MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR AND QUARTER ENDED JANUARY 31, 2010
May 31, 2010

The following management discussion and analysis ("MD&A") should be read in conjunction with the audited financial statements and accompanying notes ("Financial Statements") of El Nino Ventures Inc. (the "Company") for the year ended January 31, 2010 and 2009. Results have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") 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.

Table of Contents:

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 of May 31, 2010 the Company had 74,403,930 shares outstanding with a total market capitalization of approximately $4.0 million. The Company shares trade on the TSX Venture Exchange ("ELN") and the Frankfurt Stock Exchange ("E7Q").

The Company's main focus is the exploration, location and development of mineralization zones in the DRC-Zambian Copperbelt ("Copperbelt") containing high grade copper and cobalt. The Government of the DRC commissioned a mining review of contracts in 2008 to review and renegotiate contracts entered into between 1999 and 2003. The Company was not included in this review as we do not have a contract-based agreement. The Company's tenure is governed by the regulations of the Mining Code of the DRC and as such, has never been involved in this review process. It is important to outline that the Company has entered into agreements in the DRC which will give the Company a 70% interest in all of its projects with provisions to increase its holdings to over 80%. This is based on the policy of the Company to acquire a significant controlling interest.

Infinity -The Company has the option to acquire a 70% interest in certain mineral research permits in the DRC from GCP Group Ltd. ("GCP"), covering 352 square kilometers of prospective exploration areas in the Copperbelt, located between Lubumbashi and Likasi (the "Infinity Project"). Under the terms of the Mineral Property Option Agreement, the Company has a final payment, due on May 18th, 2010, of USD$100,000 and 100,000 shares of the Company to fully earn-in for its 70% interest. Prior to the due date for the final payment, the Company received conflicting instructions from the principals of GCP to this agreement, which hold the remaining 30% interest, regarding who is to receive the cash consideration relating to the final payment. Consequently, the Company believes it has complied with the terms of this agreement by arranging for both the funds and shares to be held in Trust with our lawyers as of May 18th, 2010 pending receipt of a notice of release and payment instructions from the principals of GCP. Subsequently, GCP has given notice to ELN that it is in default and as per the terms of this agreement, has thirty days to correct the default. The Company will comply with correcting the default within the specified time period. Pending the above, the Company will have made cash payments of US$550,000 and issued 700,000 shares and will have earned-in fully for its 70% interest in mineral research permits held by Infinity Resources Sprl. The Company is currently in litigation with the Manager of Infinity, Mr. Georges Kavvadias who is claiming for alleged outstanding management fees and expenses in the amount of US$83,312.29 and for damages totaling US$350,000. (See "*Section 2 – Litigation*")

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. Under this agreement the Company has the option to increase its interest to 85% by paying MIM the sum of US$15.0 million. The transfer of title was completed in January 2009, but because renewal of the exploration permit was delayed due to a strike by the DRC civil service, the Company received approval from MIM to push back by one year the exploration commitments under the terms of the LOI which called for a total of US$1.5 million over three years with a minimum of US$500,000 to be spent in the first year.

The Company is reviewing its options within the LOI and is seeking its legal rights so that it can determine its future course of action.

Phoenix Project- Due to capital restraints, the Company proposed an amendment to the existing Acquisition of an Interest Agreement with Phoenix Mining Corporation Sprl ("PMC") to earn a 70% interest in mineral research permit #9316. The amendment would allow for the Company to continue to fund the project but to also conduct an initial exploration program to assist in a preliminary assessment that would determine the merits of the property for future investment. PMC rejected the proposal and as a result 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 PMC. (See "*Section 2 – Litigation*")

Zinc Project, Ireland- In fiscal 2009, 1,950 meters of diamond drilling was performed. No significant mineralization was intersected and as a result the Company has decided to relinquish the licenses.

Bathurst Zinc Project- The Company entered into an option agreement with Xstrata Canada Corporation – Xstrata Zinc Canada Division ("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 Metals Canada Inc. ("Votorantim"). The tripartite agreement is between Votorantim, ELN and Xstrata Zinc whereby Votorantim can earn up to a 70% interest in 1805 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 released the majority of original claims comprising the Bancroft group of properties. Currently it has retained a 100% interest in the Halo Project and the Silver Crater Project and certain claims east of the town of Bancroft, Ontario, Canada. For the year ended January 31st, 2010 no work was carried out and the Company continues to seek a Joint Venture partner for the project.

Going Concern

At January 31, 2010, the Company had cash and cash equivalents of $1,434,475, working capital of $1,456,149 and a deficit of $22,877,728. The funds on hand at January 31, 2010 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 acts as manager (the "Country Manager") of the Company's DRC joint venture company, Infinity Resources Sprl ("Infinity") (70% ELN/30% GCP). The claim is for alleged outstanding fees and expenses owed to him and his company, GCP. The Company has retained legal counsel in the DRC to respond to these claims which it firmly believes are unfounded and without merit.

On April 21st, 2010, the Company presented its initial argument that the agreement between ELN and GCP (Mineral Property Acquisition Agreement) was executed in British Columbia and clearly states the jurisdiction for both submitting and hearing such claims is in the Province of British Columbia not the DRC. Our legal counsel believes the argument was well received by the Tribunal hearing the argument and both Management and its legal counsel believe that the charges will be dismissed shortly. It is Management's belief that pending the outcome regarding the above, if the claimants wish to pursue its case further, we will be able to present our arguments better in British Columbia rather than the DRC. Regardless, not only does the Company strongly maintain it can show that the charges are unfounded, but it will present sufficient grounds to consider taking legal action against the Country Manager and GCP for a variety of reasons that have ultimately resulted in ELN suffering harm and jeopardized its ability to function in an orderly and businesslike manner in the DRC.

In the years preceding 2009, the Company believed that its interests in the DRC which were to have been served by the Country Manager who was representing both the Company and Infinity, was not being carried on without some ongoing measure of concern. During the fiscal year 2009, the Company continued to question the actions of the Country Manager and on September 1st, 2009, the Company gave notice that it was not renewing his contract. During this time, the Company began a restructuring of its corporate affairs with the resignation of the President/CEO, Mr. Jean Luc Roy, who was replaced by Mr. Harry Barr. As well as minimizing exploration activities and putting the Company's projects under a care and maintenance program, the Company under Mr. Barr then began a corporate due diligence program. It identified a critical need to raise sufficient funds for both a proposed geochemical program for the Kasala project as well as working capital. Subsequently the Company was successful in raising initially $452,800 in August, a further $1,500,000 in November 2009 and finally an additional $500,000 in January 2010. Management also began to take a much more active role in its affairs in the DRC. During the first few months of 2010 Management engaged both a new Country Manager and Business Consultant, both of whom have a full understanding and extensive business experience within the DRC.

During the due diligence process, a complete review of the Company's portfolio of projects was undertaken. Management determined that its primary focus should remain the Kasala project and that it warranted further exploration programs to advance the copper/cobalt discovery on the property.

A decision to terminate the agreement with the Phoenix Mining Corporation Sprl ("PMC") to acquire a 70% interest in the Phoenix project whose property is designated as PR9316 was then made. This decision then resulted in a claim being initiated in the DRC against the Company by PMC. The lawsuit alleges that ELN was obligated under the terminated agreement to make a first anniversary payment of US$250,000 as well as claiming for damages alleging that ELN continued to represent the property on its website after the fact, which it did not.

The Company has retained legal counsel to represent it in the DRC and on April 21st, 2010, the Company presented its initial argument that the agreement between the parties states that the jurisdiction for both submitting and hearing such claims is in the Province of British Columbia not the DRC. Our legal counsel believes the argument was well received by the Tribunal hearing the argument and both Management and its legal counsel believe that the charges will be dismissed shortly. It is management's belief that pending the outcome regarding the above, if the claimants wish to pursue its case further, we will receive a much fairer hearing conducted in the courts of British Columbia rather than the DRC. Regardless, the Company strongly maintains it can show that the charges are unfounded and that it did comply with the terms and conditions within the agreement for termination.

The Company received a notice of default related to the final payments due under the Mineral Property Option Agreement with GCP. The Company has 30 days to remedy the default. The Company has delivered the final payments to its legal counsel to be held in trust pending completion of the release instruction from 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. No legal actions have been commenced with respect to this claim.

3. Project Updates

a) Infinity

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

TABLE 1: ($000's)

Infinity Project, DRC	30-Apr-09 Q1-10	31-Jul-09 Q2-10	31-Oct-09 Q3-10	31-Jan-10 Q4-10	Twelve Months Ended 31-Jan-10	Twelve Months Ended 31-Jan-09	LTD
Drilling	$ -	$ -	$ -	$ -	$ -	$ 1,984	$ 2,315
Consulting and labour	-	-	-	-	-	860	1,210
Assay	-	-	-	-	-	637	637
Asset retirement obligation	-	-	-	-	-	43	43
Geological and field	-	-	-	-	-	712	1,168
Option maintenance costs	-	-	-	-	-	222	632
Travel and accomodation	-	-	-	-	-	161	161
Depreciation and amortization	-	-	-	-	-	160	160
Geophysics	-	-	-	-	-	90	648
Total	$ -	$ -	$ -	$ -	$ -	$ 4,869	$ 6,974

TABLE 1: ($000's)

Infinity Project, DRC	30-Apr-08 Q1-09	31-Jul-08 Q2-09	31-Oct-08 Q3-09	31-Jan-09 Q4-09	Twelve Months Ended 31-Jan-09	Twelve Months Ended 31-Jan-08	LTD
Drilling	$ 9	$ 1,170	$ 927	$ (122)	$ 1,984	$ 412	$ 2,315
Consulting and labour	97	361	203	199	860	258	1,210
Assay	54	204	149	230	637	14	637
Asset retirement obligation	-	-	-	43	43	-	43
Geological and field	195	177	224	116	712	430	1,168
Option maintenance costs	131	153	-	(62)	222	412	632
Travel and accomodation	-	99	49	13	161	-	161
Depreciation and amortization	22	32	50	56	160	24	160
Geophysics	45	19	16	10	90	555	648
Total	$ 553	$ 2,215	$ 1,618	$ 483	$ 4,869	$ 2,105	$ 6,974

2009 Exploration Program

Due to the ongoing uncertainty in the global financial markets, ELN chose, like so many other junior resource exploration companies, to suspend their exploration programs in 2009 until conditions improved. As the window in 2009 for conducting an exploration program in the DRC passed, the focus for the Company then shifted to corporate restructuring and raising sufficient funds to advance the Kasala project and meet its working capital requirements.

The Company 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.

Drilling costs for the year were nil with 2008 being the last year for incurring drilling costs. The absence of a drill program during 2009 was reflected in the decrease in associated costs for the maintenance of a permanent office in the DRC and a reduction to a care and maintenance staff.

Historical Exploration/Drilling

Although the Company was unable to conduct its planned exploration program during 2009, 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

The Company entered into a Letter of Intent ("LOI") with MIMECO AG ("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. The Company can increase its interest to 85% by paying MIM the sum of US$15.0 million. As consideration, the Company issued 200,000 shares to MIM and is to incur a total of US$1.5 million in exploration costs with a minimum of US$500,000 in the first year. In January 2009 the Harmony Research Permits were transferred by MIM into Harmony. During the year the civil service in the DRC went on strike, causing a delay in the Company renewing its exploration permit for many months, thus it was not possible to commence any work programs as title was uncertain. Subsequently, the Company received approval from MIM to push back by one year the exploration commitments under the LOI. At this time the Company is reviewing its options with regards to the LOI.

c) Phoenix

On July 26th, 2008 the Company signed a Letter of Intent ("LOI") with Phoenix Mining Corporation ("PMC") whereby the Company had an option to earn a 70% share interest in a mineral Research Permit in the DRC Copperbelt. Management reviewed the recommendations of its Project Manager and requested an extension of the terms of the LOI to better evaluate the potential for the project. PMC rejected the request and the Company therefore gave notice that it would not be exercising its option. As a result, PMC initiated litigation against El Nino. (See "*Section 2 – Litigation*")

d) Bathurst

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.

Table 2 below presents the total net expenditures by quarter and life to-date ("LTD") for the Bathurst project:

TABLE 2: ($000's)

Bathurst Zinc Project, Canada	30-Apr-09 Q1-10	31-Jul-09 Q2-10	31-Oct-09 Q3-10	31-Jan-10 Q4-10	Twelve Months Ended 31-Jan-10	Twelve Months Ended 31-Jan-09	LTD
Option maintenance costs	$ -	$ -	$ -	$ -	$ -	$ 21	$ 171
Drilling and assay	-	-	-	-	-	263	2,815
Geological and field	-	-	-	-	-	57	514
Geophysics	-	-	-	-	-	53	1,813
Management fees	-	-	-	-	-	25	300
Total	$ -	$ -	$ -	$ -	$ -	$ 419	$ 5,613

TABLE 2: ($000's)

Bathurst Zinc Project, Canada	30-Apr-08 Q1-09	31-Jul-08 Q2-09	31-Oct-08 Q3-09	31-Jan-09 Q4-09	Twelve Months Ended 31-Jan-09	Twelve Months Ended 31-Jan-08	LTD
Option maintenance costs	$ -	$ -	$ 21	$ -	$ 21	$ 62	$ 171
Drilling and assay	249	8	6	-	263	1,872	2,815
Geological and field	4	33	20	-	57	268	514
Geophysics	45	8	-	-	53	612	1,813
Management fees	25	-	-	-	25	175	300
Total	$ 323	$ 49	$ 47	$ -	$ 419	$ 2,989	$ 5,613

e) 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 3 below presents the total net expenditures by quarter and life to-date ("LTD") for the Ireland Zinc project:

TABLE 3: ($000's)

Zinc Project, Ireland	30-Apr-09 Q1-10	31-Jul-09 Q2-10	31-Oct-09 Q3-10	31-Jan-10 Q4-10	Twelve Months Ended 31-Jan-10	Twelve Months Ended 31-Jan-09	LTD
Option maintenance costs	$ -	$ -	$ -	$ -	$ -	$ -	$ 53
Consulting and labour	12	-	-	11	23	219	262
Geological and field	-	-	-	1	1	4	8
Drilling	-	-	-	-	-	272	272
Travel and accomodation	-	-	-	-	-	8	8
Total	$ 12	$ -	$ -	$ 12	$ 24	$ 503	$ 603

TABLE 3: ($000's)

Zinc Project, Ireland	30-Apr-08 Q1-09	31-Jul-08 Q2-09	31-Oct-08 Q3-09	31-Jan-09 Q4-09	Twelve Months Ended 31-Jan-09	Twelve Months Ended 31-31-08	LTD
Option maintenance costs	$ -	$ -	$ -	$ -	$ -	$ 53	$ 53
Consulting and labour	8	111	80	20	219	20	239
Geological and field	1	2	-	1	4	4	8
Drilling	-	184	88	-	272	-	272
Travel and accomodation	-	9	-	(1)	8	-	8
Total	$ 9	$ 306	$ 168	$ 20	$ 503	$ 77	$ 580

4. Financial Performance Review

Exploration Expenditures

TABLE 4: ($000's)

Exploration Expenditures	30-Apr-09 Q1-10	31-Jul-09 Q2-10	31-Oct-09 Q3-10	31-Jan-10 Q4-10	Twelve Months Ended 31-Jan-10	Twelve Months Ended 31-Jan-09
By type:						
Drilling and assay	$ -	$ -	$ -	$ -	$ -	$ 3,156
Asset retirement obligation	-	-	-	-	-	43
Consulting and labour	12	-	-	11	23	1,079
Geological and field	-	-	-	1	1	773
Option maintenance costs	-	-	-	-	-	494
Geophysics	-	-	-	-	-	143
Travel and accomodation	-	-	-	-	-	169
Depreciation and amortization	-	-	-	-	-	160
Management fees	-	-	-	-	-	25
Total	$ 12	$ -	$ -	$ 12	$ 24	$ 6,042
By project:						
Infinity	$ -	$ -	$ -	$ -	$ -	$ 4,869
Bathurst	-	-	-	-	-	419
Ireland	12	-	-	12	24	503
Bancroft	-	-	-	-	-	-
Harmony/Phoenix	-	-	-	-	-	251
Total	$ 12	$ -	$ -	$ 12	$ 24	$ 6,042

TABLE 4: ($000's)

Exploration Expenditures	30-Apr-08 Q1-09	31-Jul-08 Q2-09	31-Oct-08 Q3-09	31-Jan-09 Q4-09	Twelve Months Ended 31-Jan-09	Twelve Months Ended 31-Jan-08
By type:						
Drilling and assay	$ 312	$ 1,566	$ 1,170	$ 108	$ 3,156	$ 2,458
Asset retirement obligation	-	-	-	43	43	-
Consulting and labour	105	472	283	219	1,079	312
Geological and field	200	212	244	117	773	751
Option maintenance costs	131	153	21	189	494	549
Geophysics	90	27	16	10	143	1,167
Travel and accomodation	-	108	49	12	169	-
Depreciation and amortization	22	32	50	56	160	24
Management fees	25	-	-	-	25	175
Total	$ 885	$ 2,570	$ 1,833	$ 754	$ 6,042	$ 5,436
By project:						
Infinity	$ 553	$ 2,215	$ 1,618	$ 483	$ 4,869	$ 2,105
Bathurst	323	49	47	-	419	2,989
Ireland	9	306	168	20	503	77
Bancroft	-	-	-	-	-	265
Harmony/Phoenix	-	-	-	251	251	-
Total	$ 885	$ 2,570	$ 1,833	$ 754	$ 6,042	$ 5,436

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

Other Expenses and items

TABLE 5: ($000's)

Other Expenses	30-Apr-09 Q1-10	31-Jul-09 Q2-10	31-Oct-09 Q3-10	31-Jan-10 Q4-10	Twelve Months Ended 31-Jan-10	Twelve Months Ended 31-Jan-09
By type:						
Corporate costs	268	242	165	$ 368	1,043	$ 1,452
Stock based compensation	35	24	15	-	74	485
Loss on derecognition of assets & liabilities	-	-	-	748	748	-
Write-down of investments	-	-	-	1,105	1,105	-
Depreciation and amortization	5	5	4	-	14	18
Interest Income	(2)	(1)	(1)	1	(3)	(134)
Foreign Exchange	21	28	1	(70)	(20)	(268)
Future Income Tax Recovery	-	-	-	-	-	-
Total	$ 327	$ 298	$ 184	$ 2,152	$ 2,961	$ 1,553

TABLE 5: ($000's)

Other Expenses	30-Apr-08 Q1-09	31-Jul-08 Q2-09	31-Oct-08 Q3-09	31-Jan-09 Q4-09	Twelve Months Ended 31-Jan-09	 31-Jan-08
By type:						
Corporate costs	424	386	254	$ 388	1,452	$ 1,235
Stock based compensation	163	145	70	107	485	713
Write-down of investments	-	-	-	-	-	261
Depreciation and amortization	27	(20)	5	6	18	44
Interest Income	(85)	52	(145)	44	(134)	(202)
Foreign Exchange	-	(103)	(45)	(120)	(268)	131
Future Income Tax Recovery	-	-	-	-	-	(1,703)
Total	$ 529	$ 460	$ 139	$ 425	$ 1,553	$ 479

Total other expenses for the quarter were $2,151,448 (2009: $424,786), an increase of $1,726,662, and for the year $2,961,084 (2009: $1,553,254), an increase of $1,407,830. Corporate costs decreased in fiscal 2010 by $410,128 (2009: -$217,314). Promotion and shareholder relations decreased by $144,326 in fiscal 2010 compared to fiscal 2009. This is due in part to decreased travel in fiscal 2010 as well as a result of the global economic slowdown.

Audit, accounting and legal decreased by $109,856 primarily due to the accounting fees related to the re-filing of financial statements done in the fiscal 2009 yesar. Stock based compensation decreased by $411,314 as fewer stock purchase options were granted in fiscal 2010. Interest and foreign exchange for the quarter were $69,266 (2009: $77,226) and for the year $22,679 (2009: $402,522) a decrease of $379,843 due to reduced interest rates from GIC's and foreign exchange losses made by purchasing US dollars. Future income tax recovery in the year ended January 31, 2008 relates to the utilization of unrecorded tax losses to offset a future tax liability from the issuance of flow-through shares.

5. Financial Position

TABLE 7: ($000's)
Summary Balance Sheets

	January 31, 2010	January 31, 2009	January 31, 2008
Cash and cash equivalents	$ 1,435	$ 1,154	$ 7,901
Restricted cash	-	-	-
Receivables, prepaids and deposits	113	308	240
Project advances	-	-	183
Marketable securities	-	-	-
Property, plant and equipment	37	668	296
Total Assets	$ 1,585	$ 2,130	$ 8,620
Accounts payable and accrued liabilities	$ 92	$ 294	$ 168
Asset retirement obligations	-	49	-
Total Liabilities	$ 92	$ 343	$ 168
Non-controlling interest	$ 6	$ 6	$ 3
Share capital	$ 19,652	$ 18,697	$ 18,161
Contributed surplus	4,719	2,965	2,573
Deficit	(22,878)	(19,881)	(12,285)
Total shareholders' equity	$ 1,493	$ 1,781	$ 8,449

Cash and cash equivalents of $1,434,475 (2009: $1,153,861) were comprised of: cash of $1,434,475 (2009: $126,215) and short term deposits of $nil (2009: $1,027,646).

Receivables, prepaids and deposits totaled $113,418 (2009: $308,152) comprised of interest on GICs of $nil (2009: $4,151); prepaid rent of $65,882 (2009: $119,994); prepaid insurance of $5,232 (2009: $15,411), prepaid salary of $nil (2009: $39,320), prepaid legal of $5,000 (2008: $27,200), GST receivable of $12,883 (2009: $30,906), prepaid travel $nil (2009: $62,544), prepaid software license of $5,332 (2009: $nil) and sundry prepaids of $1,400 (2009: $nil).

Property, plant and equipment were $37,120 (net) (2009: $668,310). This decrease is primarily due to the derecognition of office equipment, vehicles, field equipment, preparation lab and other items related to the establishment of an office in the DRC.

As at January 31, 2010, there were 74,303,930 (2009: 40,483,692) shares, issued and outstanding. Table 8 below summarizes the changes in share capital from January 31, 2009 to January 31, 2010.

TABLE 8: **Share Capital**	Number of Shares	$ Amount
Balance - January 31, 2009	40,483,692	18,697,256
Issued as consideration for mineral properties	100,000	8,500
Issued in private placements	32,088,571	2,452,800
Exercise of warrants	1,631,667	260,157
Forfeiture of warrants	-	113,689
Fair value on unit offerings assigned to warrants	-	(1,790,911)
Share issue costs	-	(89,467)
Balance - January 31, 2010	74,303,930	19,652,024

As at January 31, 2010 the Company had 2,215,000 (2009: 3,795,000) stock options and 35,239,015 (2009: 6,230,277) warrants outstanding.

6. Cash Flow, Liquidity and Capital Resources

TABLE 9: ($000's) **Summary of Cash Flows**	Three Months Ended January 31, 2010	Three Months Ended January 31, 2009	Twelve Months Ended January 31, 2010	Twelve Months Ended January 31, 2009
Net change of cash related to:				
Operations	$ 235	$ (1,180)	$ (1,159)	$ (6,560)
Investing	(1,176)	-	(1,176)	(568)
Financing	2,230	-	2,615	381
Net change in cash during the period	$ 1,289	$ (1,180)	$ 280	$ (6,747)
Cash & equiv. - Beginning of period	145	2,334	1,154	7,901
Cash & equiv. - End of period	$ 1,434	$ 1,154	$ 1,434	$ 1,154

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. Due to a carry over into 2009 of the turmoil and uncertainty in the world-wide capital markets it was difficult to find attractive financing options. The Company during the last six months of 2009 was able to complete two non-brokered financings for gross proceeds of $1,952, 800 with an additional $500,000 raised in January 2010. 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 year were $1,158,819 (2009: $6,559,800) and consist of exploration expenditures and corporate costs (see *"Section 4 – Financial Performance Review*" above).

Cash outflows from investing activities for the year were $1,175,834 (2009: $568,297) 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 year resulted in cash inflows of $2,615,267 net (2009: cash inflows of $380,931 net). The increase was due to financing activities consisting of two non-brokered financings for gross proceeds of $1,952, 800 with an additional $500,000 raised in January 2010.

7. Contractual Obligations

Table 10 below outlines the Company's contractual obligations under its property option agreements (with corresponding receipts where applicable). If the Company does not meet its property option maintenance obligations, it may be in default of the applicable agreement and could therefore lose the rights to the related properties under option:

TABLE 10 [1] Property Option Cash Payments as at January 31, 2009	Infinity Project, DRC $	Zinc Project, Ireland	Phoenix Project, DRC $	Total $
Period Ending January 31				
2011	109,170 [2]	-	-	109,170
2012	-	-	-	-
2013	-	-	-	-
	109,170	-	-	109,170

Notes:

1 – Table includes cash only and excludes share issuances, contingent share issuances, and commitments that are related to future lease payments.

2 – US$100,000 converted at an exchange rate of 1.0917.

8. Related Party Transactions

a. For the year ended January 31, 2010, the Company paid $30,000 (2009: $nil) for management fees and rent to a company controlled by the acting Chief Executive Officer and director. During the quarter, the Company paid $30,000 (2009: $nil).

b. For the year ended January 31, 2010, the Company paid $18,227 (2009: $nil) for consulting fees to a company controlled by the acting Chief Financial Officer and director. During the quarter, the Company paid $18,227 (2009: $nil).

c. For the year ended January 31, 2010, the Company paid $nil (2009: $46,972) for consulting fees to a director. During the quarter, the Company paid $nil (2009: $2,362).

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 GAAP 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 significant management estimates include the valuation, impairment and useful life of intangible assets and property and equipment, and future income taxes. These estimates are reviewed periodically (at least annually), and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The Company's significant accounting policies are described in Note 3 of the Financial Statements.

Basis of presentation and consolidation

Consolidated financial statements include the assets, liabilities and results of operations of all entities controlled by the Company. The effects of transactions between entities in the consolidated group are eliminated. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of loss and deficit from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control exists.

For the year ended 31 January 2010, 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 year ended January 31, 2010. As a result, the Company's financial statements at January 31, 2010 and for the then year ended do not include the assets and liabilities and results of operations of Infinity. During the year ended 31 January 2010, the Company recorded a provision for write-down of $748,152 and $1,105,437 as a result of the derecognition of the assets and liabilities of Infinity at their carrying amounts and a write-down of the investments carried at cost to a fair value of $1, respectively.

The consolidated financial statements for the year ended 31 January 2009 are prepared on a consolidated basis and include the accounts of the Company and Infinity and Harmony on the basis that the Company owned and effectively controlled a 70% interest in these companies.

Management estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported, and disclosed the financial statements and the accompanying notes. Actual results could differ from those estimates. Realization of the Company's assets and liabilities is subject to risks and uncertainties, including reserve and resource estimation; future copper and other base and precious metal prices; estimated costs of future production, changes in government legislation and regulations, estimated future income taxes, the availability of financing, the valuation of stock-based compensation and of warrants, and various operational factors.

Mineral 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 years ended January 31, 2010 and 2009.

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, Comprehensive Loss and Deficit 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, Comprehensive Loss and Deficit as Other expense, net.

Property, plant and equipment

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

i) Computer and field equipment – 3 years
ii) Automotive, furniture and office equipment – 5 years
iii) Leasehold improvements – 8 years
iv) Software – 1 year

Asset impairment

The Company performs impairment tests on property, plant and equipment when events or circumstances occur which indicate the assets may not be recoverable.

When estimated future cash flows are determined to be less than the carrying value, the asset is considered impaired. Reductions in the carrying value of each asset are recorded to the extent the carrying value exceeds the discounted estimated future cash flows. Where future net cash flows cannot be estimated and other events or changes in circumstances suggest impairment, management determines whether the carrying cost is recoverable and at fair value using best estimates and comparative situations in the marketplace.

Asset retirement obligations

The Company records asset retirements obligations at fair value in the period in which the liability is incurred. Fair value is determined based on the estimated future cash flows required to settle the liability discounted at the Company's credit adjusted risk free interest rate. The liability is adjusted for changes in the expected amounts and timing of cash flows required to be discharge the liability accreted over time to its full value. The associated asset retirement costs are expensed in the period recorded in exploration expense.

Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. All transactions initiated in other currencies are translated into the functional currency as follows:

i) Monetary assets and liabilities at the rate of exchange in effect at the balance sheet date,
ii) Non-monetary assets and liabilities, and equity at historical rates, and
iii) Revenue and expense items at the average rate of exchange prevailing during the year.

Gains and losses on translation are included in determining net income for the year.

International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board adopted a strategic plan, which includes the decision to move financial reporting for Canadian publicly accountable enterprises to a single set of globally accepted standards, IFRS, as issued by the International Accounting Standards Board. The effective implementation date of the conversion from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS is 1 January 2011, with an effective transition date of 1 January 2010 for financial statements prepared on a comparative basis. The Company is engaged in an assessment and conversion process which may include consultation with external consulting firms and expects to be ready for the conversion to IFRS in advance of 1 January 2011. As part of the conversion process, the Company will offer IFRS specific training to senior financial reporting personnel and directors.

The Company's approach to the conversion to IFRS includes three phases.

- Phase one, an initial general diagnostic of its accounting policies and Canadian GAAP relevant to its financial reporting requirements to determine the key differences and options with respect to acceptable accounting standards under IFRS.
- Phase two, an in-depth analysis of the IFRS impact in those areas identified under phase one. This phase has commenced. A summary of this analysis is provided in Table 1 below.
- Phase three, the implementation of the conversion process, including the completion of the opening balance sheet as at 31 January 2011 together with related discussion and notes, will be carried out in the second half of 2010.

At this point, the Company's IT accounting and financial reporting systems are not expected to be significantly impacted. Further, the Company has in place internal and disclosure control procedures to ensure continued effectiveness during this transition period.

The above comments, including the summary in Table 1, should not be considered as a complete and final list of the changes that will result from the transition to IFRS as the Company intends to maintain a current and proactive approach based on changes in circumstances and no final determinations have been made. In addition, the accounting bodies responsible for issuing Canadian and IFRS accounting standards have significant ongoing projects that could impact the Company's financial statements as at 31 January 2011 and in subsequent years, including projects regarding financial instruments and joint venture accounting. In addition, there is an extractive industries project currently underway that will lead to more definitive guidance on the accounting for exploration and evaluation expenditures, although this is still in the discussion paper stage and may not be completed for some time. The Company is continuing to monitor the development of these projects and will assess their impact in the course of its transition process to IFRS.

Table 1. Summary of financial statements impact on transition from Canadian GAAP to IFRS.

Key Area	**Canadian GAAP (as currently applied)**	**IFRS**	**Analysis and preliminary conclusions**
Property, plant and equipment ("PP&E")	PP&E is recorded at historical cost.	PP&E can be recorded using the cost (on transition to IFRS, the then fair value can be deemed to be the cost) or revaluation models.	PP&E will likely continue to be recorded at their historical costs due to the complexity and resources required to determine fair values on an annual basis.
	Depreciation is based on their useful lives after due estimation of their residual values.	Depreciation must be based on the useful lives of each significant component within PP&E.	Based on an analysis of PP&E and its significant components, the Company has determined that no change to their useful lives is warranted and, therefore, depreciation expense will continue to be calculated using the same rates under IFRS.

Mineral properties	Exploration, evaluation and development costs are capitalized when incurred. They are amortized on the basis of production or written off when the prospect is no longer deemed prospective or is abandoned.	IFRS has limited guidance with respect to these costs and currently allows exploration and evaluation costs to be either capitalized or expensed.	The existing accounting policy is likely to be maintained.
Asset retirement obligations ("ARO")	Canadian GAAP limits the definition of ARO to legal obligations. ARO is calculated using a current credit-adjusted, risk-free rate for upward adjustments, and the original credit-adjusted, risk-free rate for downward revisions. The original liability is not adjusted for changes in current discount rates.	IFRS defines ARO as legal or constructive obligations. ARO is calculated using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability) and is revised every reporting period to reflect changes in assumptions or discount rates. IFRS requires that, on transition, the net book value of the asset related to ARO be adjusted on the basis of the ARO balance existing at inception.	The broadening of this definition is unlikely to cause a significant change in the Company's current estimates. The Company is in the final stages of quantifying the impact of this change on the ARO provision. The Company expects to rely on the IFRS 1 exemption which allows a company to use current estimates of future reclamation costs and current amortization rates to determine the net book value on transition to IFRS.
Impairment of long lived assets	Impairment tests of its long-term assets are considered annually based on indications of impairment. Impairment tests are generally done on the basis of undiscounted future cash flows. Write-downs to net realizable values under an impairment test are permanent changes in the carrying value of assets.	Impairment tests of "cash generating units" are considered annually in the presence of indications of impairment. Impairment tests are generally carried out using the discounted future cash flows. Write downs to net realizable values under an impairment test can be reversed if the conditions of impairment cease to exist.	Assets will continue to be grouped under the Company's various mining operations. Currently, there are no indications of impairment and, therefore, no impairment test has been performed. Impairment tests using discounted values could generate a greater likelihood of write downs in the future. Potential significant volatility in earnings could arise as a result of the difference in the treatment of write-downs.

Stock-based compensation	Stock-based compensation is determined using fair value models (e.g. Black-Scholes) for equity-settled awards and the intrinsic model for cash-settled awards. The Company recognizes stock-based compensation on straight line method and updates the value of the options for forfeitures as they occur.	Stock-based compensation is determined using fair value models for all awards. However, upon settlement, cash-settled awards are adjusted to the value actually realized (intrinsic model). Under IFRS, stock-based compensation is amortized under the graded method only. In addition, the Company is required to update its value of options for each reporting period for expected forfeitures.	The utilization of fair value models for cash-settled awards will change the estimate of the related liability while the awards remain outstanding and create greater volatility in earnings until the awards are settled. The Company expects to record an IFRS income statement and balance sheet adjustment.
Income taxes	There is no exemption from recognizing a deferred income tax for the initial recognition of an asset or liability in a transaction that is not a business combination. The carrying amount of the asset or liability acquired is adjusted for the amount of the deferred income tax recognized. All deferred income tax assets are recognized to the extent that it is "more likely than not" that the deferred income tax assets will be realized.	A deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit. A deferred tax asset is recognized if it is "probable" that it will be realized.	The Company does not expect the difference in recognition of deferred income tax to have any significant change in the future. "Probable" in this context is not defined and does not necessarily mean "more likely than not". The Company is in the final stages of quantifying the impact of this difference.

The above assessment and conclusions are based on the analysis completed by the Company as of the date of this report and may be subject to change between now and 1 January 2011.

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.

Financial Instruments

Fair Values

As at January 31, 2009 the Company's carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values due to their short term maturity.

The following is a summary of the accounting model the Company elected to apply to each of its significant categories of financial instruments:

Cash and cash equivalents	Held-for-trading
Amounts receivable	Loans and receivables
Available-for-sale securities	Available-for-sale
Investments	Available-for-sale
Accounts payable	Other liabilities

Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are netted against the fair value of the financial instrument on initial recognition, with the exception of transaction costs related to financial instruments that are classified as held-for-trading. Transaction costs related to held-for-trading financial instruments are expensed as incurred.

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.

Currency Risk

As at January 31, 2010 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. If the Canadian dollar had weakened (strengthened) against the US dollar, with all other variables held constant, by 100 basis points (1%) at year end, the impact on net loss would have been $220 lower ($220 higher). Other comprehensive loss would have remained unchanged.

The Company's significant subsidiaries were located in the DRC. As a result a portion of the Company's accounts receivable, accounts payable and accruals were denominated in the US dollar and were therefore subject to fluctuation in exchange rates.

Interest Rate Risk

Included in the loss for the year in these financial statements is interest income on Canadian and US dollar cash and cash equivalents. If interest rates throughout the year had been 10 basis points (0.1%) lower (higher) then net loss would have been $300 lower ($300 higher).

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. 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.

10. 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.

11. Outlook

The Company's principal focus is exploration and development in the Democratic Republic of Congo (DRC), Copperbelt. The Company primary project is the Kasala property, where 17,500 meters of drilling to date has identified a highly prospective copper/cobalt discovery. Although the intention is to continue to develop this project and advance it to possible production, until such time as the current litigation is settled, the Company has put its exploration activities on hold and the project in a care and maintenance program. In the meantime, to demonstrate its long term commitment to the projects, Management has undertaken to strengthen its presence in the DRC with the appointment of both a new Country Manager and Business Consultant who have extensive experience within the DRC. As well, ELN has engaged a reputable Congolese accounting firm to handle all of its accounting requirements and banking in the DRC.

It is the intent of the Company to continue to advance the Kasala project through a further series of enhanced soil geochemical sampling, ground geophysics and drill programs in order to define an initial resource calculation. We believe that as we continue to demonstrate strong control over our affairs in the DRC the Company will be able to attract experienced and qualified technical and financial personnel to implement the Company's overall strategy in Africa. This will enhance our ability to not only finance the Company but by doing so; attract interest for possible joint venture or merger and acquisition opportunities.

Although to-date the Company has raised approximately $2.0 million, these are still difficult times and there is a need to be financially cautious. Management has cut our expenses, decreased our portfolio of properties and acted responsibly in halting its exploration programs worldwide for the near term.

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. Because of this uncertainty, there is substantial doubt about the ability of the Company to continue as a 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.

12. 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)

FINANCIAL STATEMENTS

January 31, 2010 and 2009

(Expressed in Canadian Dollars, except where indicated)

EL NINO VENTURES INC.

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Auditors' Report

To the Shareholders of
El Nino Ventures Inc.
(An Exploration Stage Company)

We have audited the balance sheet of El Nino Ventures Inc. (the "Company") as at 31 January 2010 and the related statements of loss, comprehensive loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at 31 January 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at 31 January 2009 and for the year then ended were audited by predecessor auditors who expressed an opinion without reservation on those statements in their report dated 22 May 2009.

/s/ *James Stafford*
Chartered Accountants

Vancouver, Canada

26 May 2010

El Nino Ventures Inc.

Balance Sheets

As at January 31, 2010 and 2009

(Expressed in Canadian Dollars)

	2010 $	2009 $
Assets		
Current assets		
Cash and cash equivalents	1,434,475	1,153,861
Amounts receivable and prepaids (Note 4)	113,418	308,152
Available-for-sale securities	1	1
	1,547,894	1,462,014
Investments (Note 5)	1	-
Property, plant and equipment, net (Note 6)	37,120	668,310
	1,585,015	2,130,324
Liabilities		
Current		
Accounts payable and accrued liabilities	91,745	293,741
Asset retirement obligation (Note 8)	-	49,456
	91,745	343,197
Shareholders' Equity		
Share capital (Note 9)	19,652,024	18,697,256
Contributed surplus (Note 11)	4,707,974	2,964,974
Deficit	(22,866,728)	(19,881,285)
	1,493,270	1,780,945
Non-controlling interests	-	6,182
	1,585,015	2,130,324

Going concern (Note 1)
Related party transactions (Note 13)
Commitments (Note 18)
Contingencies (Note 19)
Subsequent events (Note 21)

ON BEHALF OF THE BOARD:

"Harry Barr", Director

"John Oness", Director

El Nino Ventures Inc.

Statements of Loss, Comprehensive Loss and Deficit

For the years ended January 31, 2010 and 2009

(Expressed in Canadian Dollars)

	2010 $	2009 $
Expenditures		
Net Exploration Expenditures (Note 7)	24,359	6,042,791
Other Expenses (Income)		
Corporate costs (Note 20)	1,042,566	1,452,694
Stock-based compensation (Note 10)	74,000	485,314
Loss on derecognition of assets and liabilities (Notes 3 and 5)	748,152	-
Write-down of investments (Notes 3 and 5)	1,105,437	-
Depreciation and amortization	13,608	17,768
Foreign exchange gain	(19,835)	(268,041)
Interest income	(2,844)	(134,481)
	2,961,084	1,553,254
Loss and comprehensive loss for the year	2,985,443	7,596,045
Deficit – beginning of period	19,881,285	12,285,240
Deficit – end of period	22,866,728	19,881,285
Basic and diluted loss per share	$ 0.06	$ 0.19
Weighted average number of shares outstanding	47,553,077	40,171,041

El Nino Ventures Inc.

Statements of Cash Flows

For the years ended January 31, 2010 and 2009

(Expressed in Canadian Dollars)

	2010 $	2009 $
Cash flows from operating activities		
Net loss for the year	(2,985,443)	(7,596,045)
Items not affecting cash:		
Stock-based compensation	74,000	485,314
Shares issued for mineral properties	-	62,000
Asset retirement obligations	-	49,456
Loss on sale of assets	-	18,181
Loss on derecognition of assets and liabilities (Notes 3 and 5)	748,152	
Write-down of investments (Notes 3 and 5)	1,105,437	-
Depreciation and amortization	13,608	177,312
Foreign exchange gain	(2,886)	-
Changes in non-cash operating working capital:		
Amounts receivable and prepaids	81,809	(68,412)
Project advances	-	183,466
Accounts payable and accrued liabilities	(201,996)	128,928
	(1,167,319)	(6,559,800)
Cash flows from financing activities		
Issuance of common shares, net	2,615,267	380,931
Cash flows from investing activities		
Purchase of investments (Notes 3 and 5)	(1,096,937)	-
Derecognition of cash (Notes 3 and 5)	(70,397)	-
Property, plant and equipment	-	(568,297)
	(1,167,334)	(568,297)
Increase (decrease) in cash and cash equivalents	280,614	(6,747,166)
Cash and cash equivalents – Beginning of year	1,153,861	7,901,027
Cash and cash equivalents – End of year	1,434,475	1,153,861

Supplemental cash flow information (Note 17)

1. 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 principally in the Democratic Republic of Congo ("DRC") and Canada with the aim of developing the properties to a stage where they can be exploited at a profit or to arrange joint ventures whereby 3rd party 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.

At January 31, 2010, the Company had cash and cash equivalents of $1,434,475 (2009 - $1,153,861), working capital of $1,456,149 (2009 - $1,168,273) and a deficit of $22,866,728 (2009 - $19,881,285). The funds on hand at January 31, 2010 are not sufficient to meet our planned corporate, administrative and exploration activities for the next twelve months. Additional financing will be required to meet the Company's obligations as they fall due. Because of this uncertainty, there is significant doubt about the ability to continue as a going concern.

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. Changes in accounting policy and adoption of recent accounting pronouncements

Business Combination

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1582, "Business Combinations". This section requires that all assets and liabilities of an acquired business will be recorded at fair value at acquisition. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011. The early adoption of this standard did not have a significant impact on the Company's financial statements.

NonControlling Interests

In January 2009, the CICA issued Handbook Section 1601, "Consolidations" and Section 1602, "Non-Controlling Interests". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The early adoption of this standard did not have a significant impact on the Company's financial statements.

Credit Risk and Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC requires the Company to take into account the Company's own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this standard did not have a significant impact on the Company's financial statements.

Mining Exploration Costs

In March 2009, the CICA issued EIC abstract 174, "Mining Exploration Costs" which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The guidance is applicable to fiscal periods ending after the issuance date. The adoption of this standard did not have a significant impact on the Company's financial statements.

Goodwill and Other Intangible Assets

Effective February 1, 2009, the Company adopted CICA Handbook Section 3064, "Goodwill and Other Intangible Assets". The new requirements of Section 3064 are for recognition, measurement, presentation and disclosure. Section 3064 replaces Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The adoption of this standard did not have a significant impact on the Company's financial statements.

3. Significant accounting policies

Basis of presentation and consolidation

The financial statements of the Company and the accompanying notes have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP").

Consolidated financial statements include the assets, liabilities and results of operations of all entities controlled by the Company. The effects of transactions between entities in the consolidated group are eliminated. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of loss and deficit from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control exists.

For the year ended January 31, 2010, the Company accounted for its investments in Infinity Resources SPRL ("Infinity") and Harmony Resources SPRL ("Harmony") 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 and Harmony during the year ended January 31, 2010. As a result, the Company's financial statements at January 31, 2010 and for the year then ended do not include the assets and liabilities and results of operations of Infinity and Harmony. During the year ended January 31, 2010, the Company recorded a provision for write-down of $748,152 and $1,105,437 as a result of the derecognition of the assets and liabilities of Infinity and Harmony at their carrying amounts and a write-down of the investments carried at cost to a fair value of $1, respectively (Notes 4, 5, 6, 7a and 8).

The consolidated financial statements for the year ended January 31, 2009 are prepared on a consolidated basis and include the accounts of the Company and Infinity and Harmony on the basis that the Company owned and effectively controlled a 70% interest in these companies.

Estimates, risks, and uncertainties

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported, and disclosed the financial statements and the accompanying notes. Actual results could differ from those estimates. Realization of the Company's assets and liabilities is subject to risks and uncertainties, including reserve and resource estimation; future copper and other base and precious metal prices; estimated costs of future production, changes in government legislation and regulations, estimated future income taxes, the availability of financing, the valuation of stock-based compensation and of warrants, and various operational factors.

Cash and cash equivalents

Cash and cash equivalents are recognized at fair value and may include cash on hand, term deposits cashable within three months without penalty and short-term highly liquid investments with original term to maturity of three months or less which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. Significant accounting policies, continued

Mineral properties

The Company is in the process of developing its mineral properties. The Company has adopted the policy of expensing mineral exploration costs and option maintenance payments incurred prior to management's determination that a property has economically recoverable reserves.

The Government of DRC commissioned a mining review of contracts in 2008 to review and renegotiate contracts entered into between 1998 and 2003. The Company was not included in this review as we do not have a contract based agreement. The Company's tenure is governed by the regulations of the Mining Code of the DRC and as such, has never been involved in this review process.

Ownership in mineral properties involves certain interest 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 mineral properties.

Although the Company has taken steps to verify title to mineral research permits and/or properties in which in 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.

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 years ended January 31, 2010 and 2009.

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, Comprehensive Loss and Deficit 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, Comprehensive Loss and Deficit as Other expense, net.

3. Significant accounting policies, continued

Property, plant and equipment

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

i) Computer and field equipment – 3 years
ii) Automotive, furniture and office equipment – 5 years
iii) Leasehold improvements – 8 years
iv) Software – 1 year

Asset impairment

The Company performs impairment tests on property, plant and equipment when events or circumstances occur which indicate the assets may not be recoverable.

When estimated future cash flows are determined to be less than the carrying value, the asset is considered impaired. Reductions in the carrying value of each asset are recorded to the extent the carrying value exceeds the discounted estimated future cash flows. Where future net cash flows cannot be estimated and other events or changes in circumstances suggest impairment, management determines whether the carrying cost is recoverable and at fair value using best estimates and comparative situations in the marketplace.

Asset retirement obligations

The Company records asset retirements obligations at fair value in the period in which the liability is incurred. Fair value is determined based on the estimated future cash flows required to settle the liability discounted at the Company's credit adjusted risk free interest rate. The liability is adjusted for changes in the expected amounts and timing of cash flows required to be discharge the liability accreted over time to its full value. The associated asset retirement costs are expensed in the period recorded in exploration expense.

Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. All transactions initiated in other currencies are translated into the functional currency as follows:

i) Monetary assets and liabilities at the rate of exchange in effect at the balance sheet date,
ii) Non-monetary assets and liabilities, and equity at historical rates, and
iii) Revenue and expense items at the average rate of exchange prevailing during the year.

Gains and losses on translation are included in determining net income for the year.

3. Significant accounting policies, continued

Loss per share

Basic loss per common share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted loss per common share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In the Company's case, basic and diluted loss per share are the same as the effect of the outstanding stock options (Note 10) and warrants (Note 10) would be anti-dilutive.

Flow-through shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If the Company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of the unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as a future income tax recovery up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

Income taxes

The Company uses the assets and liabilities method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years. The amount of future tax assets recognized is limited to the amount that is more likely than not to be realized.

Stock-based compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations, with the offsetting credit to contributed surplus, over the applicable vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(Expressed in Canadian Dollars)

3. Significant accounting policies, continued

International Financial Reporting Standards

In February 2008 the Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company's first mandatory filing under IFRS, which will be the first quarter of 2011, will contain IFRS-compliant information on a comparative basis, as well as reconciliations for that quarter and as at the February 1, 2010 transition date. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The Company has developed the framework of a plan for IFRS convergence and has started the implementation process. Detailed analysis of the differences between IFRS and the Company's accounting policies and assessment of the various alternatives for first time adoption of IFRS are in progress. Management's assessment to date indicates that there will be revisions to the Company's disclosures on adoption of IFRS, but there will be no major financial impact or accounting policy or procedural changes. However, it is recognized that the IFRS requirements, in particular related to the mining industry, are evolving, and such changes may alter this preliminary assessment.

4. Amounts receivable and prepaids

	January 31, 2010	January 31, 2009
Goods and Services Tax receivable	$ 12,883	$ 30,906
Loan receivable	6,584	21,907
Prepaids	82,846	232,054
Deposits	11,105	23,285
Total	**$ 113,418**	**$ 308,152**

During the year, the Company derecognized amounts receivable and prepaids of Infinity and Harmony valued at $130,235 (Notes 3 and 5).

5. Investments

For the year ended January 31, 2010, the Company accounted for its investments in Infinity and Harmony using the cost method as the Company did not exercise control or significant influence over its investments in Infinity and Harmony during the year ended January 31, 2010 (Notes 3 and 7a).

For the year ended January 31, 2009, the Company accounted for its investments in Infinity and Harmony on a consolidated basis.

(Expressed in Canadian Dollars)

5. Investments, continued

The method of accounting for these investments by the Company using the cost method at January 31, 2010 and for the year then ended resulted in a loss on derecognition of assets and liabilities of $748,152 for the year ended January 31, 2010 summarized as follows:

Cash and cash equivalents	$	70,397
Amounts receivable and prepaids (Note 4)		130,235
Property, plant and equipment (Note 6)		617,582
Asset retirement obligation (Note 8)		(49,456)
Non-controlling interests		(6,182)
Other		(14,424)
Total	**$**	**748,152**

During the year ended January 31, 2010, the Company recorded in the Statements of Loss, Comprehensive Loss and Deficit a write-down of its investments in Infinity and Harmony of $1,105,437 to a fair value of $1.

6. Property, plant and equipment

	January 31, 2010			**January 31, 2009**		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Automotive	$ -	$ -	$ -	$ 291,431	$ (69,150)	$ 222,281
Computer and office equipment	73,810	(36,690)	37,120	266,604	(67,455)	199,149
Field equipment	-	-	-	317,870	(70,990)	246,880
Total	**$ 73,810**	**$ (36,690)**	**$ 37,120**	**$ 875,905**	**$(207,595)**	**$ 668,310**

During the year, the Company derecognized the property, plant and equipment of Infinity and Harmony valued at $617,582 (Notes 3 and 5).

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7. Mineral properties

Cumulative acquisition and exploration expenditures as at January 31, 2010 are as follows:

	Option maintenance costs	Exploration costs	Option payments received	January 31, 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**

(Expressed in Canadian Dollars)

7. Mineral properties, continued

Cumulative acquisition and exploration expenditures as at January 31, 2009 are as follows:

	Option maintenance costs	Exploration costs	Option payments received	January 31, 2009
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	527,177	-	580,146
Bancroft Properties, Canada	110,463	358,356	(386,250)	82,569
Harmony / Phoenix Projects, DRC	250,850	-	-	250,850
Total	**$ 1,218,323**	**$ 12,668,231**	**$ (386,250)**	**$13,500,304**

Details of exploration expenditures are as follows:

	Year ended January 31, 2010 $	Year ended January 31, 2009 $
Infinity Project, DRC		
Assays	-	637,428
Asset retirement obligation	-	43,367
Consulting and labour	-	860,142
Depreciation and amortization	-	159,544
Drilling	-	1,983,597
Geological and field expenses	-	711,431
Geophysics	-	90,058
Option maintenance costs	-	222,425
Travel and accommodation	-	160,911
Total	-	4,868,903
Bathurst Zinc Project, New Brunswick, Canada		
Drilling	-	263,064
Geological and field expenses	-	57,656
Geophysics	-	53,421
Management fee	-	25,000
Option maintenance costs	-	20,600
Total	-	419,741
Zinc Project, Ireland		
Drilling	-	272,054
Engineering and consulting	23,178	218,913
Geological and field expenses	1,181	3,646
Travel and accommodation	-	8,684
Total	24,359	503,297
Harmony / Phoenix Projects, DRC		
Option maintenance costs	-	250,850
Net exploration expenditures for the year	24,359	6,042,791

7. Mineral properties, continued

Although the Company has taken steps to verify title to mineral research permits and/or properties in which in 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.

a. DRC Projects

In the DRC, the Company currently has two projects being Infinity and Harmony. Business in the DRC is conducted under the rules and regulations of the New Mining Code that came into effect in 2003.

i. Infinity Project

Pursuant to an agreement dated May 19, 2007, the Company has the option to acquire a 70% interest in certain mineral research permits (the "Infinity Mineral Research Permits") 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). During the year ended January 31, 2010, the Company issued 100,000 (2009: 200,000) shares (fair value $8,500 (2009: $46,000)) and paid the required US$100,000 in June 2009. The remaining US$100,000 and 100,000 shares are, payable and issuable, respectively, on May 18, 2010 (Note 21b).

In February 2008, the Infinity Mineral Research Permits were transferred by GCP into Infinity in contemplation of the Company fulfilling all of the terms of the option agreement. The controlling shareholder of GCP is an officer of Infinity, and was retained by the Company under a management contract to manage the Company's DRC projects up until August 2009, at which time the contract expired and was not renewed (Note 19b).

The Company's rights under the Mineral Property Option Agreement are subject to a 1.5% net smelter return royalty ("NSR") and the Company has the right to purchase an additional 20% interest in the Infinity Mineral Research Permits, the terms of which shall be negotiated as between the parties. Under the Mineral Property Option Agreement, the Company is the operator of any work programs and is responsible for funding all authorized and approved exploration, development, feasibility, capital and other costs ("Exploration Expenditures") relating to the exploration and development of the property until such time as the property reaches commercial production. Upon reaching the commercial production, the Company will be entitled to reimbursement for all Exploration Expenditures incurred from the profits of such commercial production.

During the year ended January 31, 2010, the Company accounted for its investment in Infinity using the cost method (Notes 3 and 5).

7. Mineral properties, continued

ii. Harmony Project

On February 4, 2008, the Company entered into a letter of intent with MIMECO AG (“MIM”) to acquire an initial 70% option in a mineral research permit (the “Harmony Mineral Research Permits”) in the DRC Copperbelt, located east of the Kinsevere Project of Anvil Mining (the “LOI”). As consideration, the Company issued 200,000 shares to MIM and is 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 has 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 is the operator and is responsible for all authorized and approved costs of exploration and development of the properties. If the property goes into production, the Company will be reimbursed all costs of exploration and development by Harmony before any profit split will be available to MIM.

Total exploration expenditures related to Harmony Project for the year ended January 31, 2010 was $Nil. The Company is the process of renegotiating the terms of the LOI.

During the year ended January 31, 2010, the Company accounted for its investment in Harmony using the cost method (Notes 3 and 5).

iii. Phoenix Project

On November 14, 2008, the Company signed an agreement with Phoenix Mining Corporation (“PMC”) whereby the Company has the option to earn a 70% share interest in a mineral research permit in the DRC Copperbelt. 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 (not paid), November 14, 2010, and November 14, 2011; as well as to pay US$250,000 on December 16, 2009 (not paid); US$300,000 on December 16, 2010; US$350,000 on December 16, 2011; and US$1,100,000 on December 2012 in order to maintain its interest in the project.

The Company was to be responsible for carrying out and administering all exploration and development costs of Phoenix and upon the identification of a minable deposit, PMC will obtain the mining license and transfer the respective license to a newly incorporated Congolese subsidiary jointly owned by the Company (70%) and PMC (30%).

During the year, the Company notified PMC, as per the agreement, that the Company would not be exercising its option on the property (Note 19a).

7. Mineral properties, continued

b. Bathurst Zinc Project, Bathurst, New Brunswick, Canada

The Company entered into an option agreement with Xstrata Canada Corporation – Xstrata Zinc Canada Division ("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, Votorantim Metals Canada Inc. ("Votorantim") has elected to enter into an option agreement. The tripartite agreement is between the Company, Votorantim and Xstrata Zinc whereby Votorantim may elect to earn up to a 70% interest in mineral claims (the "Property") comprised of 1805 claims owned 50% by the Company and 50% by Xstrata Zinc, 2907 claims owned 100% by Xstrata Zinc, together with an Area of Interest in which the Company and Xstrata Zinc hold equal interests. Votorantim may earn a 50% interest in the Property by incurring exploration expenditures of $10 million over a period of 5 years and may further elect to increase its interest to 70% by spending another $10 million over an additional two years. Upon Votorantim vesting with 50% interest in the Property the Company will retain a 25% interest in the 1805 claims as well as a 25% interest in any mineral claims staked subsequently by the parties within the Area of Interest. Should Votorantim increase its interest to 70% the Company's interest would be reduced to 15% (Note 21a).

c. Zinc Project, Ireland

The Company held certain prospecting licences acquired between October 2007 and February 2008, in the Central Carboniferous Limestone Basin, prospective for zinc and lead mineralization. On September 14, 2006, the Company and a Director entered into an agreement whereby the Director will assist and advise the Company in its efforts to acquire exploration licences in Ireland. Upon the Company being granted one or more exploration licences, the Company paid $20,000 and issued 29,000 shares fair valued at $20,010 and paid the Director $40,000 on September 21, 2008. Payment due on January 31, 2010 shall be made in the amount of 5% of total exploration expenditures made in fiscal 2010. Payments made in subsequent years will equate to 5% of the Company's total annual exploration expenditures.

In 2011 and each subsequent year the Company will pay the greater of $20,000 cash or 5% of the total exploration expenditures made by the Company in the twelve month period preceding the anniversary date of the licence grant. Once an aggregate of $500,000 has been paid or the project is abandoned, the agreement will terminate.

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

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% 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.

(Expressed in Canadian Dollars)

8. Asset retirement obligation

The Company is required to recognize a liability for a legal obligation to perform asset retirement activities, including decommissioning, reclamation and environmental monitoring activities once the Infinity Project is permanently closed. Although these activities are conditional upon future events, the Company is required to make a reasonable estimate of the fair value of the liability. Based on existing level of terrestrial disturbance the undiscounted Asset Retirement Obligations ("ARO") were estimated to be US$40,000 as at January 31, 2009.

Determining of the undiscounted ARO and the timing of these obligations was based on internal estimated using information currently available, existing regulations, and estimates of closure costs.

The discount rate used when estimating the fair value of the ARO is a credit-adjusted risk-free interest rate with the same maturity as the removal obligation. The Company used a credit-adjusted risk-free interest rate of 3.00% to calculate the present value of the ARO, which as $38,265 (rounded to US$40,000).

During the year ended January 31, 2010, the Company derecognized ARO related to Infinity at its carrying value of $49,456 (Notes 3 and 5).

9. Share capital

Authorized

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

Issued

	Number of Shares	Amount
Balance – January 31, 2008	39,313,692	18,160,683
Mineral properties (Notes 7 and 9a)	200,000	46,000
Mineral properties (Notes 7 and 9b)	200,000	16,000
Share issue costs	-	(1,069)
Exercise of options	180,000	106,800
Exercise of warrants	590,000	368,842
Balance – January 31, 2009	40,483,692	18,697,256
Mineral properties (Notes 7 and 9c)	100,000	8,500
Private placements (Note 9d)	5,660,000	452,800
Private placements (Note 9e)	21,428,571	1,500,000
Private placements (Note 9f)	5,000,000	500,000
Exercise of warrants	1,631,667	260,157
Forfeiture of warrants	-	113,689
Fair value on unit offerings assigned to warrants	-	(1,790,911)
Share issue costs	-	(89,467)
Balance – January 31, 2010	**74,303,930**	**$ 19,652,024**

9. Share capital, continued

Placements

a. On May 18, 2008, 200,000 shares were issued for the Infinity mineral properties at fair value of $46,000.

b. On January 15, 2009, 200,000 shares were issued for the Harmony mineral properties at fair value of $16,000.

c. On May 19, 2009, 100,000 shares were issued for the Infinity mineral properties at fair value of $8,500.

d. On August 20, 2009, gross proceeds of $452,800 were raised in a 5,660,000 unit private placement at a price of $0.08 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 February 20, 2011 at a price of $0.15 per share. A commission of $13,484 was paid and 206,000 broker warrants (fair value $7,185) were issued in connection with this financing. Each broker warrant entitles the holder to purchase one additional common share until February 20, 2011 at a price of $0.15 per share.

e. On November 20, 2009, gross proceeds of $1,500,000 were raised in a 21,428,571 unit private placement at a price of $0.07 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 May 20, 2011 at a price of $0.15 per share.

f. On January 22, 2010, gross proceeds of $500,000 were raised in a 5,000,000 unit private placement at a price of $0.10 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 January 22, 2012 at a price of $0.15 per share.

(Expressed in Canadian Dollars)

10. 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, 2008	3,182,000	$0.57
Granted	1,650,000	$0.30
Exercised	(180,000)	$0.34
Expired	(30,000)	$0.15
Forfeited	(827,000)	$0.59
Balance – January 31, 2009	3,795,000	$0.46
Granted	200,000	$0.10
Exercised	-	$nil
Expired	-	$nil
Forfeited	(1,780,000)	$0.51
Balance – January 31, 2010	**2,215,000**	**$0.39**

At January 31, 2010 the following stock options were outstanding and exercisable:

Number of stock options outstanding	Number of stock options vested	Exercise Price	Expiry Date
130,000	130,000	$0.50	March 29, 2011
635,000	635,000	$0.60	July 11, 2012
150,000	100,000	$0.70	January 24, 2013
200,000	66,667	$0.60	April 1, 2013
150,000	50,000	$0.60	September 3, 2013
950,000	633,333	$0.10	December 29, 2013
2,215,000	**1,615,000**		

Stock-based compensation for the year ended January 31, 2010 was $74,000 (2009: $485,314).

As at January 31, 2010, a total of 600,000 options (2009: 1,791,667 options) are not exercisable as they are pending vesting. The fair value of the associated stock-based compensation calculated for these unvested options that has not yet been expensed is $13,493 (2009: $91,257).

(Expressed in Canadian Dollars)

10. Stock options and warrants, continued

Stock options, continued

The fair value of stock options is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2010	2009
Risk-free interest rate	1.2%	1.6% to 3.5%
Options expected life	1.5 years	3.5 to 4.0 years
Expected volatility	184.7%	99.4% to 124.4%
Expected dividend yield	nil	nil

Option pricing models require 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 stock options.

Warrants

Warrant activity is summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance – January 31, 2008	10,352,702	$0.92
Exercised	(590,000)	$0.54
Expired	(3,532,425)	$0.86
Balance – January 31, 2009	6,230,277	$0.19
Granted	32,294,571	$0.15
Exercised	(1,631,667)	$0.15
Expired	(1,654,166)	$0.31
Balance – January 31, 2010	**35,239,015**	**$0.15**

At January 31, 2010, the following warrants were outstanding:

Date	Number of Shares	Exercise Price	Expiry Date
August 30, 2007	2,944,444	$0.15	February 28, 2010[1]
August 20, 2009	5,660,000	$0.15	February 20, 2011
August 20, 2009	206,000	$0.15	February 20, 2011
November 20, 2009	21,428,571	$0.15	May 20, 2011
January 22, 2010	5,000,000	$0.15	January 22, 2012
Balance – January 31, 2010	**35,239,015**	**$0.15**	

Note:

1 – These warrants expired unexercised subsequent to January 31, 2010.

(Expressed in Canadian Dollars)

10. Stock options and warrants, continued

Warrants, continued

The relative pro rata allocation of the fair value of the stock purchase warrants included in unit offerings is estimated on the date of issuance of the unit (or amendment of the original terms of the warrant) using the Black-Scholes pricing model with the following assumptions:

	2010	2009
Risk-free interest rate	0.86% to 0.93%	1.3% to 4.3%
Options expected life	1 year	1.1 to 1.5 years
Expected volatility	169.3% to 184%	83.4% to 139%
Expected dividend yield	nil	nil

Pricing models require 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.

11. Contributed surplus

	2010	2009
Balance – Beginning of year	$ 2,964,974	$ 2,573,302
Fair value assigned to warrants	1,790,911	-
Fair value assigned to warrants on finders' fees	7,185	-
Exercise of options	-	(44,800)
Exercise of warrants	(15,407)	(48,842)
Forfeiture of warrants	(113,689)	-
Stock-based compensation	74,000	485,314
Balance – End of period	**$ 4,707,974**	**$ 2,964,974**

(Expressed in Canadian Dollars)

12. Income taxes

Reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2010	2009
Loss for the year	$ 2,985,443	$ 7,596,045
Canadian federal and provincial income tax rates	29.88%	30.50%
Income tax recovery at statutory rates	891,901	2,316,794
Permanent differences	(549,138)	(222,152)
Change in prior year provision to actual	(90,069)	(583,178)
Changes in Canadian tax rates	(51,960)	(84,101)
Differences in foreign tax rates	-	24,027
Derecognized loss carry forwards	(1,715,386)	-
Change in valuation allowance	1,514,652	(1,451,390)
Future income tax recovery	$ -	$ -

The significant components of future income tax assets and liabilities are as follows:

Future income tax assets	2010	2009
Non-capital loss carry forwards	$ 996,656	$ 2,495,701
Net capital loss carry forwards	38,070	38,070
Share issue costs	129,921	180,930
Resource property costs	768,056	755,345
Other	88,003	65,312
Future income tax assets	2,020,706	3,535,358
Valuation allowance	(2,020,706)	(3,535,358)
Net future income tax asset (liability)	$ -	$ -

As at January 31, 2010, the Company had non-capital tax loss carry forwards, which have not been recorded in these financial statements due to the uncertainty of their recovery, available to reduce future prescribed taxable income in Canada as follows:

Expiry	Canada
2011	$ 85,810
2015	84,502
2026	88,428
2027	961,396
2028	538,135
2029	914,962
2030	1,313,394
	$ 3,986,627

13. Related party transactions

The related party transactions are as follows:

a. During the year, the Company paid $30,000 (2009: $nil) for management fees to the acting Chief Executive Officer and director.

b. During the year, the Company paid $18,227 (2009: $nil) for consulting fees to a company controlled by the acting Chief Financial Officer and director.

c. During the year, the Company paid $nil (2009: $46,972) for consulting fees to a director.

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.

14. Capital Disclosure

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 year ended January 31, 2010 compared to the year ended January 31, 2009. The Company is not subject to externally imposed capital requirements.

15. Financial Instruments

Fair Values

As at January 31, 2010 the Company's carrying values of cash and cash equivalents, amounts receivable, and accounts payable approximate their fair values due to their short term maturity.

The following is a summary of the accounting model the Company elected to apply to each of its significant categories of financial instruments:

Cash and cash equivalents	Held-for-trading
Amounts receivable	Loans and receivables
Available-for-sale securities	Available-for-sale
Investments	Available-for-sale
Accounts payable	Other liabilities

Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are netted against the fair value of the financial instrument on initial recognition, with the exception of transaction costs related to financial instruments that are classified as held-for-trading. Transaction costs related to held-for-trading financial instruments are expensed as incurred.

The CICA Handbook Section 3862, "Financial Instruments – Disclosures" requires 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 value. The three levels are defined 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, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

	Fair Value Measurement		2010		2009
Available-for-sale securities	Level 1	$	1	$	1
Investments	Level 3	$	1	$	-

In addition to the investment noted above, cash would be Level 1 fair value.

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.

15. Financial Instruments, continued

Currency Risk

As at January 31, 2010 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. If the Canadian dollar had weakened (strengthened) against the US dollar, with all other variables held constant, by 100 basis points (1%) at year end, the impact on net loss would have been $200 lower ($200 higher). Other comprehensive loss would have remained unchanged.

The Company's significant subsidiaries were located in the DRC. As a result a portion of the Company's amounts receivable, accounts payable and accruals were denominated in the US dollar and were therefore subject to fluctuation in exchange rates.

Interest Rate Risk

Included in the loss for the year in these financial statements is interest income on Canadian and US dollar cash and cash equivalents. If interest rates throughout the year had been 10 basis points (0.1%) lower (higher) then net loss would have been $300 lower ($300 higher).

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. 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 (Note 1).

16. Segmented information

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

The breakdown by geographic area for the year ended January 31, 2010 is as follows:

	Canada	DRC	Republic of Ireland	Total
Total expenses	$ 2,961,084	$ -	$ 24,359	$ 2,985,443
Current assets	$ 1,547,894	$ -	$ -	$ 1,547,894
Property, plant and equipment	$ 37,120	$ -	$ -	$ 37,120
Other assets	$ 1	$ -	$ -	$ 1
Total assets	**$ 1,585,015**	$ **-**	**$ -**	**$ 1,585,015**

(Expressed in Canadian Dollars)

16. Segmented information, continued

The breakdown by geographic area for the year ended January 31, 2009 is as follows:

	Canada	DRC	Republic of Ireland	Total
Total expenses	$ 1,972,995	$ 5,119,753	$ 503,297	$ 7,596,045
Current assets	$ 50,729	$ 617,581	$ -	$ 668,310
Property, plant and equipment	$ 1,286,111	$ 175,903	$ -	$ 1,462,014
Total assets	**$ 1,336,840**	**$ 793,484**	**$ -**	**$ 2,130,324**

17. Supplemental cash flow information

Cash and cash equivalents comprise the following:

	2010	2009
Cash on hand and balances in bank	$ 1,434,475	$ 126,215
Short term deposits [1]	-	1,027,646
Balance – End of period	$ 1,434,475	$ 1,153,861

Note:
1 – Short term deposits included investments that are cashable after 30 days without penalty, with interest rate guarantees extending up to one year.

18. Commitments

The Company has certain commitments that are related to exploration expenditures and maintaining property option payments as disclosed in Note 7.

19. Contingencies

a. As a result of the Company's notice of termination of the agreement with PMC, an order for the garnishment of the shares held by the Company in the share capital of Infinity was rendered at the request of PMC to guarantee payment of an alleged debt towards PMC (Note 7a(iii)). The garnishment order cannot be rendered into an execution order without PMC effectively proving the merits of its case and the Company still retains the shares in Infinity and they have not been seized. PMC alleges that the Company is obligated under the terminated agreement to make a first anniversary payment to PMC of US$250,000 as well as to pay damages. Management's position is that the DRC is not the forum for disputes under that agreement and that no such payment obligation exists for various reasons including that the termination notice was given in a timely manner prior to the first anniversary of the agreement. The Company has retained legal counsel in the DRC to address PMC's claims. An appeal was introduced by the Company to invalidate the garnishment order regarding which judgment is pending. PMC has not, to date, introduced a legal action in the DRC, formally claiming the amounts. In the opinion of management, this claim is without merit and the Company will be successful in its defence of this claim. As a loss is not deemed to be likely, no accruals have been made as of January 31, 2010.

(Expressed in Canadian Dollars)

19. Contingencies, continued

b. The Company was served with a claim filed in the DRC by Georges Kavvadias, an officer of Infinity, and GCP (Note 7a(i)). An order for the garnishment of the shares held by the Company in the share capital of Infinity was rendered at the request of GCP to guarantee payment of an alleged debt towards GCP. The garnishment order cannot be rendered into an execution order without GCP effectively proving the merits of its case and the Company still retains the shares in Infinity and they have not been seized. They are 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 to Infinity. The Company has retained legal counsel in the DRC to respond to these claims which it firmly believes are unfounded and without any merit. An appeal was introduced by the Company to invalidate the garnishment order regarding which judgment is pending. GCP has not, to date, introduced a legal action in the DRC, formally claiming the amounts. The Company is defending the case vigorously. As a loss is not deemed to be likely, no accruals have been made as of January 31, 2010.

c. The Company received a notice of default related to the final payments due under the Mineral Property Option Agreement with GCP. The Company has 30 days to remedy the default. The Company has delivered the final payments to its legal counsel to be held in trust pending completion of the release instruction from 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. No legal actions have been commenced with respect to this claim (Note 21b).

d. The Company has engaged its legal counsel to formally obtain and begin exercising its rights under the Mineral Property Option Agreement with GCP. (Note 7a(i)).

20. Corporate costs

Details of corporate costs are as follows:

	Year ended January 31, 2010 $	Year ended January 31, 2009 $
Audit, accounting and legal	47,910	157,766
Labour, consulting and mgmt fees	642,720	580,078
Office and miscellaneous	210,060	338,439
Loss on sale of assets	-	18,181
Promotion and shareholder relations	80,109	224,435
Transfer and filing fees	36,203	55,916
Travel	25,564	77,879
Corporate costs for the year	**1,042,566**	**1,452,694**

21. Subsequent events

The following subsequent events occurred from the date of the year ended January 31, 2010 to the date the annual financial statements were available to be issued on May 26, 2010:

a. Votorantim has finalized its Option / Joint Venture Agreement (OJV) with the Company and Xstrata Zinc to earn a 50% interest in the Bathurst Mining Camp (BMC) project by incurring exploration expenditures of $10 million over a period of five years. Votorantim can increase its interest to 70% by spending another $10 million over an additional two years thereafter the Company and Xstrata Zinc interests would be reduced to 15% from 25% respectively (Note 7b).

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 completion of the release instruction from GCP. The Company has engaged its legal counsel in the DRC to formally obtain and begin exercising its rights under the terms of the Mineral Property Option Agreement with GCP. On May 21, 2010, the Company received a notice of default related to the Mineral Property Option Agreement with GCP (Notes 7a(i) and 19c).