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# MANAGEMENT DISCUSSION AND ANALYSIS

## FOR THE THREE MONTHS ENDED APRIL 30, 2011

***July 28, 2011***

*The following management discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements and accompanying notes ("Financial Statements") of El Nino Ventures Inc. (the "Company") for the three months ended April 30, 2011. Results have been prepared in accordance with International Financial Reporting Standards ("IFRS") and reported in Canadian dollars unless otherwise indicated.*

*For further information on the Company reference should be made to the Company's public filings which are available on SEDAR. Further information is also available on the Company's website at www.elninoventures.com*

*This MD&A contains forward-looking information. See "Forward-Looking Information" and "Risks and Uncertainties" for a discussion of the risks, uncertainties and assumptions relating to such information.*

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## 1. Overview of the Company

El Nino Ventures Inc. (the "Company", "ELN") was incorporated on February 19, 1988 under the laws of the Province of British Columbia, Canada. The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties in the Democratic Republic of Congo ("DRC") and Canada. The Company has its registered corporate office based in Vancouver, British Columbia, Canada.

As at May 24, 2011 the Company had 118,798,352 shares outstanding with a total market capitalization of approximately $11.9 million. The Company shares trade on the TSX Venture Exchange ("ELN") and the Frankfurt Stock Exchange ("E7Q").

The Company is focusing its efforts on developing and growing its asset base. On May 4, 2010, the Company with its partner, Xstrata Canada Corporation – Xstrata Zinc Canada Division ("Xstrata Zinc"), optioned its extensive claims in the Bathurst Mining Camp, New Brunswick, to Votorantim Metals Canada Inc. ("Votorantim'). Votorantim can earn up to 70% of the claims by spending $20 million on exploration. In the DRC, the Company's discovery on the Kasala Project (formerly Infinity Project) gives the Company a bona fide development project going forward. The Company is aggressively pursuing acquisitions globally.

**Kasala Project –** Pursuant to an agreement dated May 19, 2007, the Company exercised its option to acquire a 70% interest in certain mineral research permits (the "Kasala Mineral Research Permits") covering 352 square kilometers of prospective exploration areas in the Copperbelt, located between Lubumbashi and Likasi in the DRC from GCP Group Ltd. ("GCP") a private British Virgin Islands company (the "Mineral Property Option Agreement"). Total consideration to be paid consists of cash payments of US$550,000 (US$450,000 paid) and the issuance of 700,000 shares (600,000 issued). The remaining US$100,000 and 100,000 shares that are payable and issuable, respectively, on May 18, 2010 are being held in trust pending the decision by the courts in B.C. to send to arbitration the Company's petition to set-off the US$100,000 and 100,000 shares against the $850,000 being claimed by the Company as well as orders for arbitration to settle the disputes. An Arbitrator has been approved by both parties and arbitration is tentatively set for late September or early October, 2011. The company has endeavored to move the arbitration date up by providing all of the documentation to support its claims to the arbitrator citing a need to resolve these issues to support its efforts in the DRC.

The Company was made aware of an attempt by Georges Kavvadias to fraudulently transfer the Kasala permits from Infinity Resources Sprl ("Infinity") to a company controlled by Mr. Kavvadias. The Company was successful in preventing this blatant attempt to deprive the Company of its rightful ownership in the Kasala properties. Subsequently the Company received notice that criminal charges have be issued against Mr. Kavvadias. A hearing will be held pending the dismissal of the appeals by Mr. Kavvadias in response to the two judgments rendered in favor of El Nino that removed Mr. Kavvadias as Manager of Infinity Resources Sprl for incompetence and fraudulently issuing minutes of meetings for Infinity which were never properly held. As well, the courts declared that Mr. Kavvadias fraudulently misused a power of attorney to not only appoint himself Manager but was used for his personal gain to the determent of El Nino.

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On June 24, 2010, two prior judgments in the DRC were dismissed for improper jurisdiction which led the company to file an $850,000 counter action against Georges Kavvadias and GCP Group Ltd. in Canada for breach of agreement El Nino has charged Georges Kavvadias and GCP Group with Fraud, Fraudulent Misrepresentation, Misappropriation of Funds, Breach of Agreement and Claims for USD$ 850,000 + damages in the Supreme Court of British Columbia. On January 5th, 2011 the company received notice from the Supreme Court of British Columbia that determined that these claims were to be decided through arbitration. Arbitration is tentatively set for late September or early October, 2011.

**Phoenix Project –** The Company gave notice of termination in accordance to the terms and conditions of the Agreement. This resulted in a spurious court action against the Company, by Phoenix Mining Company, (PMC).

Subsequently, the Company received notice that the claims commenced by PMC in the DRC were dismissed by the Tribunal of Commerce of Lubumbashi. The decision is being appealed by PMC.

**Harmony Project –** The Company entered into a Letter of Intent ("LOI") with MIMECO AG ("MIM") to acquire a 70% interest in a mineral research permit #2461 (the "Harmony Project") in the Copperbelt, covering 50 square kilometers located east of Anvil Mining Limited's Kinsevere Project. Through a check of the permit of registry, the Company became aware that the permits had not been properly maintained/transferred or renewed. In January 2011, the Company terminated the LOI related to the Harmony Mineral Research Permits.

**Bathurst Zinc Project –** The Company entered into an option agreement with Xstrata Zinc to explore the Bathurst Mining Camp in New Brunswick and acquire a 50% interest. The Company has vested its 50% interest in the related mineral claims held by Xstrata Zinc by advancing the required $5.0 million. On August 6, 2009, as finalized on March 24, 2010, the Company entered into an option agreement with Votorantim.

The tripartite agreement is between Votorantim, ELN and Xstrata Zinc whereby Votorantim can earn up to a 70% interest in 1,805 mineral claims owned 50/50 by ELN and Xstrata Zinc. Votorantim has indicated that it has acquired further claims to the Joint Venture as well as identifying targets for the 2010 exploration/drilling program anticipated this year.

**Bancroft Properties –** The Company has earned a 100% interest in the Bancroft properties which comprise the Halo Project and the Silver Crater Project and include certain claims east of the town of Bancroft, Ontario, Canada. The Halo Project is subject to a 3% Net Smelter Return Royalty ("NSR") and the Company has the option to purchase 1% of the total NSR for $250,000. The Silver Crater Project is subject to a 3% NSR and the Company has the option to purchase 1% of the total NSR for $250,000.

The Company is evaluating the properties' future prospects to determine the next course of action.

**Going Concern**

At April 30, 2011, the Company had cash and cash equivalents of $2,232,143, working capital of $2,595,718 and a deficit of $26,149,798. The funds on hand at April 30, 2011 are not sufficient to meet our planned corporate, administrative and proposed exploration activities for the next twelve months. The Company performed a minimal amount of exploration activities due to financial market conditions and the current litigation in the DRC. The Company feels that once its ongoing efforts to stabilize and implement the restructuring of its corporate affairs in the DRC are complete, the Company will be in a better position to raise sufficient funds to meet its financial requirements.

The Company's ability to continue operations and exploration activities is dependent on Management's ability to provide financing and although current management has demonstrated it has done so in the past, there is no assurance it will be able to do so in the future. Because of this uncertainty, there is substantial doubt about the ability of the Company to continue as a going concern.

**2. Litigation**

On December 21, 2009, the Company was served with a notice of claim, submitted in the DRC by Mr. Georges Kavvadias, a principal of GCP and who acted as manager (the "Country Manager") of the Company's DRC joint venture company, Infinity (70% ELN/30% GCP).

In May 2010, the Company received notice that the claims commenced in the DRC were dismissed by the Tribunal of Commerce of Lubumbashi. The Company successfully argued that the jurisdiction for hearing the claim was in British Columbia and not the DRC.

The Company served Mr. Kavvadias and GCP a Notice of Dispute and petitioned the Supreme Court of British Columbia in response to two alleged defaults of the Mineral Property Option Agreement. The Supreme Court determined that these issues were to be determined through Arbitration. The arbitration hearing is tentatively set for late September or early October, 2011. The Company has stated in its Notice of Dispute and is prepared to prove that:

- The amounts claimed are not due and owing and that Mr. Kavvadias and GCP, despite repeated requests are unable to provide an accounting of the funds entrusted with him for the advancement of exploration works in the DRC.

- GCP is in breach of the Representations and Warranty contained in the Mineral Property Option Agreement.

- A claim of US$850,349, for the right to set-off, as against any sums which may be due and owing to Mr. Kavvadias and GCP, as well as unspecified damages for breach of the agreements by Mr. Kavvadias and GCP and for further damages for fraud and fraudulent misrepresentation by Mr. Kavvadias and GCP.

In addition to the above, the Company is claiming that Mr. Kavvadias breached the Mineral Property Option Agreement, in addition to the breach of warranty, by purloining funds provided to him, by denying the Company access to financial information and the Company's leased premises, equipment and property in the DRC and refusing to follow the budgetary decisions of the Company.

In addition, the Company has been made aware of an attempt by Mr. Kavvadias to fraudulently transfer the Kasala permits from Infinity to a company controlled by Mr. Kavvadias. The Company is taking all available steps to prevent this blatant attempt to deprive the Company of its rightful ownership in the Kasala properties. At this time there have been criminal charges filed against Mr. Kavvadias for fraudulently attempting to transfer the permits from Infinity by falsifying the minutes of a meeting for Infinity Resources Sprl.

Also, two judgments petitioned by the Company in the DRC, to remove Mr. Kavvadias as manager and declare him incompetent and determine that he fraudulently used a power of attorney as well as issued minutes fraudulently appointing him manager, have been rendered in the Company's favor, A shareholder's meeting of Infinity to appoint a new manager has been held and a second meeting is scheduled to amend the statutes and instill further corporate changes which will better represent the company's interests.

## 3. Project Updates

a) Kasala Project (formerly Infinity Project)

Table 1 below presents the total net expenditures by quarter and life to-date ("LTD") for the Kasala project, DRC:

| TABLE 1: ($000's) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Kasala Project, DRC** | 31-Jul-09 | 31-Oct-09 | 31-Jan-10 | 31-Jul-10 | 31-Oct-10 | 31-Jan-11 | Three Months Ended | | |
| | Q2-10 | Q3-10 | Q4-10 | Q2-11 | Q3-11 | Q4-11 | 30-Apr-11 | 30-Apr-10 | LTD |
| Drilling | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 2,315 |
| Consulting and labour | - | - | - | - | - | - | - | - | 1,210 |
| Assay | - | - | - | - | - | - | - | - | 637 |
| Asset retirement obligation | - | - | - | - | - | - | - | - | 43 |
| Geological and field | - | - | - | - | - | - | - | - | 1,168 |
| Option maintenance costs | - | - | - | - | - | - | - | - | 632 |
| Travel and accomodation | - | - | - | - | - | - | - | - | 161 |
| Depreciation and amortization | - | - | - | - | - | - | - | - | 160 |
| Geophysics | - | - | - | - | - | - | - | - | 648 |
| Total | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 6,974 |

*2010 Exploration Program*

Due to the uncertainty and timing of the outcome of the current Notices of Dispute as well as the Company's efforts to remove Mr. Kavvadias as manager of Infinity, now successfully accomplished, all of the exploration programs in the DRC were put on hold and/or a care and maintenance program. Upon successfully achieving the above issues, the Company will proceed with establishing a budget and undertaking further exploration drill program to advance the Kasala project.

The Company previously completed two surface exploration programs, one early in 2009 consisting of an induced polarization ("IP") ground geophysical survey to trace possible extensions of the mineralized zone that runs for over 2.5 kilometers to the Southeast and ground surveys consisting of geochemical and geophysical programs later in the year after receiving approval of our environmental applications. These programs identified new anomalies that are very prospective and will be the focus of our targeting for future drill programs.

2011 Projection

As at July 18, 2011, there were no new drill holes and no new geochemistry in place. Work on the Kasala project for 2011 Q1 and Q2 entailed compilation and thorough analysis of all earlier geochemistry and airborne geophysics (radiometric and magnetic) with geology, stratigraphy, topography, hydrology, satellite and existing, publicly available maps and data to refine the exploration target area and identify new drill targets.

*Historical Exploration/Drilling*

The Company was unable to conduct an exploration program during 2010. Prior drilling to-date totals 15,764 meters, consisting of 4,665 meters of diamond drilling and 11,099 meters of reverse circulation drilling (RC). In 2008, drilling was focused on two areas within the Kasala Main Zone. The first area was tested with several drill holes on a cobalt anomaly with visual inspection indicating mineralization. A decision to follow up with further drilling will be made at a later date. The second area drilled in 2008 was on the northern permit #5214 (the Kasala project) to determine the extension of the discovery hole. There were 56 RC drill holes and 20 diamond drill holes for a total of 76 holes drilled with final assay results confirming copper mineralization in the Kasala area of over a kilometer with a minimum strike length of approximately 800 meters and a width of approximately 250 meters. Intersections in some drill holes indicate thicknesses of as much as 91 meters. Some significant assay results are: 3.5% copper over 10 meters, 2.82% copper over 29 meters which includes a 5 meter intersection of 4.11% copper and 0.50% Cobalt.

b) Harmony Project

The Company entered into a LOI with MIM giving it the option to acquire an initial 70% interest in a mineral research permit #2461 (the "Harmony Research Permits") located in the Copperbelt, covering 50 square kilometers located east of Anvil Mining Limited's Kinsevere project. Through a check of the permit of registry, the Company became aware that the permits had not been properly maintained/transferred or renewed. In January 2011, the Company terminated the LOI related to the Harmony Mineral Research Permits.

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c) Bathurst Zinc Project

The Company is party to a tripartite option agreement with Xstrata Zinc and Votorantim. The agreement calls for Votorantim to incur $10.0 million in exploration expenditures over five years to earn 50% and a further $10.0 million over two years to earn an additional 20%. Votorantim has advised ELN that it will be conducting airborne magnetics, geophysical and geochemical surveys as well as a drill program this year.

2011 Projection

An Airborne survey was performed in February 2011, and as at July 20, 2011, results are pending. For the 3 months ended April 30, 2011, 6,500 meters of drilling took place. $1 million in expenditures are projected to be incurred for the remainder of Fiscal 2011, and an additional 6,600 meters of drilling is expected to take place.

d) Ireland Zinc Project

In fiscal 2009, 2,840 meters of diamond drilling was performed. No significant mineralization was intersected and as a result the Company has decided to relinquish the licenses.

Table 2 below presents the total net expenditures by quarter and LTD for the Ireland Zinc project:

TABLE 2: ($000's)

| **Zinc Project, Ireland** | 31-Jul-09 | 31-Oct-09 | 31-Jan-10 | 31-Jul-10 | 31-Oct-10 | 31-Jan-11 | Three Months Ended | | |
|---|---|---|---|---|---|---|---|---|---|
| | Q2-10 | Q3-10 | Q4-10 | Q2-11 | Q3-11 | Q4-11 | 30-Apr-11 | 30-Apr-10 | LTD |
| Option maintenance costs | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 53 |
| Consulting and labour | - | - | 11 | - | - | - | - | - | 262 |
| Geological and field | - | - | 1 | - | - | - | - | - | 8 |
| Drilling | - | - | - | - | - | - | - | - | 272 |
| Travel and accomodation | - | - | - | - | - | - | - | - | 8 |
| Total | $ - | $ - | $ 12 | $ - | $ - | $ - | $ - | $ - | $ 603 |

## 4. Financial Performance Review

### *Exploration Expenditures*

TABLE 3: ($000's)

| **Exploration Expenditures** | 31-Jul-09 Q2-10 | 31-Oct-09 Q3-10 | 31-Jan-10 Q4-10 | 31-Jul-10 Q2-11 | 31-Oct-10 Q3-11 | 31-Jan-11 Q4-11 | Three Months Ended 30-Apr-11 | Three Months Ended 30-Apr-10 |
|---|---|---|---|---|---|---|---|---|
| **By type:** | | | | | | | | |
| Drilling and assay | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Asset retirement obligation | - | - | - | - | - | - | - | - |
| Consulting and labour | - | - | 11 | - | - | - | - | - |
| Geological and field | - | - | 1 | - | - | - | - | - |
| Option maintenance costs | - | - | - | - | - | - | - | - |
| Geophysics | - | - | - | - | - | - | - | - |
| Travel and accomodation | - | - | - | - | - | - | - | - |
| Depreciation and amortization | - | - | - | - | - | - | - | - |
| Management fees | - | - | - | - | - | - | - | - |
| Total | $ - | $ - | $ 12 | $ - | $ - | $ - | $ - | $ - |
| **By project:** | | | | | | | | |
| Infinity | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Bathurst | - | - | - | - | - | - | - | - |
| Ireland | - | - | 12 | - | - | - | - | - |
| Bancroft | - | - | - | - | - | - | - | - |
| Harmony/Phoenix | - | - | - | - | - | - | - | - |
| Total | $ - | $ - | $ 12 | $ - | $ - | $ - | $ - | $ - |

For details on the projects and these related expenditures, see "*Section 3 – Project Updates*".

### *Other Expenses and items*

TABLE 4: ($000's)

| **Other Expenses** | 31-Jul-09 Q2-10 | 31-Oct-09 Q3-10 | 31-Jan-10 Q4-10 | 31-Jul-10 Q2-11 | 31-Oct-10 Q3-11 | 31-Jan-11 Q4-11 | Three Months Ended 30-Apr-11 | Three Months Ended 30-Apr-10 |
|---|---|---|---|---|---|---|---|---|
| **By type:** | | | | | | | | |
| Corporate costs | $ 242 | $ 165 | $ 368 | $ 321 | $ 339 | $ 300 | $ 340 | $ 252 |
| Stock based compensation | 24 | 15 | - | 22 | 36 | 20 | 9 | 6 |
| Loss on derecognition of assets & liabilities | - | - | 748 | - | - | - | - | - |
| Write-down of investments | - | - | 1,105 | 128 | 17 | 42 | - | 99 |
| Depreciation and amortization | 5 | 4 | - | 4 | 4 | 4 | 3 | 7 |
| Interest Income | (1) | (1) | 1 | - | - | - | (3) | - |
| Foreign Exchange | 28 | 1 | (70) | 1 | 2 | (6) | 6 | 7 |
| Total | $ 298 | $ 184 | $ 2,152 | $ 476 | $ 398 | $ 360 | $ 355 | $ 371 |

For the three months ended April 30, 2011, total other expenses were $355,357 (2010: $371,117), a decrease of $15,760. The decrease is mainly due to a decrease in write-down of investments in Infinity and Harmony of $98,851 partly offset by an increase in corporate costs by $88,736.

Increase in corporate costs from $251,758 in 2010 to $340,494 in 2011 is mainly due to increase in labour, consulting and management fees. Labour, consulting and management fees increased by $172,803 as a result of providing a one-time bonus to its directors and officers during the three months ended April 30, 2011.

Audit, accounting and legal fees decreased by $27,449, office and miscellaneous costs decreased by $12,438, promotion and shareholder relations costs decreased by $14,842 and travel costs decreased by $39,857 due to decreased corporate activities. Transfer and filing fees increased by $10,519 primarily due to recent private placement offerings.

## 5. Financial Position

TABLE 5: ($000's)
**Summary Financial Positions**

| | April 30, 2011 | | January 31, 2011 | | February 1, 2010 | |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ | 2,232 | $ | 725 | $ | 1,435 |
| Amounts receivable and prepaids | | 296 | | 50 | | 113 |
| Property, plant and equipment | | 16 | | 18 | | 37 |
| Total Assets | $ | 2,544 | $ | 793 | $ | 1,585 |
| Trades payable and accrued liabilities | $ | 23 | $ | 22 | $ | 92 |
| Flow-through tax liabilities | | 45 | | - | | - |
| Total Liabilities | $ | 68 | $ | 22 | $ | 92 |
| Share capital | $ | 22,677 | $ | 21,406 | $ | 20,974 |
| Contributed surplus | | 5,949 | | 5,159 | | 4,708 |
| Deficit | | (26,150) | | (25,794) | | (24,189) |
| Total shareholders' equity | $ | 2,476 | $ | 771 | $ | 1,493 |

Amounts receivable and prepaids totaled $296,074 (January 31, 2011: $49,857) comprised of Harmonized Sales Tax receivable of $44,422 (January 31, 2011: $17,091); exploration advances of $100,385 (January 31, 2011: $20,135), prepaid insurance of $1,187 (January 31, 2011: $7,301), and other prepaid expenses of $150,080 (January 31, 2011: $5,330).

Property, plant and equipment (net) were $15,569 (January 31, 2011: $18,238).

As at April 30, 2011, there were 118,798,352 shares (January 31, 2011: 90,538,930), issued and outstanding.

Table 6 below summarizes the changes in share capital for the current year.

| TABLE 6:<br>**Share Capital** | Number of<br>Shares | $<br>Amount |
|---|---|---|
| Balance - January 31, 2011 | 90,538,930 | 21,405,683 |
| Issued in private placements | 28,259,422 | 2,083,160 |
| Fair value on unit offerings assigned to warrants | - | (781,385) |
| Share issue costs | - | (30,902) |
| Balance - April 30, 2011 | 118,798,352 | 22,676,556 |

As at April 30, 2011 the Company had 3,460,000 (January 31, 2010: 3,535,000) stock options and 56,693,307 (January 31, 2011: 48,429,571) warrants outstanding.

## 6. Cash Flow, Liquidity and Capital Resources

| TABLE 7: ($000's)<br>**Summary of Cash Flows** | | 3 months ended<br>April 30, 2011 | | 3 months ended<br>April 30, 2010 |
|---|---|---|---|---|
| Net change of cash related to: | | | | |
| Operations | $ | (590) | $ | (364) |
| Investing | | - | | (99) |
| Financing | | 2,097 | | - |
| Net change in cash during the period | $ | 1,507 | $ | (463) |
| Cash & equiv. - Beginning of period | $ | 725 | $ | 1,434 |
| Cash & equiv. - End of period | $ | 2,232 | $ | 971 |

To fund its working capital, including exploration activities and corporate expenses, the Company requires access to capital markets to raise financing through equity offerings. All financing activities are currently provided through equity offerings. The Company during the last six months was able to complete one non-brokered financing for gross proceeds of $2,128,160. In order to preserve cash during these times of uncertainty, management has suspended drilling operations and has put its projects on a care and maintenance program until such time as it is deemed prudent and there is a resolution to the current litigation.

Cash outflows from operating activities before working capital adjustments for the peroid were $343,742 (2010: $258,754) and consist of corporate costs and other general and administrative costs (see *"Section 4 – Financial Performance Review*" above).

Cash outflows from investing activities for the period were $nil (2010: $98,851) which primarily related to the purchase of investments related to the funds sent to Infinity in the DRC.

Cash flows from financing activities for the period resulted in cash inflows of $2,097,258 net (2010: outflows of $120). The cash inflow consisted of non-brokered financing for gross proceeds of $2,128,160 and the Company paid a finder's fees and other capital transaction costs totaling $30,902.

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## 7. Contractual Obligations

The Company has no remaining contractual obligations under any of its property option agreements.

## 8. Related Party Transactions

a. For the three months ended April 30, 2011, the Company paid $21,000 and $53,500 (2010: $14,000 and $nil) for management fees and bonus, respectively, to a company controlled by the acting Chief Executive Officer.

b. For the three months ended April 30, 2011, the Company paid $8,000 and $50,000 (2010: $15,000 and $nil) for consulting fees and bonus, respectively, to a company controlled by the Chief Financial Officer and director.

c. For the three months ended April 30, 2011, the Company paid $20,735 and $4,900 (2010: $nil and $nil) for wages and bonus, respectively, to a corporate controller.

d. For the three months ended April 30, 2011, the Company paid $nil and $10,500 (2010: $nil and $nil) for consulting fees and bonus, respectively, to directors.

e. For the three months ended April 30, 2011, the Company expensed $7,163 (2010: $1,861) in share-based payments related to stock options previously granted to the key management personnel.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 9. Critical Accounting Estimates and Risks & Uncertainties

The preparation of 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 Financial Statements and the reported amounts of revenues and expenses during the reporting period. Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, the recoverability and measurement of deferred tax assets and liabilities, and ability to continue as a going concern. Actual results may differ from those estimates and judgments. The Company's significant accounting policies are described in Note 2 of the Financial Statements.

*Basis of presentation*

For the three months ended April 30, 2011, the Company accounted for its investments in Infinity using the cost method rather than on a consolidated basis as the Company did not exercise control or significant influence over its investments in Infinity during the three months ended April 30, 2011. As a result, the Company's financial statements at January 31, 2011 and for the then year ended do not include the assets and liabilities and results of operations of Infinity. During the three months ended April 30, 2011 and 2010, the Company recorded a provision for write-down of $nil and $98,851, respectively, as a result a write-down of the investments carried at cost to a fair value of $1.

*Exploration and evaluation properties*

Exploration and associated costs relating to non-specific projects or properties are expensed in the period incurred. When management has established that a resource exists, significant property acquisition (including transaction costs), exploration and development costs relating to those specific properties are deferred until the project to which they relate is sold, abandoned, impaired or placed into production.

*Investments*

The Company accounts for its investments in companies over which it has significant influence using the equity basis of accounting whereby the investments are initially recorded at cost and subsequently adjusted to recognize the Company's share of earnings or losses of the investee companies and reduced by dividends received. The excess of the cost of equity investments over the underlying book value at the date of acquisition, except for goodwill, is amortized over the estimated useful lives of the underlying assets to which it is attributed. The Company had no investments in companies over which it had significant influence for the three months ended April 30, 2011, or for the years ended January 31, 2011 and 2010.

The Company accounts for its other investments as available-for-sale at their fair values unless the investment securities do not have quoted market prices in an active market, in which case the Company uses the cost basis of accounting whereby investments are initially recorded at cost and earnings from such investments are recognized only to the extent received or receivable. The cost of investments sold or amounts reclassified out of other comprehensive income into earnings are determined on a specific identification basis.

Unless there is an other than temporary decline in the value of an available-for-sale investment, carrying values for available-for-sale investments are adjusted to estimated fair values with such adjustment being included in the Statements of Loss and Comprehensive Loss as a component of other comprehensive income. When there is an other than temporary decline in the value of the investment, the carrying values of investments accounted for using the equity, available-for-sale and cost methods are reduced to estimated fair values with such reduction being included in the Statements of Loss and Comprehensive Loss as Other expense, net.

*Property, plant and equipment*

Property, plant and equipment are valued at cost less accumulated depreciation. The Company provides for depreciation using the straight-line method as follows:

i) Computer and field equipment – 3 years
ii) Furniture and office equipment – 5 years
iii) Software – 1 year

*Asset impairment*

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

*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 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 expensed as exploration and evaluation costs 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, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are expensed as exploration and evaluation costs 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 and 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 expensed in accordance with the Company's accounting policy for exploration and evaluation assets.

*Foreign currency translation*

The Company's functional and presentational currency is the Canadian dollar.

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 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 Political Risk*

The Company's material properties are currently located in the Democratic Republic of Congo and, as such, are exposed to various degrees of political, economic and other risks and uncertainties. The Company's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of government orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on mineral exports, limitations on foreign ownership, inability to obtain or delays in obtaining necessary mining permits, opposition to mining from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation.

*Government Laws, Regulation & Permitting*

Mining and exploration activities of the Company are subject to both domestic and foreign laws and regulations governing prospecting, development, production, taxes, labour standards, occupational health, mine safety, waste disposal, toxic substances, the environment and other matters. Although the Company believes that all exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company.

The operations of the Company will require licenses and permits from various governmental authorities to carry out exploration and development at its projects. There can be no assurance that the Company will be able to obtain the necessary licences and permits on acceptable terms, in a timely manner or at all. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

*Estimates of Mineral Resources*

The mineral resource estimates contained in this MD&A are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally or commercially exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material.

If the Company's exploration programs are successful, additional funds will be required in order to complete the development of its properties. There is no assurance that the Company will be successful in raising sufficient funds to meet its obligation or to complete all of the currently proposed exploration programs. If the Company does not raise the necessary capital to meet its obligations under current contractual obligations, the Company may have to forfeit its interest in properties or prospects earned or assumed under such contracts.

*Key Management and Competition*

The success of the Company will be largely dependent upon the performance of its key officers, consultants and employees. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The success of the Company is largely dependent on the performance of its key individuals. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success.

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself with respect to the discovery and acquisition of interests in mineral properties, the recruitment and retention of qualified employees and other persons to carry out its mineral exploration activities. Competition in the mining industry could adversely affect the Company's prospects for mineral exploration in the future.

*Title to Properties*

Acquisition of rights to the mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has investigated the title to all of the properties for which it holds concessions or other mineral leases or licenses or in respect of which it has a right to earn an interest, the Company cannot give an assurance that title to such properties will not be challenged or impugned.

*Commodity Prices*

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable. The Company's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of copper or gold.

**10. Changes in accounting policies – initial adoption**

*Adoption of International Financial Reporting Standards ("IFRS")*

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises would be replaced by IFRS for fiscal years beginning on or after January 1, 2011. The Company's first interim financial statements prepared under IFRS are the condensed interim financial statements for the three months ended April 30, 2011 with the effective date of transition being February 1, 2010. These condensed interim financial statements include full disclosure of its new IFRS policies in Note 2.

*Transition to IFRS*

IFRS 1, "First-time Adoption of International Financial Reporting Standards", sets forth guidance for the initial adoption of IFRS. The Company has applied the following exemptions to its opening statement of financial position dated February 1, 2010.

**Business Combinations** - IFRS 1 provides the option to apply IFRS 3, "Business Combinations", retrospectively or prospectively from the transition date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date.

**Consolidated and Separate Financial Statements** - In accordance with IFRS 1, if a company elects to apply IFRS 3 retrospectively, IAS 27, "Consolidated and Separate Financial Statements" must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

IFRS 1 also outlines mandatory guidelines that a first time adopter must follow. The Company applied the following mandatory guidelines to its opening statement of financial position dated February 1, 2010.

**Estimates -** In accordance with IFRS 1, the Company's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under Canadian GAAP unless there is objective evidence that those estimates were in error. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

*Canadian GAAP to IFRS differences*

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow users to better understand these changes, the Company's Canadian GAAP statements of financial position as at February 1, 2010, April 30, 2010 and January 31, 2011, statement of loss and comprehensive loss for the three months ended April 30, 2010 and for the year ended January 31, 2011 and statement of cash flows for the three month period ended April 30, 2010 have been reconciled to IFRS, with the resulting differences explained.

**Flow-through Shares** - Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP, the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146, "Flow-through Shares". At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a deferred tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP, a portion of the deferred tax assets that were not recognized in previous years, due to the recording of a valuation allowance, are recognized as a recovery of income taxes.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through liability. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability is reversed, with any difference recorded as deferred tax expense. A portion of the deferred tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will reduce the deferred tax liability and record a deferred tax recovery.

The change in accounting policy related to flow-through shares resulted in an increase in share capital and an increase in deficit of $1,322,638 as at the transition date.

**Reclassification within Equity section -** Under Canadian GAAP, "Contributed Surplus" was used to record the issuance of warrants and stock options as well as shares to be issued and warrants to be issued. Upon adoption of IFRS, the balances in "Contributed Surplus" have been reclassified to "Stock option reserve" and "Warrants reserve".

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## 11. Financial Instruments

Fair Values

As at April 30, 2011, the Company's carrying values of cash and cash equivalents, amounts receivable, and trades payable approximate their fair values due to their short term maturity.

| | Fair value hierarchy | FVTPL, at fair value | Loans and receivables, at amortized cost | Available-for-sale, at fair value | Other liabilities, at amortized cost |
|---|---|---|---|---|---|
| Cash and cash equivalents | Level 1 | 2,232,143 | - | - | - |
| Amounts receivable | N/A | - | 296,074 | - | - |
| Available-for-sale securities | Level 1 | - | - | 1 | - |
| Investments | Level 3 | - | - | 1 | - |
| Trades payable | N/A | - | - | - | - |

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions as determined by rating agencies. Amounts receivable consist of Harmonized Sales Tax receivable of $44,422 (2010: $19,385) and other advances receivable of $100,385 (2010: $45,923). The Company is not subject to a significant credit risk.

Currency Risk

For the three months ended April 30, 2011, a significant portion of the Company's operation was in the DRC. As a result, a portion of the Company's receivables, payables and accruals were denominated in the US dollar and were therefore subject to fluctuation in exchange rates.

As at April 30, 2011, a significant portion of the Company's cash and cash equivalents were held in Canadian dollars and were therefore subject to fluctuation against the US dollar. However, the Company considers its currency risk to be insignificant.

Liquidity Risk

The Company is reliant upon equity issuances as its sole source of cash. The Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its ongoing obligations. The Company continuously reviews its actual expenditures and forecast cash flows and matches the maturity dates of its cash equivalents to capital and operating needs. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future.

Other Risks

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate risk and commodity price risk arising from financial instruments.

**12. Subsequent events**

The following subsequent events occurred from April 30, 2011 to the date the financial statements were available to be issued on July 28, 2011:

On May 24, 2011, the Company granted 3,710,000 stock options to various directors, officers, employees and consultants of the Company at an exercise price of $0.17 per share for a period of five years.

On Murray Brook Project; El Nino entered into a participation agreement in May 2011, wherein it can earn 50% of Votorantim's interest by paying 50% of the costs incurred by Votorantim in the Option and Joint Venture Agreement.

In July 2011, the Company announced the commencement of Phase II drilling program on the Murray Brook project in the Bathurst Mining Camp, New Brunswick. The program is under the direction of Votorantim Metals Canada Inc. The Phase II drill program is planned to further delineate the deposit in areas of low drill density, follow-up higher grade intercepts, as well as test the known margins and possible extensions of the deposit and ultimately the results to be used for an updated resource calculation. In addition, any significant targets identified by the recently completed HeliTEM survey and ongoing Falcon AGG (Airborne Gravity Gradiometry) survey will be evaluated as additional targets in the Phase II drill program. There are 40 holes, (6,650 meters) planned for the grid based systematic drill program.

**13. Forward Looking Information**

Forward-looking information is included in this MD&A, which involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Forward-looking information is identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such information may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking information reflects current expectations of management regarding future events and operating performance as of the date of this MD&A. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the following factors (as discussed under "Risks and Uncertainties" below): industry; commodity prices; competition; foreign political risk; government laws; regulation and permitting; title to properties; estimates of mineral resources; cash flows and additional funding requirements; key management; possible dilution to present and prospective shareholders; material risk of dilution presented by large number of outstanding share purchase options and warrants; trading volume; volatility of share price; foreign currency risk; and, conflict of interest.

Although the forward-looking information contained in this MD&A is based upon what the Company's management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such information. Forward-looking information reflects management's current beliefs and is based on information currently available to the Company. Such information reflects current assumptions regarding future events and operating performance including, without limitation, a strong global demand for mineral commodities, continued funding and continued strength in the industry in which the Company operates, and speaks only as of the date of this discussion. The forward-looking information is made as of the date of this MD&A.

**14. Outlook**

The Company's current focus is the exploration and development of its projects in the DRC's Copperbelt. The Company has identified a highly prospective copper/cobalt discovery through 17,500 metres of drilling to date on its Kasala property. Due to the spurious and fraudulent activities of its former country manager, Georges Kavvadias and his ongoing attempts to illegally transfer the exploration permits for Kasala as well as such time as the two default notices are settled by the Arbitration process currently scheduled to be heard in late September or early October 2011, the Company has put its exploration activities on hold and its projects in a care and maintenance program. Due to the uncertainty of doing business in the DRC, the Company has begun to actively identify properties of merit for acquisition both in other areas of Africa as well as internationally.

Depending on the outcome of the current disputes identified previously in this document, it is the intent of the Company to continue to advance the Kasala project through a series of enhanced soil geochemical sampling, ground geophysics and drill programs in order to define an initial resource calculation. Management believes that it will have to demonstrate strong control over its affairs in the DRC before it will be able to attract experienced and qualified technical, administrative and financial personnel to implement the Company's overall business strategy. In the interim, the company has begun identifying those individuals who will be instrumental in moving the Company forward not only in the DRC, but potentially with acquisitions in other jurisdictions both within Africa as well as other areas internationally.

Even though current management has demonstrated its ability to raise funds in the past, there can be no assurance it will be able to do so in the future. As with all disputes, there is no guarantee that the results will be favorable towards the Company. Therefore there may be a need to restructure and rebrand the Company to reflect the Company's efforts to diversify and increase its property holdings. Because of these uncertainties, there is substantial doubt about the ability of the Company to continue as going concern. These financial results and discussion do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**15. Additional Information**

Additional information relating to the Company is available on SEDAR at www.sedar.com or on the Company's website at www.elninoventures.com .

***For more information, please contact***:

Mr. Harry Barr, President & Acting CEO
El Nino Ventures Inc.
2303 West 41st Avenue,
Vancouver, British Columbia, V6M 2A3

**TRADING SYMBOLS**

TSX Venture Exchange: ELN
Frankfurt Stock Exchange: E7Q

**El Nino Ventures Inc.**

**(An Exploration Stage Company)**

CONDENSED INTERIM FINANCIAL STATEMENTS

***Three Months Ended April 30, 2011***

*(Unaudited - Expressed in Canadian Dollars)*

EL NINO VENTURES INC.

2303 West 41st Avenue • Vancouver • British Columbia • Canada • V6M 2A3 • Telephone (604) 685-1870 • Fax (604) 683-4887

**MANAGEMENT'S COMMENTS ON**
**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of El Nino Ventures Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

# El Nino Ventures Inc.

Condensed Interim Statements of Financial Position

**As at April 30, 2011, January 31, 2011 and February 1, 2010**

(Unaudited)

(Expressed in Canadian Dollars)

| | April 30, 2011<br>$ | January 31, 2011<br>$<br>(Note 18) | February 1, 2010<br>$<br>(Note 18) |
|---|---|---|---|
| **Assets** | | | |
| **Current** | | | |
| Cash and cash equivalents | 2,232,143 | 724,673 | 1,434,475 |
| Amounts receivable and prepaids (Note 3) | 296,074 | 49,857 | 113,418 |
| Available-for-sale securities | 1 | 1 | 1 |
| | 2,528,218 | 774,531 | 1,547,894 |
| **Investments** (Note 4) | 1 | 1 | 1 |
| **Property, plant and equipment** (Note 5) | 15,569 | 18,238 | 37,120 |
| | 2,543,788 | 792,770 | 1,585,015 |
| **Liabilities** | | | |
| **Current** | | | |
| Trade payables and accrued liabilities | 22,500 | 22,329 | 91,745 |
| Flow-through tax liabilities | 45,000 | - | - |
| | 67,500 | 22,329 | 91,745 |
| **Equity** | | | |
| **Share capital** (Note 7) | 22,676,556 | 21,405,683 | 20,974,662 |
| **Reserves** | 5,949,530 | 5,159,199 | 4,707,974 |
| **Deficit** | (26,149,798) | (25,794,441) | (24,189,366) |
| | 2,476,288 | 770,441 | 1,493,270 |
| | 2,543,788 | 792,770 | 1,585,015 |

**Nature of operations and going concern** (Note 1)

**Contingencies** (Note 15)

**Subsequent events** (Note 17)

Approved and Authorized for Issue by the Board on July 28, 2011:

*"Harry Barr"*, Director

*" John Oness"*, Director

- The accompanying notes are an integral part of these financial statements -

# El Nino Ventures Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

**For the three months ended April 30, 2011 and 2010**

(Unaudited)

(Expressed in Canadian Dollars)

| | Three months ended April 30, 2011 $ | Three months ended April 30, 2010 $ (Note 18) |
|---|---|---|
| **Expenses** | | |
| Corporate costs (Note 16) | 340,494 | 251,758 |
| Share-based payments (Note 8) | 8,946 | 6,000 |
| Depreciation | 2,669 | 7,512 |
| **Loss before other items** | 352,109 | 265,270 |
| **Other items** | | |
| Foreign exchange loss (gain) | 6,168 | 6,996 |
| Interest income | (2,920) | - |
| Write-down of investments (Note 4) | - | 98,851 |
| | 3,248 | 105,847 |
| **Net loss and comprehensive loss for the period** | 355,357 | 371,117 |
| **Loss and comprehensive loss per share – basic and diluted** | 0.004 | 0.005 |
| **Weighted average number of shares outstanding** | 100,914,249 | 74,303,930 |

# El Nino Ventures Inc.

Condensed Interim Statements of Cash Flows

**For the three months ended April 30, 2011 and 2010**

(Unaudited)

(Expressed in Canadian Dollars)

| | Three months ended April 30, 2011 $ | Three months ended April 30, 2010 $ (Note 18) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period | (355,357) | (371,117) |
| Items not affecting cash: | | |
| Depreciation | 2,669 | 7,512 |
| Share-based payments (Note 8) | 8,946 | 6,000 |
| Write-down of investments (Note 4) | - | 98,851 |
| Changes in non-cash operating working capital: | | |
| Amounts receivable and prepaids | (246,217) | (50,148) |
| Trade payables and accrued liabilities | 171 | (55,518) |
| | (589,788) | (364,420) |
| **Cash flows from financing activities** | | |
| Common shares issued for cash | 2,128,160 | - |
| Share issue costs | (30,902) | (120) |
| | 2,097,258 | (120) |
| **Cash flows from investing activities** | | |
| Purchase of investments (Note 4) | - | (98,851) |
| **Increase (decrease) in cash and cash equivalents** | 1,507,470 | (463,391) |
| **Cash and cash equivalents – Beginning of period** | 724,673 | 1,434,475 |
| **Cash and cash equivalents – End of period** | 2,232,143 | 971,084 |

# El Nino Ventures Inc.

Condensed Interim Statements of Changes in Equity

**For the three months ended April 30, 2011 and 2010**

(Expressed in Canadian Dollars)

| | | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Number of Common Shares | Share Capital $ | Stock Options Reserve $ | Warrants Reserve $ | Deficit $ | Total Equity $ |
| **Balance - February 1, 2010** | 74,303,930 | 20,974,662 | 1,281,364 | 3,426,610 | (24,189,366) | 1,493,270 |
| Share issue costs | - | (120) | - | - | - | (120) |
| Share-based payments | - | - | 6,000 | - | - | 6,000 |
| Expiry of warrants | - | 31,509 | - | (31,509) | - | - |
| Loss for the period | - | - | - | - | (371,117) | (371,117) |
| **Balance - April 30, 2010** | 74,303,930 | 21,006,051 | 1,287,364 | 3,395,101 | (24,560,483) | 1,128,033 |
| Common shares issued for properties | 100,000 | 6,000 | - | - | - | 6,000 |
| Common shares issued for cash | 16,135,000 | 806,750 | - | - | - | 806,750 |
| Fair value allocated to warrants | - | (398,614) | - | 398,614 | - | - |
| Share issue costs | - | (14,504) | - | - | - | (14,504) |
| Share-based payments | - | - | 78,120 | - | - | 78,120 |
| Loss for the period | - | - | - | - | (1,233,958) | (1,233,958) |
| **Balance - January 31, 2011** | 90,538,930 | 21,405,683 | 1,365,484 | 3,793,715 | (25,794,441) | 770,441 |
| Common shares issued for cash | 23,259,422 | 1,628,160 | - | - | - | 1,628,160 |
| Flow-through common shares issued for cash | 5,000,000 | 455,000 | - | - | - | 455,000 |
| Fair value allocated to warrants | - | (781,385) | - | 781,385 | - | - |
| Share issue costs | - | (30,902) | - | - | - | (30,903) |
| Share-based payments | - | - | 8,946 | - | - | 8,946 |
| Loss for the period | - | - | - | - | (355,357) | (355,357) |
| **Balance - April 30, 2011** | 118,798,352 | 22,676,556 | 1,374,430 | 4,575,100 | (26,149,798) | 2,476,287 |

- The accompanying notes are an integral part of these financial statements -

## 1. Nature of operations and going concern

El Nino Ventures Inc. (the "Company") was incorporated on February 19, 1988 under the laws of the Province of British Columbia, Canada. The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties in the Democratic Republic of Congo ("DRC"), Canada and Ireland with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploitation.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the Company will obtain the necessary financing to complete the exploration and development of mineral property interests, or that the current or future exploration and development programs of the Company will result in profitable mining operations.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Several adverse conditions cast significant doubt upon the validity of this assumption. Consistent with other entities in the exploration stage, the Company has incurred operating losses since inception, has no source of revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and continue its exploration activities. The Company's ability to continue as a going concern is dependent upon management's ability to secure additional financing. While management has been successful in obtaining funding in the past, there can be no assurance that it will be able to do so in the future.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used, and such adjustments would be material.

## 2. Significant accounting policies

The condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standards ("IAS") 34, "*Interim Financial Reporting*".

### Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

## 2. Significant accounting policies, continued

### Significant Accounting Judgments, Estimates and Assumptions, continued

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, the recoverability and measurement of deferred tax assets and liabilities, and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

### Cash and Cash Equivalents

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less. The Company places its cash and cash equivalents with institutions of high-credit worthiness.

### Financial Assets

Financial assets are classified as loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss ("FVTPL"), or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Amounts receivables are included in this category of financial assets.

*Available-for-sale*

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

## 2. Significant accounting policies, continued

**Financial Assets, continued**

*Financial assets at fair value through profit or loss*

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Cash and cash equivalents are included in this category of financial assets.

*Derivatives designated as hedging instruments in an effective hedge*

The Company does not hold or have any exposure to derivative instruments.

**Impairment of Financial Assets**

Financial assets, other than financial assets at fair value through profit or loss, are assessed for indicators of impairment at each period end.

*Loans and receivables*

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

*Available-for-sale*

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income.

**Financial Liabilities**

Financial liabilities are classified as financial liabilities at fair value through profit or loss, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

## 2. Significant accounting policies, continued

**Financial Liabilities, continued**

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

*Derivatives designated as hedging instruments in an effective hedge*

The Company does not hold or have any exposure to derivative instruments.

*Financial liabilities measured at amortized cost*

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade payables are included in this category of financial liabilities.

**Exploration and Evaluation Properties**

The Company expenses exploration and evaluation costs and option maintenance payments incurred prior to management's determination that a property has economically recoverable reserves.

Ownership in exploration and evaluation properties involves certain risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many exploration and evaluation properties.

Although the Company has taken steps to verify title to research permits and/or properties in which it has an option to acquire an interest or has an interest, according to the usual industry standards for the stage of exploration of such properties, 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.

## 2. Significant accounting policies, continued

### Impairment

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

### 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 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 expensed as exploration and evaluation costs 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, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are expensed as exploration and evaluation costs 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 and 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 expensed in accordance with the Company's accounting policy for exploration and evaluation assets.

## 2. Significant accounting policies, continued

### Property, Plant and Equipment

Property, plant and equipment are valued at cost less accumulated depreciation. The Company provides for depreciation using the straight-line method as follows:

| | |
|---|---|
| Computer and field equipment | 3 years |
| Furniture and office equipment | 5 years |
| Software | 1 year |

When an item of property, plant and equipment consists of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

### Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized 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 stock options reserve. The fair value of options is determined using the Black-Scholes Option 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 will eventually vest.

### Loss per Share

Basic loss per share is based on the weighted average number of common shares issued and outstanding during the year. The effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore basic and diluted loss per share are the same.

### Income Taxes

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## 2. Significant accounting policies, continued

### Income Taxes, continued

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

### Foreign Currency Translation

The financial statements are presented in Canadian dollars which is the functional and presentation currency of the Company.

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 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.

### Flow-through Shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability and included in trade payables and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

(Expressed in Canadian Dollars)

## 2. Significant accounting policies, continued

### New Accounting Standards and Interpretations Not Yet Adopted

Amendments to IFRS 7, "*Financial Instruments: Disclosures*" are effective for annual periods beginning on or after July 1, 2011. These amendments increase the disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

New standard IFRS 9, "*Financial Instruments*" is effective for annual periods beginning on or after January 1, 2013. This new standard is the fist part of a multi-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

Amendments to IAS 12, "*Income Taxes*" are effective for annual periods beginning on or after January 1, 2012. These amendments supersede Standing Interpretations Committee ("SIC") Interpretation 21, "*Income Taxes – Recovery of Revalued Non-Depreciable Assets*".

The Company is currently assessing the impact that these revised or new standards will have on the financial statements.

## 3. Amounts receivable and prepaids

| | April 30, 2011 | January 31, 2011 | February 1, 2010 |
|---|---|---|---|
| Harmonized Sales Tax / Goods and Services Tax credit | $ 44,422 | $ 17,091 | $ 12,883 |
| Advances | 100,385 | 20,135 | 6,584 |
| Prepaids | 151,267 | 12,631 | 82,846 |
| Deposits | - | - | 11,105 |
| **Total** | **$ 296,074** | **$ 49,857** | **$ 113,418** |

## 4. Investments

For the three month period ended April 30, 2011 and 2010, the Company accounted for its investments in Infinity Resources SPRL ("Infinity") and Harmony Resources SPRL ("Harmony") using the cost method as the Company did not exercise control or significant influence over its investments in Infinity and Harmony during the three month period ended April 30, 2011 and 2010 (Notes 6a and 15).

During the three month period ended April 30, 2011, the Company recorded in the Statements of Loss, Comprehensive Loss and Deficit a write-down of its investments in Infinity and Harmony of $Nil (2010: $98,851) to a fair value of $1.

(Expressed in Canadian Dollars)

## 5. Property, plant and equipment

A summary of the changes in the Company's equipment for the three months ended April 30, 2011 is as follows:

| | Computer and field equipment | Furniture and office equipment | Software | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| At January 31, 2011 | $ 15,466 | $ 50,019 | $ 8,325 | $ 73,810 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| At April 30, 2011 | $ 15,466 | $ 50,019 | $ 8,325 | $ 73,810 |
| **Depreciation** | | | | |
| At January 31, 2011 | $ 14,793 | $ 32,454 | $ 8,325 | $ 55,572 |
| Change for the period | 168 | 2,501 | - | 2,669 |
| At April 30, 2011 | $ 14,961 | $ 34,955 | $ 8,325 | $ 58,241 |
| **Net book value** | | | | |
| At January 31, 2011 | $ 673 | $ 17,565 | $ - | $ 18,238 |
| **At April 30, 2011** | **$ 505** | **$ 15,064** | **$ -** | **$ 15,569** |

A summary of the changes in the Company's equipment for the year ended January 31, 2011 is as follows:

| | Computer and field equipment | Furniture and office equipment | Software | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| At February 1, 2010 | $ 15,466 | $ 50,019 | $ 8,325 | $ 73,810 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| At January 31, 2011 | $ 15,466 | $ 50,019 | $ 8,325 | $ 73,810 |
| **Depreciation** | | | | |
| At February 1, 2010 | $ 8,416 | $ 19,949 | $ 8,325 | $ 36,690 |
| Change for the year | 6,377 | 12,505 | - | 18,882 |
| At January 31, 2011 | $ 14,793 | $ 32,454 | $ 8,325 | $ 55,572 |
| **Net book value** | | | | |
| At February 1, 2010 | $ 7,050 | $ 30,070 | $ - | $ 37,120 |
| **At January 31, 2011** | **$ 673** | **$ 17,565** | **$ -** | **$ 18,238** |

(Expressed in Canadian Dollars)

## 6. Exploration and evaluation properties

Cumulative acquisition and exploration expenditures as at April 30, 2011 are as follows:

| | Option maintenance costs | Exploration costs | Option payments received | April 30, 2010 |
|---|---|---|---|---|
| Infinity Project, DRC | $ 634,410 | $ 6,339,667 | $ - | $ 6,974,077 |
| Bathurst Zinc Project, Canada | 169,631 | 5,443,031 | - | 5,612,662 |
| Zinc Project, Ireland | 52,969 | 551,536 | - | 604,505 |
| Bancroft Properties, Canada | 110,463 | 358,356 | (386,250) | 82,569 |
| Harmony / Phoenix Projects, DRC | 250,850 | - | - | 250,850 |
| **Total** | **$ 1,218,323** | **$ 12,692,590** | **$ (386,250)** | **$13,524,663** |

The Company did not incur any exploration expenditures for the three months ended April 30, 2011 and 2010.

### a. DRC Projects

In the DRC, the Company currently has one project being the Kasala Project. Business in the DRC is conducted under the rules and regulations of the New Mining Code that came into effect in 2003.

#### i. Kasala Project (formerly Infinity Project)

Pursuant to an agreement dated May 19, 2007, the Company exercised its option to acquire a 70% interest in certain mineral research permits (the "Kasala Mineral Research Permits") covering 352 square kilometers of prospective exploration areas in the Copperbelt, located between Lubumbashi and Likasi in the DRC from GCP Group Ltd. ("GCP") a private British Virgin Islands company (the "Mineral Property Option Agreement"). Total consideration to be paid consists of cash payments of US$550,000 (US$450,000 paid) and the issuance of 700,000 shares (600,000 issued). The remaining US$100,000 and 100,000 shares that are payable and issuable, respectively, on May 18, 2010 are being held in trust pending the decision by the courts in B.C. in regards to the Company's petition to set-off the US$100,000 and 100,000 shares against the $850,000 being claimed by the Company as well as orders for arbitration to settle the disputes.

The Company was made aware of an attempt by Georges Kavvadias to fraudulently transfer the Kasala permits from Infinity Resources Sprl ("Infinity") to a company controlled by Georges Kavvadias. The Company took all available steps to prevent this blatant attempt to deprive the Company of its rightful ownership in the Kasala properties. Subsequently the Company received notice that the claims commenced by Mr. Kavvadias and GCP in the DRC were dismissed by the Tribunal of Commerce of Lubumbashi. The Company successfully argued that the jurisdiction for hearing the claims is in British Columbia and not the DRC. As well, the orders for garnishment of the shares held by the Company in the share capital of Infinity have been removed and remain registered in the Company's name. Mr. Kavvadias and GCP are appealing the decision (Note 15a).

## 6. Exploration and evaluation properties, continued

### a. DRC Projects, continued

#### i. Kasala Project (formerly Infinity Project), continued

The Company also served Georges Kavvadias and GCP a Notice of Dispute and petitioned the Supreme Court of British Columbia in response to two alleged defaults of the Mineral Property Option Agreement (Note 15b).

During the three months ended April 30, 2011 and 2010, the Company accounted for its investment in Infinity using the cost method (Note 4).

#### ii. Harmony Project

On February 4, 2008, the Company entered into an agreement with MIMECO AG ("MIM") to acquire an initial 70% option in a mineral research permit (the "Harmony Mineral Research Permits") in the DRC Copper belt, located east of the Kinsevere Project of Anvil Mining (the "LOI"). As consideration, the Company issued 200,000 shares to MIM and committed to making exploration expenditures totalling US$1.5 million over a 3 year period, at a minimum of US$500,000 per annum beginning in fiscal 2010. The Company had a right, at any time, to increase its interest to 85% by paying MIM the sum of US$15.0 million.

In January 2009, the Harmony Mineral Research Permits were transferred by MIM into Harmony in contemplation of the Company fulfilling all of the terms of the option agreement.

Under the terms of the LOI, the Company was the operator and was responsible for all authorized and approved costs of exploration and development of the properties. If the property goes into production, the Company was to be reimbursed all costs of exploration and development by Harmony before any profit split would be available to MIM.

In August 2010, through a check of the permit registry, the Company became aware that the permits related to the Harmony Project had not been properly maintained/transferred or renewed. The Company terminated the LOI related to the Harmony Mineral Research Permits.

During the three months ended April 30, 2011 and 2010, the Company accounted for its investment in Harmony using the cost method (Note 4).

## 6. Exploration and evaluation properties, continued

### a. DRC Projects, continued

#### iii. Phoenix Project

On November 14, 2008, the Company signed an agreement with Phoenix Mining Corporation (“PMC”) whereby the Company had the option to earn a 70% share interest in a mineral research permit in the DRC Copper belt. This interest is located between Lubumbashi and the Likasi Road and Airport Road junction (the “Phoenix” project).

Pursuant to the terms of the comprehensive agreement and transfer of title the Company has the option to pay US$200,000 (paid) and then issue 300,000 shares over a three year period, in equal annual instalments on November 14, 2009, November 14, 2010, and November 14, 2011; as well as to pay US$250,000 on December 16, 2009; US$300,000 on December 16, 2010; US$350,000 on December 16, 2011; and US$1,100,000 on December 16, 2012 in order to maintain its interest in the Project.

During the year ended January 31, 2010, the Company notified PMC, as per the agreement, that the Company would not be exercising its option on the property (Note 15).

### b. Bathurst Mining Camp Project (TriParty Agreement):

This project consists of an initial 4,712 claims in triparty agreement with Xstrata & Votorantim Metals Canada, VM Canada, whereby VM Canada may incur exploration expenditures of $10 million over a period of 5 years to earn a 50% interest. VM Canada may further increase its interest to 70% by spending an additional $10 million over 2 years.

In February 2011, ELN announced that a $5 million exploration program on the Bathurst Mining Camp Base Metals Project has begun consisting of airborne and ground geophysics and will include a 10,000 metre drill program which is currently underway (See press release dated February 23, 2011). Airborne geophysics is completed and survey results are pending;

### c. Murray Brook Project:

Under Votorantim’s agreement with Murray Brook Minerals and Murray Brook Resources, both privately held companies (the “Option and Joint Venture Agreement”), Votorantim can earn a 50% interest in the Murray Brook Project, by funding $2,250,000 in exploration expenditures and making payments totalling $300,000 over a three year period commencing November 1, 2010. Votorantim can earn an additional 20% interest in the Properties by funding an additional $2,250,000 in exploration expenditures over an additional two year period.

Subsequent to the three months ended April 30, 2011, the Company entered into a participation agreement related to the Murray Brook Project, wherein it can earn 50% of Votorantim's interest by paying 50% of the costs incurred by Votorantim in the Option and Joint Venture Agreement (Note 17).

## 6. Exploration and evaluation properties, continued

### d. Bancroft Properties, Bancroft, Ontario, Canada

The Company has earned a 100% interest in the Bancroft properties which comprise the Halo Project and the Silver Crater Project and include certain claims east of the town of Bancroft, Ontario, Canada.

The Halo Project is subject to a 3% NSR and the Company has the option to purchase 1% of the total NSR for $250,000. The Silver Crater Project is subject to a 3% NSR and the Company has the option to purchase 1% of the total NSR for $250,000.

The Company is evaluating the properties' future prospects to determine the next course of action.

## 7. Share capital

**Authorized**

The Company's authorized share capital consists of an unlimited number of common shares without par value.

**Issued and outstanding**

On May 19, 2010, a total of 100,000 common shares were issued for the Kasala Project at fair value of $6,000 (Notes 6a, 14 and 15).

On October 12, 2010, gross proceeds of $806,750 were raised in a 16,135,000 unit private placement at a price of $0.05 per unit, consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share until October 12, 2013 at a price of $0.10 per share. A commission of $13,124 and $1,500 other related costs were paid in connection with this financing.

On March 28, 2011, gross proceeds of $1,538,860 were raised in a 21,983,709 non flow-through unit private placement at a price of $0.07 per unit, consisting of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share until September 28, 2012 at a price of $0.10 per share. The Company paid $27,598 in finder's fees.

(Expressed in Canadian Dollars)

## 7. Share capital, continued

### Issued and outstanding, continued

On March 28, 2011, gross proceeds of $450,000 were raised in a 4,500,000 flow-through unit private placement at a price of $0.10 per unit, consisting of one common flow-through share and one-half non flow-through share purchase warrant. Each whole warrant entitles the holder to purchase one additional non flow-through common share until March 28, 2012 at a price of $0.20 per share.

On April 8, 2011, gross proceeds of $89,300 were raised in a 1,275,713 non flow-through unit private placement at a price of $0.07 per unit, consisting of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share until October 8, 2012 at a price of $0.10 per share. The Company paid $805 in finder's fees.

On April 8, 2011, gross proceeds of $50,000 were raised in a 500,000 flow-through unit private placement at a price of $0.10 per unit, consisting of one common flow-through share and one-half non flow-through share purchase warrant. Each whole warrant entitles the holder to purchase on additional non flow-through common share until April 8, 2012 at a price of $0.20 per share.

## 8. Stock options and warrants

### Stock options

The Company has adopted a stock option plan ("the plan") whereby, the Company may grant stock options up to a maximum of 20% of the number of issued shares of the Company. The exercise price of any options granted under the plan will be determined by the Board of Directors, at its sole discretion, but shall not be less than the last closing price of the Company's common shares on the day before the date on which the Directors grant such options, less the maximum discount permitted under the polices of the TSX Venture Exchange.

The Company has granted stock options to directors, officers, consultants and certain employees. Stock option activity is summarized as follows:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Balance – January 31, 2011 | 3,535,000 | $0.18 |
| Granted | - | - |
| Exercised | - | - |
| Expired | (75,000) | $0.50 |
| Forfeited | - | - |
| **Balance – April 30, 2011** | **3,460,000** | **$0.17** |

(Expressed in Canadian Dollars)

## 8. Stock options and warrants, continued

### Stock options, continued

At April 30, 2011 the following stock options were outstanding and exercisable:

| Number of stock options outstanding | Number of stock options vested | Exercise Price | Expiry Date |
|---|---|---|---|
| 240,000 | 240,000 | $0.60 | July 11, 2012 |
| 500,000 | 500,000 | $0.10 | December 29, 2013 |
| 2,720,000 | 1,173,348 | $0.15 | June 25, 2015 |
| **3,460,000** | **1,913,348** | | |

Stock-based compensation for the period ended April 30, 2011 was $8,946 (2010: $6,000).

### Warrants

Warrant activity is summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance – January 31, 2011 | 48,429,571 | $0.13 |
| Granted | 14,129,736 | $0.12 |
| Expired | (5,866,000) | $0.15 |
| **Balance – April 30, 2011** | **56,693,307** | **$0.13** |

At April 30, 2011, the following warrants were outstanding:

| Date issued | Number of Shares | Exercise Price | Expiry Date |
|---|---|---|---|
| November 20, 2009 | 21,428,571 | $0.15 | May 20, 2011 |
| January 22, 2010 | 5,000,000 | $0.15 | January 22, 2012 |
| October 5, 2010 | 16,135,000 | $0.10 | October 5, 2013 |
| March 28, 2011 | 10,991,851 | $0.10 | September 28, 2012 |
| March 28, 2011 | 2,250,000 | $0.20 | March 28, 2012 |
| April 8, 2011 | 637,885 | $0.10 | October 8, 2012 |
| April 8, 2011 | 250,000 | $0.20 | April 8, 2012 |
| **Balance – April 30, 2011** | **56,693,307** | **$0.13** | |

(Expressed in Canadian Dollars)

## 8. Stock options and warrants, continued

### Warrants, continued

The fair value of the share purchase warrants issued during the three months ended April 30, 2011 was $781,385 (2010: $nil). The allocation of the fair value of the share purchase warrants included in unit offerings is estimated on the date of issuance of the unit using the Black-Scholes Option Pricing Model with the following assumptions:

| | April 30, 2011 | April 30, 2010 |
|---|---|---|
| Risk-free interest rate | 1.71% | - |
| Expected life | 1.41 years | - |
| Expected volatility | 149.75% | - |
| Expected dividend yield | - | - |

Black-Scholes Option Pricing Model requires the input of highly subjective assumptions including the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

## 9. Income taxes

A recovery of future income taxes in the amount of $nil (2010: $nil) was recorded for the three months ended April 30, 2011.

The Company has significant non-capital tax loss carry-forwards as well as accumulated Canadian and foreign exploration and development expenses that are available to reduce Canadian taxable income of future periods. Due to uncertainty surrounding the realization of future income tax assets, the Company has recognized a 100% valuation allowance against its future income tax assets. As such, no future income tax asset is recorded on the balance sheet.

## 10. Related party transactions

The key management personnel compensation is as follows:

| | April 30, 2011 | April 30, 2010 |
|---|---|---|
| Management and other fees | 29,000 | 29,000 |
| Salaries and wages | 20,735 | 22,521 |
| Bonus | 118,900 | - |
| Share-based payments | 7,163 | 1,861 |
| | **175,798** | **53,382** |

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian Dollars)

## 11. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the exploration of its mineral properties. The Board of Directors has not established quantitative capital structure criteria for management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The properties in which the Company currently has interests are in the exploration stage and the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable.

In order to facilitate the management of capital and development of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary. In addition, the Company may issue new equity shares, incur additional debt, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture agreements, or dispose of certain assets. The Company’s investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

There were no changes in the Company’s approach to capital management during the three months ended April 30, 2011. The Company is not subject to externally imposed capital requirements.

## 12. Financial instruments

### Fair values

As at April 30, 2011, the Company’s carrying values of cash and cash equivalents, amounts receivable and trades payable approximate their fair values due to their short term maturity.

| As at April 30, 2011 | Fair value hierarchy | FVTPL, at fair value | Loans and receivables, at amortized cost | Available-for-sale, at fair value | Other liabilities, at amortized cost |
|---|---|---|---|---|---|
| Cash and cash equivalents | Level 1 | 2,232,143 | - | - | - |
| Amounts receivable | N/A | - | 296,074 | - | - |
| Available-for-sale securities | Level 1 | - | - | 1 | - |
| Investments | Level 3 | - | - | 1 | - |
| Trades payable | N/A | - | - | - | - |

(Expressed in Canadian Dollars)

## 12. Financial instruments, continued

### Fair values, continued

| As at January 31, 2011 | Fair value hierarchy | FVTPL, at fair value | Loans and receivables, at amortized cost | Available-for-sale, at fair value | Other liabilities, at amortized cost |
|---|---|---|---|---|---|
| Cash and cash equivalents | Level 1 | 724,673 | - | - | - |
| Amounts receivable | N/A | - | 49,857 | - | - |
| Available-for-sale securities | Level 1 | - | - | 1 | - |
| Investments | Level 3 | - | - | 1 | - |
| Trades payable | N/A | - | - | - | - |

| As at February 1, 2010 | Fair value hierarchy | FVTPL, at fair value | Loans and receivables, at amortized cost | Available-for-sale, at fair value | Other liabilities, at amortized cost |
|---|---|---|---|---|---|
| Cash and cash equivalents | Level 1 | 1,547,894 | - | - | - |
| Amounts receivable | N/A | - | 113,418 | - | - |
| Available-for-sale securities | Level 1 | - | - | 1 | - |
| Investments | Level 3 | - | - | 1 | - |
| Trades payable | N/A | - | - | - | 54,763 |

Disclosure of a three-level hierarchy for fair value measurements based upon transparency of inputs to the valuation of financial instruments carried on the balance sheet at fair values is as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability.

Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

### Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions as determined by rating agencies. Amounts receivable consist of Harmonized Sales Tax receivable of $44,422 (2010: $19,385) and other advances receivable of $100,385 (2010: $45,923). The Company is not subject to a significant credit risk.

## 12. Financial instruments, continued

### Currency risk

For the three months ended April 30, 2011, a significant portion of the Company's operation was in the DRC. As a result, a portion of the Company's receivables, payables and accruals were denominated in the US dollar and were therefore subject to fluctuation in exchange rates.

As at April 30, 2011, a significant portion of the Company's cash and cash equivalents were held in Canadian dollars and were therefore subject to fluctuation against the US dollar. However, the Company considers its currency risk to be insignificant.

### Liquidity risk

The Company is reliant upon equity issuances as its sole source of cash. The Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its ongoing obligations. The Company continuously reviews its actual expenditures and forecast cash flows and matches the maturity dates of its cash and cash equivalents to capital and operating needs. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at April 30, 2011, the Company had a working capital of $2,460,718 (2010: $1,098,424).

### Other risks

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate risk and commodity price risk arising from financial instruments.

## 13. Segmented information

The Company's only business activity is exploration and development of mineral properties. This activity is carried out in Canada and in the DRC.

The breakdown by geographic area for the three month period ended April 30, 2011 is as follows:

| | Canada | DRC | Total |
|---|---|---|---|
| Total expenses | 297,174 | 58,183 | 355,357 |
| | | | |
| Current assets | 2,528,218 | - | 2,528,218 |
| Property, plant and equipment | 15,569 | - | 15,569 |
| Other assets | 1 | - | 1 |
| **Total assets** | **2,543,788** | - | **2,543,788** |

(Expressed in Canadian Dollars)

## 13. Segmented information, continued

The breakdown by geographic area for the three month period ended April 30, 2010 is as follows:

| | Canada | DRC | Total |
|---|---|---|---|
| Total expenses | $ 371,117 | $ - | $ 371,117 |
| Current assets | $ 1,134,650 | $ - | $ 1,134,650 |
| Property, plant and equipment | $ 29,608 | $ - | $ 29,608 |
| Other assets | $ 1 | $ - | $ 1 |
| **Total assets** | **$ 1,164,259** | $ - | **$ 1,164,259** |

## 14. Supplemental cash flow information

Income taxes and interest paid during the three months ended April 30, 2011 and 2010:

| | April 30, 2011 | April 30, 2010 |
|---|---|---|
| Income taxes paid | $ - | $ - |
| Interest paid | - | - |
| Balance – End of year | $ - | $ - |

During the year ended January 31, 2011, the Company issued 100,000 common shares related to the Kasala Project valued at $6,000 (Notes 6a, 7 and 15).

## 15. Contingencies

a. During a prior year, the Company was served with two separate claims filed in the DRC by Georges Kavvadias, GCP and PMC. An order for the garnishment of the shares held by the Company in the share capital of Infinity was rendered to guarantee payment of an alleged debt towards GCP and PMC. GCP was claiming fees and expenses of US$82,312, plus damages, alleged to be owing to them by the Company in connection with the provision of services alleged to have been rendered by GCP and Infinity (Note 6a(i)). PMC alleged that the Company was obligated under the termination agreement to make the first anniversary payment to PMC of US$250,000 as well as to pay damages (Note 6a(iii)). In May 2010, the Company received notice that the claims commenced in the DRC was dismissed by the Tribunal of Commerce of Lubumbashi (the "Tribunal"). The Company successfully argued that the jurisdiction for hearing the claims is in British Columbia and not the DRC. As well, the orders for garnishment of the shares held by the Company in the share capital of Infinity have been removed and remain registered in the Company's name contrary to the representations of Georges Kavvadias and GCP. An appeal has been filed by Georges Kavvadias and GCP but no date has been fixed for the hearing. The Company continues to take the position that the actions of its previous Country Manager, Georges Kavvadias, GCP and PMC are both spurious and without merit. As a loss is not deemed to be likely, no accruals have been made as of April 30, 2011.

## 15. Contingencies, continued

b. On May 18, 2010, the Company delivered the final payments due under the Mineral Property Option Agreement with GCP to the Company's legal counsel, to be held in trust pending the decision by the courts in British Columbia (Note 6a(i)). On May 21, 2010, the Company received a notice of default related to the Mineral Property Option Agreement with GCP. GCP is also claiming that the Company has failed to pay exploration and development costs in the amount of US$296,627. The Company denies it is in default and that it is indebted at all to GCP. The Company has served Georges Kavvadias and GCP a Notice of Dispute and petitioned the Supreme Court of British Columbia in response to two alleged defaults of the Mineral Property Option Agreement. The Company has stated in its Notice of Dispute and is prepared to prove:

- The amounts claimed are not due and owing and that Georges Kavvadias and GCP, despite repeated requests by the Company, are unable to provide an accounting of the funds entrusted with him for the advancement of exploration works in the DRC;
- GCP is in breach of the Representations and Warranty contained in the Mineral Property Option Agreement; and
- A claim of US$850,349, for the right to set-off, as against any sums which may be due and owing to Georges Kavvadias and GCP, as well as unspecified damages for breach of the agreements by Georges Kavvadias and GCP and for further damages for fraud and fraudulent misrepresentation by Georges Kavvadias and GCP.

In addition to the above, the Company is claiming that Georges Kavvadias breached the Mineral Property Option Agreement, in addition to the breach of warranty, by purloining funds provided to him, by denying the Company access to the financial information and the Company's leased premises, equipment and property in the DRC and refusing to follow the budgetary decisions of the Company.

Following receipt from GCP of the Notice of Default relating to the Mineral Property Option Agreement, the Company has invoked the arbitration clauses contained in the agreements. In January 2011, the decision of the Supreme Court was to defer all decisions regarding the above to arbitration. At this time the arbitrator is being chosen and the arbitration is scheduled to commence shortly.

c. Pursuant to the application filed by the Company in the DRC, the minutes appointing Georges Kavvadias as the General Manager were declared null and void by the Tribunal. The application to remove Georges Kavvadias as General Manager has been granted. An interim General Manager was appointed with a mandate to calling a shareholders' meeting of Infinity to appoint a new General Manager.

d. The Company has been made aware of an attempt by Georges Kavvadias to fraudulently transfer the Kasala permits from Infinity to a company controlled by Georges Kavvadias. The Company submitted an application to prevent Cadastre Minier ("CAMI") from transferring the exploration permits.

(Expressed in Canadian Dollars)

## 16. Corporate costs

Details of corporate costs are as follows:

| | Three months ended April 30, 2011 $ | Three months ended April 30, 2010 $ |
|---|---|---|
| Audit, accounting and legal | 10,948 | 38,397 |
| Labour, consulting and management fees | 272,682 | 99,879 |
| Office and miscellaneous | 29,856 | 42,294 |
| Promotion and shareholder relations | 5,635 | 20,477 |
| Transfer and filing fees | 23,451 | 12,932 |
| Travel | (2,078) | 37,779 |
| **Corporate costs for the period** | **$ 340,494** | **$ 251,758** |

## 17. Subsequent events

The following subsequent events occurred from April 30, 2011 to the date the financial statements were available to be issued on July 28, 2011:

On May 24, 2011, the Company granted 3,710,000 stock options to various directors, officers, employees and consultants of the Company at an exercise price of $0.17 per share for a period of five years.

In May 2011, the Company entered into a participation agreement related to the Murray Brook Project, wherein it can earn 50% of Votorantim's interest by paying 50% of the costs incurred by Votorantim in the Option and Joint Venture Agreement (Note 6c).

## 18. Transition to International Financial Reporting Standards

IFRS 1, "*First-time Adoption of International Financial Reporting Standards*" sets forth guidance for the initial adoption of IFRS. The accounting policies in Note 2 have been applied in preparing the condensed interim financial statements for the three months ended April 30, 2011, the comparative information for the three months ended April 30, 2010, the financial statements for the year ended January 31, 2011 and the preparation of an opening IFRS statement of financial position on February 1, 2010 (the "Transition Date").

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

a) **Business Combinations**

IFRS 1 provides the option to apply IFRS 3, "*Business Combinations*", retrospectively or prospectively from the Transition Date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date.

## 18. Transition to International Financial Reporting Standards, continued

b) **Consolidated and Separate Financial Statements**

In accordance with IFRS 1, if the Company elects to apply IFRS 3 retrospectively, IAS 27, "*Consolidated and Separate Financial Statements*", must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

c) **IFRS Mandatory Exception**

In accordance with IFRS 1, the Company's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under Canadian GAAP unless there is objective evidence that those estimates were in error. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

Set forth below are other differences in accounting between Canadian GAAP and IFRS.

d) **Flow-through Shares**

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP, the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146, "*Flow-through Shares*". At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a deferred tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP, a portion of the deferred tax assets that were not recognized in previous years, due to the recording of a valuation allowance, are recognized as a recovery of income taxes.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through liability. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability is reversed, with any difference recorded as deferred tax expense. A portion of the deferred tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will reduce the deferred tax liability and record a deferred tax recovery.

The change in accounting policy related to flow-through shares resulted in an increase in share capital and an increase in deficit of $1,322,638 as at the Transition Date.

e) **Reclassification within Equity section**

Under Canadian GAAP, "Contributed Surplus" was used to record the issuance of warrants and stock options as well as shares to be issued and warrants to be issued. Upon adoption of IFRS, the balances in "Contributed Surplus" have been reclassified to "Stock option reserve" and "Warrants reserve".

(Expressed in Canadian Dollars)

## 18. Transition to International Financial Reporting Standards, continued

### f) Reconciliations of Canadian GAAP to IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. The following analysis represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

Reconciliation of Statement of Financial Position as at February 1, 2010:

| | Notes | Canadian GAAP $ | IFRS Adjustments $ | IFRS $ |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 1,434,475 | - | 1,434,475 |
| Amounts receivable and prepaids | | 113,418 | - | 113,418 |
| Available-for-sale securities | | 1 | - | 1 |
| | | 1,547,894 | - | 1,547,894 |
| Non-current assets | | | | |
| Investments | | 1 | - | 1 |
| Property, plant and equipment | | 37,120 | - | 37,120 |
| **Total assets** | | 1,585,015 | - | 1,585,015 |
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Trade payables and accrued liabilities | | 91,745 | - | 91,745 |
| **Equity** | | | | |
| Share capital | 18(d) | 19,652,024 | 1,322,638 | 20,974,662 |
| Contributed surplus | 18(e) | 4,707,974 | (4,707,974) | - |
| Stock options reserve | 18(e) | - | 1,281,364 | 1,281,364 |
| Warrants reserve | 18(e) | - | 3,426,610 | 3,426,610 |
| Deficit | 18(d) | (22,866,728) | (1,322,638) | (24,189,366) |
| | | 1,493,270 | - | 1,493,270 |
| **Total liabilities and equity** | | 1,585,015 | - | 1,585,015 |

(Expressed in Canadian Dollars)

## 18. Transition to International Financial Reporting Standards, continued

Reconciliation of Statement of Financial Position as at April 30, 2010:

| | Notes | Canadian GAAP $ | IFRS Adjustments $ | IFRS $ |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 971,084 | - | 971,084 |
| Amounts receivable and prepaids | | 163,566 | - | 163,566 |
| Available-for-sale securities | | 1 | - | 1 |
| | | 1,134,651 | - | 1,134,651 |
| Non-current assets | | | | |
| Investments | | 1 | - | 1 |
| Property, plant and equipment | | 29,608 | - | 29,608 |
| **Total assets** | | 1,164,260 | - | 1,164,260 |
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Trade payables and accrued liabilities | | 36,227 | - | 36,227 |
| **Equity** | | | | |
| Share capital | 18(d) | 19,683,413 | 1,322,638 | 21,006,051 |
| Contributed surplus | 18(e) | 4,682,465 | (4,682,465) | - |
| Stock options reserve | 18(e) | - | 1,287,364 | 1,287,364 |
| Warrants reserve | 18(e) | - | 3,395,101 | 3,395,101 |
| Deficit | 18(d) | (23,237,845) | (1,322,638) | (24,560,483) |
| | | 1,128,033 | - | 1,128,033 |
| **Total liabilities and equity** | | 1,164,260 | - | 1,164,260 |

(Expressed in Canadian Dollars)

## 18. Transition to International Financial Reporting Standards, continued

Reconciliation of Statement of Financial Position as at January 31, 2011:

| | Notes | Canadian GAAP $ | IFRS Adjustments $ | IFRS $ |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 724,673 | - | 724,673 |
| Amounts receivable and prepaids | | 49,857 | - | 49,857 |
| Available-for-sale securities | | 1 | - | 1 |
| | | 774,531 | - | 774,531 |
| Non-current assets | | | | |
| Investments | | 1 | - | 1 |
| Property, plant and equipment | | 18,238 | - | 18,238 |
| **Total assets** | | 792,770 | - | 792,770 |
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Trade payables and accrued liabilities | | 22,329 | - | 22,329 |
| **Equity** | | | | |
| Share capital | 18(d) | 20,083,045 | 1,322,638 | 21,405,683 |
| Contributed surplus | 18(e) | 5,159,199 | (5,159,199) | - |
| Stock options reserve | 18(e) | - | 1,365,484 | 1,365,484 |
| Warrants reserve | 18(e) | - | 3,793,715 | 3,793,715 |
| Deficit | 18(d) | (24,471,803) | (1,322,638) | (25,794,441) |
| | | 770,441 | - | 770,441 |
| **Total liabilities and equity** | | 792,770 | - | 792,770 |

(Expressed in Canadian Dollars)

## 18. Transition to International Financial Reporting Standards, continued

Reconciliation of Statement of Loss and Comprehensive Loss for the three months ended April 30, 2010:

| | Notes | Canadian GAAP $ | IFRS Adjustments $ | IFRS $ |
|---|---|---|---|---|
| **Net Exploration Expenditures** | | - | - | - |
| **Other Expenses (Income)** | | | | |
| Corporate costs | | 251,758 | - | 251,758 |
| Share-based payments | | 6,000 | - | 6,000 |
| Depreciation | | 7,512 | - | 7,512 |
| **Loss before other items** | | 265,270 | - | 265,270 |
| **Other items** | | | | |
| Foreign exchange loss | | 6,996 | - | 6,996 |
| Interest income | | - | - | - |
| Write-down of investments | | 98,851 | - | 98,851 |
| | | 105,847 | - | 105,847 |
| **Loss and comprehensive loss for the period** | | 371,117 | - | 371,117 |

(Expressed in Canadian Dollars)

## 18. Transition to International Financial Reporting Standards, continued

Reconciliation of Statement of Loss and Comprehensive Loss for the year ended January 31, 2011:

| | Notes | Canadian GAAP $ | IFRS Adjustments $ | IFRS $ |
|---|---|---|---|---|
| **Net Exploration Expenditures** | | - | - | - |
| **Other Expenses (Income)** | | | | |
| Corporate costs | | 1,212,594 | - | 1,212,594 |
| Share-based payments | | 84,120 | - | 84,120 |
| Depreciation | | 18,882 | - | 18,882 |
| **Loss before other items** | | 1,315,596 | - | 1,315,596 |
| **Other items** | | | | |
| Foreign exchange loss | | 3,504 | - | 3,504 |
| Interest income | | (242) | - | (242) |
| Write-down of investments | | 286,217 | - | 286,217 |
| | | 289,479 | - | 289,479 |
| **Loss and comprehensive loss for the period** | | 1,605,075 | - | 1,605,075 |

(Expressed in Canadian Dollars)

## 18. Transition to International Financial Reporting Standards, continued

Reconciliation of Statement of Cash Flows for the three months ended April 30, 2010:

| | Notes | Canadian GAAP $ | IFRS Adjustments $ | IFRS $ |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Loss for the period | | (371,117) | - | (371,117) |
| Items not affecting cash: | | | | |
| Depreciation | | 7,512 | - | 7,512 |
| Share-based payments | | 6,000 | - | 6,000 |
| Write-down of investments | | 98,851 | - | 98,851 |
| Changes in non-cash operating working capital: | | | | |
| Amounts receivable and prepaids | | (50,148) | - | (50,148) |
| Trade payables and accrued liabilities | | (55,518) | - | (55,518) |
| | | (364,420) | - | (364,420) |
| **Cash flows from financing activities** | | | | |
| Share issue costs | | (120) | - | (120) |
| **Cash flows from investing activities** | | | | |
| Purchase of investments | | (98,851) | - | (98,851) |
| **Decrease in cash and cash equivalents** | | (463,391) | - | (463,391) |
| **Cash and cash equivalents, beginning of period** | | 1,434,475 | - | 1,434,475 |
| **Cash and cash equivalents, end of period** | | 971,084 | - | 971,084 |