PERFICIENT INC
Form 4
December 19, 2013

# FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Henely Kathryn J

(Last) (First) (Middle)

520 MARYVILLE CENTRE DRIVE, SUITE 400

(Street)

ST LOUIS, MO 63141

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PERFICIENT INC [PRFT]

3. Date of Earliest Transaction (Month/Day/Year)
12/17/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Operating Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 12/17/2013 | | F | | 1,600 (1) | D | $ 22.07 | 188,917 (2) | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | |
| | | | | Code | V | (A) | (D) | | | | | | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| Henely Kathryn J<br>520 MARYVILLE CENTRE DRIVE<br>SUITE 400<br>ST LOUIS, MO 63141 | | | Chief Operating Officer | |

# Signatures

| | |
|---|---|
| Kathryn J Henely | 12/19/2013 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** Shares were surrendered to the issuer to satisfy tax obligations.

**(2)** The total securities owned in Tables I and II is 188,917.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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| | Maturity | Principal and Accrued Interest $ |
|---|---|---|
| 12 month term deposit - 4.45% annual interest rate ($6,700,000 principal) | August 13, 2008 | 6,813,462 |

All term deposits are redeemable in full or portion at the Company's option without penalty. Interest is paid on amounts redeemed subsequent to 30 days from the date of investment.

6. MARKETABLE SECURITIES AND INVESTMENT

For the year ended December 31, 2008

| | Cost $ | Other than temporary loss $ | Loss on equity investment $ | Loss on held for trading investment $ | Carrying Value $ |
|---|---|---|---|---|---|
| Available-for-sale investment | | | | | |
| Panthera Exploration Inc. (a) | 499,800 | (474,810) | - | - | 24,990 |
| Investment accounted for under the equity method | | | | | |
| Blue Sky Uranium Corp. (b) | | | | | |
| Common shares | 786,422 | - | (68,174) | - | 718,248 |
| Warrants | 213,578 | - | - | (117,699) | 95,879 |
| Total marketable securities and investments | 1,499,800 | (474,810) | (68,174) | (117,699) | 839,117 |

a) On June 16, 2008 the Company purchased 3,570,000 units of Panthera Exploration Inc. ("Panthera") (formerly Amera Resources Corporation), a company with common directors, for $0.14 per unit for a total of $499,800. On December 23, 2008 Panthera did a 10 for 1 rollback of its shares. As a result the Company now holds 357,000 shares. As at December 31, 2008, the quoted market value of the shares was $24,990. 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. Management has determined that the decrease in fair value of Panthera is other than temporary. As a result a loss of $474,810 has been recorded in Other income (expenses).

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6. MARKETABLE SECURITIES AND INVESTMENT (continued)

b) On September 17, 2008 and October 24, 2008 the Company purchased 2,750,000 and 5,583,333 Units, respectively, of Blue Sky Uranium Corp. ("Blue Sky"), for $0.12 per unit for a total of $1,000,000. Each Unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the Company to purchase one additional common share at a price of $0.18 per share in year one and $0.20 per share in year two. The fair value assigned to the warrants was $213,578. At December 31, 2008 the fair value of the warrants was $95,879. As a result the company recorded a loss of $117,699 on held-for-trading investments.

IMA's holdings of Blue Sky is 22%. The Company has accounted for its investment in common shares using the equity method and has been classified as long-term. Blue Sky has a December 31st year end and is under common management. During the year ended December 31, 2008 the Company recorded a $68,174 loss resulting from equity accounting. As at December 31, 2008, the quoted market value of the shares was $416,667. The Company has determined this decrease in value to be temporary and accordingly has not recorded any impairment of the common share investment

7. MINERAL PROPERTIES

The table below summarizes the general exploration expenditures for the year ended December 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Hushamu property | 1,767,014 | - | - |
| Navidad | - | - | 4,491,524 |
| General exploration | 163,311 | 99,589 | 186,572 |
| General exploration | 1,930,325 | 99,589 | 4,678,096 |

Hushamu Property

The Company has entered into an Option Agreement with Western Copper Corporation ("Western Copper") to further explore and develop the Hushamu Property and in which the Company has the right to acquire up to a 70% interest. The Hushamu porphyry style copper-molybdenum-gold deposit is located on northern Vancouver Island, B.C.

The Company has agreed to expend a minimum of $1.9 million in the first year of a three year option period. Over years two and three the Company has an option to spend an additional $13.1 million on drilling, metallurgical, and engineering studies in the completion of a pre-feasibility report on the Hushamu deposit to meet the required terms of the agreement. This expenditure, a total of $15 million, and the completion of a pre-feasibility report will earn the Company a 49% interest in the project (Option 1). The Company can earn an additional 16% by funding a subsequent feasibility study by the fourth year (Option 2) and an additional 5% can be earned upon completion of mine permitting (Option 3) for a total interest of 70% with Western Copper retaining a 30% participating interest in the joint venture.

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7. MINERAL PROPERTIES (continued)

The table below summarizes the mineral property expenditures for the year ended December 31, 2008:

| Hushamu Property | $ |
|---|---|
| Balance, beginning of the year | - |
| Drilling | 923,462 |
| Salaries and contractors | 373,178 |
| Construction | 107,235 |
| Transportation | 102,840 |
| Assays | 96,224 |
| Supplies and equipment | 65,933 |
| Office | 36,431 |
| Road building/ Trenching | 22,511 |
| Imagery and base maps | 17,274 |
| Geotechnical | 8,659 |
| Shipping | 6,772 |
| Communications | 6,495 |
| Balance, end of the year | 1,767,014 |

* Subsequent to year end the Company met its $1.9 million expenditure commitment

8. SHARE CAPITAL

Authorized - unlimited common shares without par value
- 100,000,000 preferred shares without par value

| Issued - common shares | December 31, 2008 | | December 31, 2007 | |
|---|---|---|---|---|
| | Number | $ | Number | $ |
| Balance, beginning of period | 52,132,064 | 58,753,501 | 52,013,064 | 58,664,727 |
| Exercise of options | - | - | 119,000 | 59,500 |
| Contributed surplus reallocated on exercise of options | - | - | - | 29,274 |
| Balance, end of period | 52,132,064 | 58,753,501 | 52,132,064 | 58,753,501 |

(a) Stock options and stock-based compensation

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 stock options granted are subject to a four month hold period and exercisable for a period of five years.

8. SHARE CAPITAL (continued)

A summary of the changes in the number of stock options outstanding and exercisable for the year ended December 31, 2008 is as follows:

| | 2008 | | 2007 | | 2006 | |
|---|---|---|---|---|---|---|
| | 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 | 4,330,000 | 2.72 | 4,624,000 | 2.69 | 4,848,500 | 2.53 |
| Granted | 250,000 | 0.54 | 100,000 | 0.47 | 283,000 | 3.21 |
| Exercised | - | - | (119,000) | 0.50 | (315,000) | 0.61 |
| Cancelled/Forfeited | (680,000) | 2.46 | (160,000) | 3.66 | (187,500) | 2.96 |
| Expired | (1,275,000) | 1.62 | (115,000) | 0.50 | (5,000) | 0.40 |
| Balance, end of year | 2,625,000 | 3.12 | 4,330,000 | 2.72 | 4,624,000 | 2.69 |

Stock options outstanding and exercisable at December 31, 2008 are as follows:

| Number | Exercise Price $ | Expiry Date |
|---|---|---|
| 1,147,000 | 3.10 | March 24, 2009 |
| 690,000 | 4.16 | March 16, 2010 |
| 355,000 | 2.92 | November 16, 2010 |
| 250,000 | 0.54 | June 2, 2011 |
| 183,000 | 3.21 | June 22, 2011 |
| 2,625,000 | | |

During the year ended December 31, 2008, the Company granted stock options to directors, employees or consultants to acquire 250,000 (2007 – 100,000; 2006 - 273,000) common shares of the Company and recorded compensation expense of $62,900 (2007: $34,421; 2006: $393,120) with a corresponding increase in contributed surplus as a result.

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:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Risk-free interest rate | 3.18% | 4.21% | 4.0% |
| Estimated volatility | 125% | 136% | 70% |
| Expected life | 3 years | 2.5 years | 2.5 years |
| Expected dividend yield | 0% | 0% | 0% |

The weighted average fair value per stock option granted during the year was $0.25 (2007 - $0.34; 2006 - $1.76). 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.

8. SHARE CAPITAL (continued)

(b) Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at December 31, 2008, 2007 and 2006 and the changes for the years ending on those dates is as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Balance, beginning of year | 3,271,070 | 3,504,404 | 1,900,004 |
| Issued | - | - | 1,604,400 |
| Expired | (1,604,400) | (233,334) | - |
| Balance, end of year | 1,666,670 | 3,271,070 | 3,504,404 |

Common shares reserved pursuant to warrants and agent warrants outstanding at December 31, 2008 are as follows:

| Number | Exercise Price $ | Expiry Date |
|---|---|---|
| 1,666,670 | 3.45 | September 14, 2009 |

9. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus is presented below:

| | December 31, 2008 $ | December 31, 2007 $ | December 31, 2006 $ |
|---|---|---|---|
| Balance, beginning of period | 6,157,412 | 6,152,265 | 5,854,445 |
| Contributed Surplus as a result of stock options granted | 62,900 | 34,421 | 393,120 |
| Contributed Surplus reallocated on exercise of stock options | - | (29,274) | (95,300) |
| Contributed Surplus reallocated on expiry of warrants | 1,281,946 | - | - |
| Balance, end of period | 7,502,258 | 6,157,412 | 6,152,265 |

10. RELATED PARTY TRANSACTIONS

(a) The Company engages Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow Resources Corporation and Blue Sky Uranium Corp., 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 is 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 Grosso Group services contract also provides that, in the event the services are terminated by a member company, a termination payment would include three months of compensation and any contractual obligations that the Grosso Group undertook for the company, up to a maximum of $500,000.

During the year ended December 31, 2008, the Company incurred fees of $619,807 (2007: $349,143; 2006: $724,902) to the Grosso Group: $595,482 (2007: $330,305; 2006: $764,115) was paid in twelve monthly payments and $24,325 is included in accounts payable as a result of a review of the allocation of the Grosso Group costs to the member companies for the period (2007 – $18,838 included in amounts payable; 2006: $39,213 included in amounts receivable). Also, included in deposits is a $205,000 (2007 - $205,000; 2006 - $205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

Effective May 31, 2008 Astral Mining Corporation withdrew as a shareholder of Grosso Group and discontinued the use of the services and facilities provided.

Effective September 1, 2008 Panthera withdrew as a shareholder of Grosso Group and discontinued the use of the services and facilities provided.

(b) During the year ended December 31, 2008, the Company paid $310,558 (2007 - $353,283; 2006: $533,917) to companies controlled by directors and officers of the Company, for accounting, management and consulting services provided.

(c) Effective January 1, 2008 the Company entered into a consulting agreement with a company controlled by a director of the Company for a fee of $10,000 per month plus reimbursement for out-of-pocket expenses. Discretionary bonuses may also be paid if approved by the compensation committee. Accordingly, the total compensation paid to the director in the year ended December 31, 2008 was $120,000. This amount is included in the total amount paid to directors and officers discussed in Note 10(b) above.

The Company may terminate this agreement by giving the director thirty day written notice. In the event the Company terminates this agreement the director may be entitled to receive the discretionary bonus.

(d) The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President for an annual fee of $250,000. Accordingly, the total compensation paid to the President in the year ended December 31, 2008 was $250,000 (2007 - $250,000; 2006 - $350,667). This amount is included in the total amount paid to directors and officers discussed in Note 10(b) above.

10. RELATED PARTY TRANSACTIONS (continued)

In the event the contract is terminated by the Company or as a result of a change of control, a payment is payable to the President consisting of (i) any monthly compensation due to the date of termination, (ii) options as determined by the board of directors (iii) three years of monthly compensation (which may be adjusted annually) and (iv) bonus of $461,500. If the termination had occurred on December 31, 2008, the amount payable under the contract would be $1,211,500. In the event the contract is terminated by the Company as a result of the President's death or permanent disability while providing services to the Company, a bonus in the amount of $461,500 plus one years fees of $250,000 is payable. At December 31, 2008, the Company has accrued a total of $711,500 (2007 - $nil) related to this bonus and termination benefits.

Effective May 1, 2007, the Company negotiated agreements with the other shareholder companies of the Grosso Group for the President of the Company to provide services for a monthly fee. The agreements may be terminated at any time at the other companies' discretion upon 30 days written notice. The Company reserves its right to restrict services provided by the President to the other shareholder companies based on its own requirements for the President's services, at which time the fee would be adjusted accordingly. For the fiscal year ended December 31, 2008, the Company has accrued a receivable of $59,442 from the other shareholder companies which has been recorded as a decrease in Administrative and management services expense. This amount is reflected in the total amount paid to directors and officers discussed in Note 10(b) above. The fees are reviewed and adjusted on a periodic basis.

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.

11. CAPITAL RISK MANAGEMENT

The capital Structure of the Company consists of equity attributable to common shareholders and includes share capital, warrants, contributed surplus, stock options, accumulated other comprehensive loss and deficit.

The Company manages its capital to maximize its ability to continue as a going concern and have sufficient capital to explore and develop mining projects. There were no changes to the company's capital risk management strategy during the year ended December 31, 2008.

12. MANAGEMENT OF FINANCIAL RISK

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.

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12. MANAGEMENT OF FINANCIAL RISK (continued)

The Company has not hedged its exposure to currency fluctuations. At December 31, 2008, the Company is exposed to currency risk through the following assets and liabilities in US dollars and Argentina pesos:

| | December 31, 2008 | | December 31, 2007 | | December 31, 2006 | |
|---|---|---|---|---|---|---|
| | US$ | Arg$ | US$ | Arg$ | US$ | Arg$ |
| Cash | 86,829 | 613 | 79,400 | 66,256 | 54,121 | 206,107 |
| Other receivables and prepaids | 27,967 | - | 680 | | 101 | 4,000 |
| Accounts payable and accrued liabilities | (27,834) | - | (1,704) | (30,725) | (4,246) | (156,438) |

Based on the net exposures as at December 31, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and Argentinean pesos would be insignificant 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, short-term investments and other receivables. The Company limits its exposure to credit loss by placing its cash and short-term investments with major financial institutions.

Metal Price Risk: The Company's portfolio of properties has exposure to predominantly Copper, silver and gold. The prices of these metals, especially copper, greatly affect the value of the Company and the potential value of its properties and investments.

13. INCOME TAXES

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

| | 2008 | 2007 Restated – Note 2 | 2006 Restated – Note 2 |
|---|---|---|---|
| Statutory tax rate | 31.00% | 34.12% | 34.12% |
| | $ | $ | $ |
| Income (loss) for the year | (4,301,910) | 16,678,832 | (8,072,884) |
| Provision for income taxes based on statutory Canadian combined federal and provincial income tax rates | (1,333,592) | 5,690,817 | (2,754,468) |
| Differences in foreign tax rates | - | (707) | (526) |
| Non-deductible differences | 23,134 | 26,288 | 1,681,840 |
| Loss expiry | 260,760 | 430,571 | 428,518 |
| Non taxable component of Navidad recovery | - | (6,060,913) | - |
| Change in valuation allowance | 1,107,675 | (926,300) | 630,433 |
| Other | (57,977) | 840,244 | 14,203 |
| | - | - | - |

13. INCOME TAXES (continued)

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

| | 2008<br>$ | 2007<br>$ | 2006<br>$ |
|---|---|---|---|
| Future income tax assets | | | |
| Operating loss carryforward | 4,681,251 | 4,307,036 | 4,950,897 |
| Share issue costs | 143,509 | 288,455 | 509,317 |
| Resource deductions | 778,142 | 268,425 | 306,710 |
| Other | 390,839 | 22,150 | 45,442 |
| | 5,993,741 | 4,886,066 | 5,812,366 |
| Valuation allowance for future tax assets | (5,993,741) | (4,886,066) | (5,812,366) |
| | - | - | - |

The Company has Canadian capital loss carryforwards of $161,172 and non-capital loss carryforwards of $17,337,966 that may be available for tax purposes. The Company's capital losses do not expire and may be carried forward indefinitely. The non-capital losses expire as follows:

| Expiry Date | $ |
|---|---|
| 2009 | 1,317,730 |
| 2010 | 1,545,964 |
| 2014 | 2,752,324 |
| 2015 | 4,708,790 |
| 2026 | 3,282,352 |
| 2027 | 1,503,664 |
| 2028 | 2,227,142 |
| | 17,337,966 |

14. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development activities. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of fiscal 2008 and 2007.

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

| | December 31, 2008 | | |
|---|---|---|---|
| | Canada<br>$ | Argentina<br>$ | Total<br>$ |
| Current assets | 21,761,139 | 212 | 21,761,351 |
| Deposit | 205,000 | - | 205,000 |
| Investment | 718,248 | - | 718,248 |
| | 22,684,387 | 212 | 22,684,599 |

| | December 31, 2007 | | |
|---|---|---|---|
| | Canada<br>$ | Argentina<br>$ | Total<br>$ |

| | | | |
|---|---|---|---|
| Current assets | 25,897,160 | 22,330 | 25,919,490 |
| Deposit | 205,000 | - | 205,000 |
| | 26,102,160 | 22,330 | 26,124,490 |

15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements of the Company have been prepared in accordance with Canadian GAAP, which differ in certain material respects from US GAAP.

The effects of significant measurement differences between Canadian GAAP and US GAAP for certain items on the consolidated balance sheets, statements of operations and deficit and statements of cash flows are as follows:

| | 2008<br>$ | 2007<br>$<br>Restated –<br>Note 2 | 2006<br>$<br>Restated –<br>Note 2 |
|---|---|---|---|
| Consolidated statements of operations | | | |
| Income (loss) for the year under Canadian GAAP and US GAAP | (4,301,910) | 16,678,832 | (8,072,884) |
| Unrealized losses<br>on available-for-sale securities (ii) | - | - | (3,000) |
| Comprehensive loss (iii) | (4,301,910) | 16,678,832 | (8,075,884) |
| Basic and diluted income (loss) per share under US GAAP | (0.08) | 0.32 | (0.16) |
| Weighted average number of common shares outstanding | 52,132,064 | 52,099,787 | 51,263,575 |

| | 2008<br>$ | 2007<br>$ | 2006<br>$<br>Restated –<br>Note 2 |
|---|---|---|---|
| Shareholders' Equity | | | |
| Balance per Canadian GAAP | 21,779,756 | 26,018,766 | 9,246,013 |
| Accumulated other comprehensive income (ii) | - | - | 81,000 |
| Balance per US GAAP | 21,779,756 | 26,018,766 | 9,327,013 |

| | 2008<br>$ | 2007<br>$<br>Restated –<br>Note 2 | 2006<br>$<br>Restated –<br>Note 2 |
|---|---|---|---|
| Mineral properties | | | |
| Balance per Canadian GAAP | - | - | - |
| Transfer of marketable securities (ii) | - | - | - |
| Mineral properties and deferred costs<br>expensed under US GAAP (i) | - | - | - |
| Balance per US GAAP | - | - | - |

| | 2008<br>$ | 2007<br>$<br>Restated –<br>Note 2 | 2006<br>$<br>Restated –<br>Note 2 |
|---|---|---|---|
| Navidad interest | | | |
| Balance per Canadian GAAP | - | 18,500,000 | 186,000 |
| Fair value adjustment | - | - | 81,000 |
| Balance per US GAAP | - | 18,500,000 | 267,000 |

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

There are no differences for the statements cash flows between Canadian GAAP and US GAAP for the years ending December 31, 2008, 2007 and 2006.

i) Mineral Properties and Deferred Costs

During the year ended December 31, 2008, the Company changed its accounting policy relating to mineral property exploration expenditures and it now expenses exploration expenditures when incurred as is required for US GAAP (see note 2).

ii) Investments

For the 2006 fiscal year, the Company's marketable securities were classified as available-for-sale investments under US GAAP until July 14, 2006, the date of the Navidad judgment. Subsequently, the marketable securities were transferred to the Navidad interest balance (see Note 3 above).

iii) Comprehensive Income

US GAAP requires disclosure of comprehensive income (loss) which is intended to reflect all other changes in equity except those resulting from contributions by and payments to owners.

iv) Realization of Navidad interest

For US GAAP purposes the Company had previously expensed the exploration and other costs that comprised the amount shown as Navidad interest. The Company has recognized as income those costs in 2007 as the litigation is concluded and the funds representing those costs have been received. (See Note 3).

Fair Value Measurements

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements", which establishes a framework for measuring fair value. It also expands disclosures about fair value measurements and was effective for the first quarter of 2008. This guidance is not effective until January 1, 2009.

Recently issued US GAAP accounting standards:

i) In December 2007, the FASB issued SFAS 160 a standard on accounting for noncontrolling interests and transactions with non-controlling interest holders in consolidated financial statements. The standard is converged with standards issued by the AcSB and IASB on this subject. This statement specifies that non-controlling interests are to be treated as a separate component of equity, not as a liability or other item outside of equity. Because non-controlling interests are an element of equity, increases and decreases in the parent's ownership interest that leave control intact are accounted for as capital transactions rather than as a step acquisition or dilution gains or losses. The carrying amount of the non-controlling interests is adjusted to reflect the change in ownership interests, and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to the controlling interest.

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

This standard requires net income and comprehensive income to be displayed for both the controlling and the non-controlling interests. Additional required disclosures and reconciliations include a separate schedule that shows the effects of any transactions with the non-controlling interests on the equity attributable to the controlling interest.

The statement is effective for periods beginning on or after December 15, 2008. SFAS 160 will be applied prospectively to all non-controlling interests, including any that arose before the effective date. Management anticipates the adoption of this interpretation is not expected to have an effect on the Company's results of operations or financial position.

ii) In December 2007, the FASB issued a revised standard on accounting for business combinations, SFAS 141R. The major changes to accounting for business combinations are summarized as follows:

§ all business acquisitions would be measured at fair value.

§ the existing definition of a business would be expanded.

§ pre-acquisition contingencies would be measured at fair value.

§ most acquisition-related costs would be recognized as expense as incurred (they would no longer be part of the purchase consideration).

§ obligations for contingent consideration would be measured and recognized at fair value at acquisition date (would no longer need to wait until contingency is settled).

§ liabilities associated with restructuring or exit activities be recognized only if they meet the recognition criteria of SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities, as of the acquisition date.

§ non-controlling interests would be measured at fair value at the date of acquisition (i.e. 100% of the assets and liabilities would be measured at fair value even when an acquisition is less than 100%).

§ goodwill, if any, arising on a business combination reflects the excess of the fair value of the acquiree, as a whole, over the net amount of the recognized identifiable assets acquired and liabilities assumed. Goodwill is allocated to the acquirer and the non-controlling interest.

§ in accounting for business combinations achieved in stages, commonly called step acquisitions, the acquirer is to re-measure its pre-existing non-controlling equity investment in the acquiree at fair value as of the acquisition date and recognize any unrealized gain or loss in income.

The statement is effective for periods beginning on or after December 15, 2008.

iii) Equity Method Investment Accounting Considerations

In November 2008, FASB Task Force clarified the accounting for certain transactions and impairment considerations involving equity method investments. Topics related to equity method investments include the initial carrying value of an equity method investment, impairment assessment of investees intangibles and an equity investees issuance of shares. EITF 08-6 is effective for fiscal years beginning on or after December 15, 2008. The Company is currently evaluating the impact of EITF 08-6 on the Company's consolidated financial statements.

Explanation of Responses:

16. SUPPLEMENTARY CASH FLOW INFORMATION

| | 2008<br>$ | 2007<br>$ | 2006<br>$ |
|---|---|---|---|
| Financing activities | | | |
| Shares issue costs | - | - | (95,893) |
| Warrant issue costs | - | - | (14,271) |
| Warrants | - | - | 110,164 |
| Shares issued on exercise of options | - | 29,274 | 74,800 |
| Contributed surplus | - | (29,274) | (74,800) |
| | - | - | - |

| | 2008<br>$ | 2007<br>$ | 2006<br>$ |
|---|---|---|---|
| Change in non-cash working capital | | | |
| Other receivables and prepaids | 232,393 | (222,195) | 143,287 |
| Accounts payable | 87,619 | (130,888) | (740,199) |
| | 320,012 | 353,083 | 596,912 |

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