# One World Investments Inc.

## CONSOLIDATED FINANCIAL STATEMENTS

**(Expressed in Canadian Dollars)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2012**

**(UNAUDITED – PREPARED BY MANAGEMENT)**

MANAGEMENT COMMENTS ON UNAUDITED
FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of One World Investments Inc. for the three months ended March 31, 2012 and March 31, 2011 have been prepared by and are the responsibility of the Company's management. The unaudited interim consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) and are considered by management to present fairly the financial position, operating results and cash flows of the company.

The Company's independent external auditor has not performed a review of these financial statements.

**ONE WORLD INVESTMENTS INC.**

## INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
**(UNAUDITED – PREPARED BY MANAGEMENT)**

| | | 31 March 2012 | | 31 December 2011 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | $ | 229,375 | $ | 390,473 |
| Sales tax receivable | | 33,703 | | 27,769 |
| Prepaid expenses | | 21,023 | | 5,700 |
| Deposits | | 24,957 | | - |
| Marketable securities (Note 6) | | 50 | | 50 |
| | | 309,108 | | 423,992 |
| **Non-current Assets** | | | | |
| Exploration and evaluation assets (Note 7) | | 2 | | 2 |
| **TOTAL ASSETS** | $ | 309,110 | $ | 423,994 |
| **LIABILITIES** | | | | |
| **Current Liabilities** | | | | |
| Trade payables and accrued liabilities | $ | 221,830 | $ | 241,206 |
| Promissory note payable (Note 8) | | 317,878 | | 323,573 |
| Loan payable (Note 8) | | 226,120 | | - |
| Due to related parties (Note 9) | | 227,313 | | 438,390 |
| | | 993,141 | | 1,003,169 |
| **EQUITY** | | | | |
| Share capital (Note 10) | | 8,430,700 | | 8,430,700 |
| Reserves (Note 10) | | 10,340 | | 10,340 |
| Deficit | | (9,125,071) | | (9,020,215) |
| **TOTAL EQUITY** | | (684,031) | | (579,175) |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ | 309,110 | $ | 423,994 |

Nature of operations and going concern (Note 1)

The interim consolidated financial statements were approved by the Board of Directors on ____________ and were signed on its behalf by:

*"Kevin Beaulieu"*
Kevin Beaulieu, Director

*"Bryce Clark"*
Bryce Clark, Director



-- See Accompanying Notes --

## INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
**(UNAUDITED – PREPARED BY MANAGEMENT)**

| | | Three months ended 31 March 2012 | | Three months ended 31 March 2011 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Consulting fees (Note 9) | $ | 6,000 | $ | - |
| Professional fees (Note 9) | | 30,448 | | 25,081 |
| Interest and financing costs (Notes 8 & 9) | | 15,309 | | 13,748 |
| Management and director fees (Note 9) | | 8,643 | | 15,000 |
| Office and miscellaneous (Note 9) | | 3,060 | | 5,585 |
| Salaries and benefits | | - | | 7,523 |
| Marketing and development (Note 9) | | 4,190 | | - |
| Travel (Note 9) | | 37,575 | | 6,456 |
| Transfer agent and filing fees | | 5,326 | | 2,162 |
| Foreign exchange (gain) / loss | | (5,695) | | (7,533) |
| | | 104,856 | | 68,022 |
| **Net and comprehensive loss for the period** | | **(104,856)** | | **(68,022)** |
| **Deficit, beginning of period** | | **(579,175)** | | **(793,043)** |
| **Deficit, end of period** | **$** | **(684,031)** | **$** | **(861,065)** |
| **Loss per share – basic and diluted** | **$** | **(0.03)** | **$** | **(0.03)** |
| **Weighted average number of shares outstanding** | | **3,797,125** | | **2,207,120** |



-- See Accompanying Notes --

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
### (UNAUDITED – PREPARED BY MANAGEMENT)

| | Issued Capital | | | | |
|---|---|---|---|---|---|
| | Number of Shares | Amount | Share-based Payment Reserve | Deficit | Total |
| **Balance at January 1, 2011** | **2,207,120** | **$ 7,605,442** | **$ 1,340** | **$(8,399,825)** | **$ (793,043)** |
| Comprehensive income: | | | | | |
| Loss for the 3 months ended March 31, 2011 | - | - | - | (68,022) | (68,022) |
| Contributed surplus – stock based compensation | - | - | - | - | - |
| **Balance at March 31, 2011** | 2,207,120 | 7,605,442 | 1,340 | (8,467,847) | (861,065) |
| Comprehensive income: | | | | | |
| Proceeds from share issuance | 2,848,334 | 854,500 | - | - | 854,500 |
| Share issuance costs | - | (20,242) | - | - | (20,242) |
| Fair value of agent's warrants granted | - | (9,000) | 9,000 | - | - |
| Net loss for the period | - | - | - | (552,368) | (552,368) |
| | 2,848,334 | 825,258 | 9,000 | (552,368) | 281,890 |
| **Balance at December 31, 2011** | 5,055,454 | 8,430,700 | 10,340 | (9,020,215) | (579,175) |
| Comprehensive income: | | | | | |
| Loss for the 3 months ended March 31, 2012 | - | - | - | (104,856) | (104,856) |
| Total comprehensive loss for the period | - | 8,430,700 | 10,340 | (9,125,071) | (684,031) |
| Total transactions with owners and other transfers | - | - | - | - | - |
| **Balance at March 31, 2012** | 5,055,454 | 8,430,700 | 10,340 | (9,125,071) | (684,031) |



-- See Accompanying Notes --

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
### (UNAUDITED – PREPARED BY MANAGEMENT)

| | | Three months ended 31 March 2012 | | Three months ended 31 March 2011 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Loss for the period | $ | (104,856) | $ | (68,022) |
| **Items not affecting cash** | | | | |
| Foreign exchange (gain) | | (5,695) | | (7,508) |
| | | (110,551) | | (75,530) |
| **Net change in non-cash working capital** | | | | |
| Sales tax receivable | | (5,934) | | (811) |
| Prepaid expenses | | (15,323) | | - |
| Deposits | | (24,957) | | - |
| Trade payables and accrued liabilities | | (19,376) | | 10,339 |
| **Net cash flows used in operating activities** | | (176,141) | | (66,002) |
| **FINANCING ACTIVITIES** | | | | |
| Loans payable | | 226,120 | | - |
| Due from related parties | | (211,077) | | 34,540 |
| **Net cash flows used in investing activities** | | 15,043 | | 34,540 |
| Increase in cash and cash equivalents | | (161,098) | | (31,462) |
| Cash and cash equivalents, beginning | | 390,473 | | 36,591 |
| **Cash and cash equivalents, ending** | $ | 229,375 | $ | 5,129 |



-- See Accompanying Notes --

## 1. Nature of operations and going concern

One World Investments Inc. (the "Company") is engaged in the acquisition, exploration and development of exploration and evaluation assets. The Company's shares are listed on the TSX Venture Exchange ("Exchange") and the Company is currently halted for trading as it is in the process of acquiring a private company in Chile (Note 8).

The Company's head office and its registered and records offices are located at Suite 200, 905 West Pender Street, Vancouver, British Columbia, V6C 1L6.

These interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2012 the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from exploration activities and its ability to attain profitable operations and generate funds there from and raise equity capital or borrowings sufficient to meet current and future obligations. Management continues to actively pursue the necessary capital to meet its funding requirements and has implemented available cost control measures.

## 2. Statement of compliance

The financial statements were authorized for issue on May 22, 2012 by the directors of the Company. These consolidated financial statements represent the Company's interim financial statements prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"). The accounting policies applied in these interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2011. These interim consolidated financial statements do not include all of the information required for full financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS.

**3. Summary of significant accounting policies**

**a) Basis of presentation**

The consolidated financial statements of the Company have been prepared on an accrual basis except for financial instruments and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

**b) Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, incorporated in Nevada, Equus Energy Corporation. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

**c) Foreign currency translation**

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

**d) Measurement uncertainty**

The preparation of these consolidated financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas that require estimates as the basis for determining the stated amounts include assumptions related to the carrying value of exploration and evaluation assets, useful lives of equipment, fair values of financial instruments and the valuation allowance of future income tax assets.

The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. These estimates require extensive judgement about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

**e) Share-based payments**

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**f) Income taxes**

Current income Tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Flow-through shares:

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a liability ("flow-through tax liability") and included in trade payables and accrued liabilities. Provided that the Company has renounced the related expenditures, or that there is a reasonable expectation that it will do so, the flow-through tax liability is reduced on a pro-rata basis as the expenditures are incurred and a deferred tax liability is recognized. The reduction to the flow-through tax liability is recognized in profit or loss as other income.

To the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred income taxes would be recorded.

**g) Loss per share**

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

**h) Impairment of assets**

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

**i) Exploration and evaluation**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest

**j) Restoration and environmental obligations**

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

The Company’s estimates of restoration costs could change as a result of changes in regulatory requirements. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company’s estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company’s estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company’s accounting policy for exploration and evaluation assets.

**k) Financial instruments**

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

**4. Accounting standards issued but not yet applied**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2013 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these financial statements, is not expected to have a material effect on the Company's future results and financial position:

a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
b) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
c) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
d) IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);
e) IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);
f) IAS 1 Presentation of Financial Statements, (Amendments regarding Presentation of Items of Other Comprehensive Income);
g) IAS 19 Employee Benefits (Amended in 2011);
h) IAS 27 Separate Financial Statements (Amended in 2011);

i) IAS 28 Investments in Associates and Joint Ventures (Amended in 2011); and
j) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).

## 5. Financial Instruments and Risk Management

**Financial instrument classification and measurement**

Financial instruments of the Company, consisting of cash, sales tax receivable, prepaid expenses, deposits, other marketable securities, accounts payable, loan payable, promissory note payable and due to related parties, carried on the consolidated statements of financial position are carried at amortized cost with the exception of cash, which is carried at fair value.

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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

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

The Company's cash and marketable securities have been assessed on the fair value hierarchy described above and classified as Level 1.

**Risk Management**

**a) Market Risk**

Market risk is the risk that changes in market prices will affect the fair value of financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

**b) Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada accordingly the Company believes it not exposed to significant credit risk.

**c) Currency Risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to significant foreign currency risk.

**d) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. As the Company has no significant source of cash flows this is a significant risk.

**6. Marketable Securities**

Marketable securities consist of an investment in shares of a company listed on the Exchange with a market value of $50 at 31 March 2012 (2011 - $50).

**7. Exploration and evaluation assets**

| | | Northeast Milliken | | Sangudo | | Ashlu Creek | | Total |
|---|---|---|---|---|---|---|---|---|
| **EXPLORATION EXPENDITURES** | | | | | | | | |
| **Balance at 01 January 2011** | $ | 1 | $ | 1 | $ | - | $ | 2 |
| Impairment | | - | | - | | - | | - |
| **Balance at 31 December 2011** | $ | 1 | $ | 1 | $ | - | $ | 2 |
| **Balance at 01 January 2011** | $ | 1 | $ | 1 | $ | - | $ | 2 |
| **Balance at 31 March 2012** | $ | 1 | $ | 1 | $ | - | $ | 2 |

**a) Northeast Milliken Prospect**

The Company holds interests in properties in the Northeast Milliken Prospect, in Texas, USA. The carrying cost of the property has been fully impaired.

**b) Sangudo Property**

During the year ended 31 December 2007, the Company acquired a 100% working interest in seven oil and gas leases located in Alberta. The Company's interests in the properties are subject to gross royalties on revenues of 5.5%.

During the year ended 31 December 2008, all related expenditures previously capitalized were written-off.

**c) Exploration Expenditures**

The Company entered into a binding Letter of Intent ("LOI") to purchase 80% of the issued and outstanding shares of a private company ("Vendor") in Chile for the issuance of 21,000,000 common shares of the Company, a cash payment of $500,000 and the grating of an aggregate 1% net smelter returns royalty to the shareholders of the Vendor. The Vendor owns the titles in properties known as Chanarcillo, Yerbas Buenas, Pircas, Chimbeos and Lomas Bayas properties. Upon signing of the LOI, the Company paid a non-refundable deposit of $25,000 to the Vendor. As at March 31, 2012, no formal agreement has been entered into.

At December 31, 2011, the Company incurred the following exploration expenditures on the Canarcillo, Yerbas Buenas, Piras, Chimbeos and Lomas Bayas properties:

| | | Chile |
|---|---|---|
| Geological | $ | 100,608 |
| Administration | | 50,770 |
| Mapping | | 23,859 |
| Transportation | | 21,800 |
| **Year ended 31 December 2011** | $ | 197,037 |

As at March 31, 2012, no further exploration expenditures have been incurred.

**8) Loan payable**

The Company entered into a loan agreement with a former officer and director of the Company in 2007. On January 30, 2012, the loan was assigned to a third party at arms' length. The total amount assigned was $543,998 which consists of:

**a) Promissory Note Payable**

The loan has a term of one year, which is renewed annually by the Company. The loan is unsecured and bears an effective interest rate of 8% payable semi-annually. During the period ended March 31, 2012, the Company repaid $Nil (2011 - $Nil) of principal to the lender. The principal balance remains unchanged for the period ended March 31, 2012. The balance of the promissory note, which is payable on demand, is as follows:

| | 31 March 2012 | 31 March 2011 | 01 January 2011 |
|---|---|---|---|
| Principal (US$318,164 (2011 – US$318,164, January 1, 2011 – US$318,164) | $ 317,878 | $ 309,129 | $ 346,999 |

Interest of $6,323 on the note up to 31 March, 2012 (2011 - $25,200) is recorded in loan payable.

**b) Loan Payable**

On January 30, 2012, a former officer and director of the Company assigned their loan to a third party at arms' length. The loan bears and effective interest rate of 8% per annum, is unsecured and has no specific date of repayment. The balance of the loan at March 31, 2012 is $226,120 (2011 - $215,511) which consist of interest on the loan of $4,287 and interest on the promissory note of $6,323.

**9) Related Party Transactions**

On January 30, 2012, the amount due to related parties was assigned to two different parties at arms' length. Part of the amount was accounted for as a loan payable (Note 8) and the balance of $227,313 (2011 - $438,390) is payable to a Company controlled by a director of the Company.

The amount due to related parties bears an effective interest rate of 8% per annum, is unsecured and has no specific date of repayment. The balance of the loan at March 31, 2012 is $227,313 (2011 - $438,390) which consist of accrued interest of $4,433.

The Company incurred the following expenses with directors, officers and companies controlled by directors and officers of the Company:

a. Administration and consulting fees of $6,000 (2011 - $Nil) was paid to a director of the Company
b. Marketing and development expenses of $4,190 (2011 - $7,500) was paid to a former director of the Company
c. Management fees of $8,643 (2011 - $Nil) was paid to a Company with common directors

d. Management fees of $Nil (2011 - $7,500) was paid to a former officer and director of the Company
e. Office expenses of $2,779 (2011 - $Nil) was paid to former directors of the Company
f. Professional fees of $5,600 (2011 - $Nil) was accrued to an Accounting firm of which a Partner is a Director and CFO of the Company
g. Travel of $8,719 (2011 - $Nil) was paid to a former director of the Company
h. Travel of $20,000 (2011 - $Nil) was paid to a Company with Common directors
i. Travel of $8,483 (2011 - $Nil) was paid to directors of the Company
j. Salaries and benefits of $Nil (2011 - $7,607) was paid to a former director of the Company
k. Professional fees of $Nil (2011 - $10,000) was paid to a former director of the Company
l. Office rent of $Nil (2011 - $4,500) was paid to a former officer and director of the Company

**10) Share capital**

**a) Authorized**

Unlimited common shares without par value

**b) Issued**

On 09 September 2011, pursuant to the terms of the private placement, the Company issued 2,848,334 units at $0.30 per share for total proceeds of $854,500. Each unit consist of one common share and one share purchase of warrants which is exercisable at $0.40 per warrant up to 01 September 2013. The Company incurred share issuance costs of $20,242 and issued 51,500 agent's warrants exercisable on the same basis. No fair value has been attributed to the share purchase warrants. The fair value of the Agent's Warrants issued has been estimated at $9,000 using the Black-Scholes option pricing model with the following assumptions: expected life – 2 years, risk free rate – 0.63% , volatility – 117% and a dividend yield of 0%.

**c) Stock options**

The Company maintains a stock option plan whereby it may grant options to its directors, officers, employees and key consultants. The terms and conditions of options are determined solely by the Board of Directors. Options are generally granted with a term not exceeding five years, vest immediately, and have exercise prices equal to the market value of the shares on the date of grant.

There were no options issued or outstanding during the period ended 31 March 2012 and 2011.

**d) Warrants**

Warrant activity during the period ended 31 March 2012 is as follows:

**WARRANTS OUTSTANDING**

| | Expiry Date | Number of Warrants | Exercise Price |
|---|---|---|---|
| Balance - 31 December 2010 | | - | - |
| Share Purchase Warrants Granted | 1 September 2013 | 2,848,334 | $0.40 |
| Agent's Warrants Granted | 1 September 2013 | 51,500 | $0.40 |
| Balance - 31 December 2012 | 1 September 2013 | 2,899,834 | $0.40 |

The weighted average life of warrants outstanding at 31 March 2012 is 1.4 years.

**e) Share-based payment reserve**

Share-based payment reserve records the fair value of warrants and options issued for services until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

The tax pools relating to these deductible temporary differences expire as follows:

**11) Income tax expenses and deferred tax assets and liabilities**

The Company has not incurred all the Canadian qualified exploration expenditures as required under the Income Tax Act and signed subscription agreements. This will have no impact on the Company's taxable income, but will expose it to a Part XII.6 tax liability and penalties. The Company will also be liable to indemnify the investors, in the relevant flow-through shares, for any adverse tax reassessments that they may receive. At 31 March 2012, the Company accrued $116,475 (2011 - $116,475) the maximum estimated amount of the potential tax liability, indemnity and penalties that may result from failure to incur the exploration expenditures.

**12) Capital Management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity and cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets.

The Company is dependent on the capital markets as its source of operating 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 investor support for its projects.

Neither the Company nor its subsidiary is subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the year.