <p>Exploration Expenditures shall be recognized at cost. The Company can elect to measure exploration and evaluation assets using either cost model or the revaluation model.</p>	<p>Exploration costs related to mining properties may initially be capitalized if an enterprise considers that such costs have the characteristics of property, plant and equipment and that capitalization is appropriate to its circumstances.</p> <p>Exploration and evaluation assets are measured at cost. Canadian GAAP does not allow for the revaluation of exploration and evaluation assets other than during a business combination.</p>	No impact. Continue with existing policy under IFRS 6.
Foreign Currency Translation	Defines functional currency as the currency of the primary economic environment in which the entity operates. Foreign currency translation methods are based on the functional currency concept.	Does not directly define functional currency. Foreign currency translation is based on the concept of integrated and self-sustaining foreign operations.	No impact expected at this time.
Impairment of Non-Current Assets	<p>Assess at each reporting date whether there is any indication that an asset (other than goodwill and intangible assets with indefinite lives) may be impaired.</p> <p>Impairment loss recognition is a one-step process based on discounted cash flows. Impairment losses are recognized when the carrying value exceeds the recoverable amount, which is the higher of (a) value in use and (b) fair value less costs to sell.</p> <p>An impairment loss recognized in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.</p>	<p>A long-lived asset should be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.</p> <p>Impairment testing is based on a two-step test. Once an impairment loss is identified on an undiscounted cash flow basis (step 1), the impairment loss is measured as the amount by which the carrying value exceeds fair value (step 2).</p> <p>An impairment loss relating to long-lived assets should not be reversed even if the fair value subsequently increases</p>	No impact expected at this time.

Share-Based Payments	<p>For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period, and hence the fair value of each instalment will differ.</p> <p>Requires that forfeitures be estimated at the time of grant to eliminate distortion of remuneration expense recognized during the vesting period. The estimate should be revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.</p>	<p>Allows the option to use the straight-line method or the attribution method to account for graded-vesting features.</p> <p>Permits companies to either estimate the forfeitures at time of grant date or record the entire expense as if all its stock option grants vest and then record forfeitures as they occur</p>	<p>No impact on employee stock-options. May impact options granted to consultants.</p> <p>May have impact on forfeitures.</p>
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### **Financial Instruments**

The Company's financial instruments are exposed to certain risks, including currency, credit and metal price risk.

*Currency Risk:* Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

The Company has not hedged its exposure to currency fluctuations. As at December 31, 2009, the Company was exposed to currency risk through the following assets and liabilities in US dollars and Peruvian Soles:

	<b>December 31, 2009</b>	
	<b>US Dollar</b>	<b>Peruvian Soles</b>
	<b>\$</b>	<b>\$</b>
Cash	8,836	3,853
Accounts payable and accrued liabilities	(229,584)	-
	<u>(220,748)</u>	<u>3,853</u>
Foreign exchange rate at December 31, 2009	1.0510	0.3623

Based on the net exposures as at December 31, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and Peruvian Soles would have an insignificant impact in the Company's net earnings.

*Credit Risk:* Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

*Liquidity Risk:* Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company's cash is primarily invested in business bank accounts which are available on demand. The Company expects to raise additional equity capital in 2010.

### **Fair Values**

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate fair values due to their short terms to maturity or ability to readily convert to cash.

The fair value of investments in equity securities classified as available for sale is determined using bid prices at the balance sheet date with any temporary unrealized gains or losses recognized in other comprehensive income.

The following table outlines the Corporation's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

As at December 31, 2009 the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash	186,280	-	-	186,280
Marketable securities	4,200	-	-	4,200

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2** – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

**Level 3** – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Corporation's cash instruments and marketable securities are valued using quoted market prices in active markets, and therefore are classified as Level 1.

### **Risk Factors and Uncertainties**

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. A number of the risks and uncertainties are discussed below:

*History of losses:* The Company has historically incurred losses as evidenced by its audited consolidated financial statements for the years ended December 31, 2009, 2008 and 2007. The Company has financed its operations principally through the sale of its equity securities. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

*Joint ventures and other partnerships:* The Company may seek joint venture partners to provide funding for further work on any or all of its other properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture. Any investments, strategic alliances or related efforts are accompanied by risks such as:

1. the difficulty of identifying appropriate joint venture partners or opportunities;
2. the time the Company's senior management must spend negotiating agreements, and monitoring joint venture activities;
3. the possibility that the Company may not be able to reach agreement on definitive agreements, with potential joint venture partners;
4. potential regulatory issues applicable to the mineral exploration business;
5. the investment of the Company's capital or properties and the loss of control over the return of the Company's capital or assets;
6. the inability of management to capitalize on the growth opportunities presented by joint ventures; and
7. the insolvency of any joint venture partner.

There are no assurances that the Company would be successful in overcoming these risks or any other problems encountered with joint ventures, strategic alliances or related efforts.

*Unexpected delays:* The Company's minerals business will be subject to the risk of unanticipated delays including permitting its contemplated projects. Such delays may be caused by fluctuations in commodity prices, mining risks, difficulty in arranging needed financing, unanticipated permitting requirements or legal obstruction in the permitting process by project opponents. In addition to adding to project capital costs (and possibly operating costs), such delays, if protracted, could result in a write-off of all or a portion of the carrying value of the delayed project.

*Potential conflicts of interest:* Several of the Company's directors are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which could place the Company in a worse position than if no conflict existed. The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interest which they may have in any project or opportunity of the Company. However, each director has a similar obligation to other companies for which such director serves as an officer or director. The Company has no specific internal policy governing conflicts of interest.

*Competition with larger, better capitalized competitors:* The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, base and precious metals. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

*The Company does not intend to pay dividends:* The Company has not paid out any cash dividends to date and has no plans to do so in the immediate future. As a result, an investor's return on investment will be solely determined by his or her ability to sell common shares in the secondary market.

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

*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's property has exposure to predominantly gold. The prices of these metals, especially gold, greatly affect the value of the Company and the potential value of its property and investments.

*Financial Markets:* The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

*Political Risk:* Exploration is presently carried out in the United States and is currently being reviewed worldwide. This exposes the Company to risks that may not otherwise be experienced if all operations were domestic. Political risks may adversely affect the Company's potential projects and operations. Real and perceived political risk in some countries may also affect the Company's ability to finance exploration programs and attract joint venture partners, and future mine development opportunities.

*Credit Risk:* Credit risk is the risk of an unexpected loss of a third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash. The Company's limits its exposure to credit loss by placing its cash with major financial institutions.

*Liquidity Risk:* Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company's cash is invested in bank accounts.

*Interest Risk:* The Company's bank accounts earn interest income at variable rates. The fair value of its cash is relatively unaffected by changes in short-term interest rates.

*Currency Risk:* Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

*Environmental Risk:* The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

### **Cautionary Note to US Readers**

As a British Columbia corporation, the Company is subject to certain rules and regulations issued by the British Columbia Securities Commission ("BCSC"). The Company is required to provide detailed information regarding its properties including mineralization, drilling, sampling and analysis, security of samples and mineral resources and mineral reserve estimates. Further, the Company describes mineral resources associated with its properties utilizing terminology such as "inferred" or "indicated" which are terms recognized by Canadian regulators but not recognized by the United States Securities and Exchange Commission ("SEC").

### **Cautionary Note to US Investors Regarding Mineral Resources**

The SEC allows mining companies, in their filings with the SEC, to disclose only those mineral deposits they can economically and legally extract or produce. The Company may use certain terms in this document, such as "mineral resources", "indicated mineral resources" and "inferred resources" that are recognized and mandated by Canadian securities regulators but not recognized by the SEC. This report may use the term "inferred resources". USA readers are cautioned that while this term is recognized and required by Canadian regulations, the SEC does not recognize it. "Inferred resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. USA investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.

### **Additional Information**

Additional information relating to the Company, including news releases, financial statements and prior MD&A filings, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company maintains a website at [www.pantheraexploration.com](http://www.pantheraexploration.com), and has not entered into any agreements with any investor relations firms.

### **Outstanding Share Data**

The Company's authorized share capital is an unlimited number of common and preferred shares without par value. As of December 31, 2009, there were 8,795,604 outstanding common shares. As of April 20, 2010 there were 13,495,604 outstanding common shares.

The Company had stock options outstanding and exercisable at April 29, 2010 as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
<u>700,000</u>	\$0.13	March 12, 2015

The Company had warrants outstanding and exercisable at April 20, 2010 as follows:

<b>Number</b>	<b>Exercise Price</b> <b>\$</b>	<b>Expiry Date</b>
192,560	1.80	April 30, 2010
8,700	1.80	June 12, 2010
193,500	1.80	June 18, 2010
4,612,000	0.11	July 9, 2011
<u>4,700,000</u>	<u>0.13</u>	January 25, 2012
<u><u>9,706,760</u></u>	<u><u>0.24</u></u>	

More information on these instruments and the terms of their conversion are set out in Note 5 to the Company's December 31, 2009 audited consolidated financial statements.