Amended and Restated

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR AND QUARTER ENDED JANUARY 31, 2011
June 8, 2011

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, 2011 and 2010. 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.

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1. Overview of the Company

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

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

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

Kasala Project – Pursuant to an agreement dated May 19, 2007, the Company exercised its option to acquire a 70% interest in certain mineral research permits (the "Kasala Mineral Research Permits") covering 352 square kilometers of prospective exploration areas in the Copperbelt, located between Lubumbashi and Likasi in the DRC from GCP Group Ltd. ("GCP") a private British Virgin Islands company (the "Mineral Property Option Agreement"). Total consideration to be paid consists of cash payments of US$550,000 (US$450,000 paid) and the issuance of 700,000 shares (600,000 issued). The remaining US$100,000 and 100,000 shares that are payable and issuable, respectively, on May 18, 2010 are being held in trust pending the decision by the courts in B.C. in regards to the Company's petition to set-off the US$100,000 and 100,000 shares against the $850,000 being claimed by the Company as well as orders for arbitration to settle the disputes. (See "*Section 2 – Litigation*").

The Company has been made aware of an attempt by Georges Kavvadias to fraudulently transfer the Kasala permits from Infinity Resources Sprl ("Infinity") to a company controlled by Georges Kavvadias. The Company is taking all available steps to prevent this blatant attempt to deprive the Company of its rightful ownership in the Kasala properties.

The Company received notice that the claims commenced by Mr. Kavvadias and GCP in the DRC were dismissed by the Tribunal of Commerce of Lubumbashi. The Company successfully argued that the jurisdiction for hearing the claims is in British Columbia and not the DRC. As well, the orders for garnishment of the shares held by the Company in the share capital of Infinity have been removed and remain registered in the Company's name. Mr. Kavvadias and GCP are appealing the decision.

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.

Subsequently, the Company received notice that the claims commenced by PMC in the DRC were dismissed by the Tribunal of Commerce of Lubumbashi. The Company successfully argued that the jurisdiction for hearing the claims is in British Columbia and not the DRC. As well, the orders for garnishment of the shares held by the Company in the share capital of Infinity have been removed and remain registered in the Company's name. The decision is being appealed by PMC.

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

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

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

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

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

Going Concern

At January 31, 2011, the Company had cash and cash equivalents of $724,673, working capital of $752,202 and a deficit of $24,471,803. The funds on hand at January 31, 2011 are not sufficient to meet our planned corporate, administrative and proposed exploration activities for the next twelve months. The Company performed a minimal amount of exploration activities due to financial market conditions and the current litigation in the DRC. The Company feels that once its ongoing efforts to stabilize and implement the restructuring of its corporate affairs in the DRC are complete, the Company will be in a better position to raise sufficient funds to meet its financial requirements.

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

2. Litigation

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

In May 2010, the Company received notice that the claims commenced in the DRC were dismissed by the Tribunal of Commerce of Lubumbashi. The Company successfully argued that the jurisdiction for hearing the claim was in British Columbia and not the DRC. As well, the orders for garnishment of the shares held by the Company in the share capital of Infinity have been removed and remain registered in the Company's name contrary to the representations of Georges Kavvadias and GCP. The Company continues to take the position that the actions of its previous Country Manager, Mr. Kavvadias, are both spurious and without merit. Mr. Kavvadias and GCP have appealed the decision.

The Company served Mr. Kavvadias and GCP a Notice of Dispute and petitioned the Supreme Court of British Columbia in response to two alleged defaults of the Mineral Property Option Agreement. The Company has stated in its Notice of Dispute and is prepared to prove that:

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

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

Following receipt from GCP of the Notices of Default relating to the Mineral Property Option Agreement, the Company has invoked the arbitration clauses contained in the agreements. Whereas in the past, GCP has commenced litigation both in British Columbia which has been resolved and in the DRC which has been dismissed, with respect to past disputes, the Company's purpose for invoking the arbitration clause is to obtain a quick resolution of the current disputes. At this time the arbitrator is being chosen and the arbitration will be held shortly.

In addition, the Company has been made aware of an attempt by Mr. Kavvadias to fraudulently transfer the Kasala permits from Infinity to a company controlled by Mr. Kavvadias. The Company is taking all available steps to prevent this blatant attempt to deprive the Company of its rightful ownership in the Kasala properties.

At this time, two judgments petitioned by the Company in the DRC, to remove Mr. Kavvadias as manager and declare him incompetent and that he has fraudulently used a power of attorney and issued minutes fraudulently appointing him manager, have been rendered in the Company's favor. A shareholder's meeting of Infinity to appoint a new manager will be held shortly.

3. Project Updates

a) Kasala Project (formerly Infinity Project)

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

TABLE 1: ($000's) **Kasala Project, DRC**	30-Apr-10 Q1-11	31-Jul-10 Q2-11	31-Oct-10 Q3-11	31-Jan-11 Q4-11	Twelve Months Ended 31-Jan-11	 31-Jan-10	 LTD
Drilling	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,315
Consulting and labour	-	-	-	-	-	-	1,210
Assay	-	-	-	-	-	-	637
Asset retirement obligation	-	-	-	-	-	-	43
Geological and field	-	-	-	-	-	-	1,168
Option maintenance costs	-	-	-	-	-	-	632
Travel and accomodation	-	-	-	-	-	-	161
Depreciation and amortization	-	-	-	-	-	-	160
Geophysics	-	-	-	-	-	-	648
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,974

Kasala Project, DRC	30-Apr-09	31-Jul-09	31-Oct-09	31-Jan-10	Twelve Months Ended		
	Q1-10	Q2-10	Q3-10	Q4-10	31-Jan-10	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

2010 Exploration Program

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

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

Historical Exploration/Drilling

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

b) Harmony Project

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

c) Bathurst Zinc Project

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

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-10	31-Jul-10	31-Oct-10	31-Jan-11	Twelve Months Ended		
	Q1-11	Q2-11	Q3-11	Q4-11	31-Jan-11	31-Jan-10	LTD
Option maintenance costs	$ -	$ -	$ -	$ -	$ -	$ -	$ 171
Drilling and assay	-	-	-	-	-	-	2,815
Geological and field	-	-	-	-	-	-	514
Geophysics	-	-	-	-	-	-	1,813
Management fees	-	-	-	-	-	-	300
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,613

Bathurst Zinc Project, Canada	30-Apr-09	31-Jul-09	31-Oct-09	31-Jan-10	Twelve Months Ended		
	Q1-10	Q2-10	Q3-10	Q4-10	31-Jan-10	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

d) Ireland Zinc Project

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

Table 3 below presents the total net expenditures by quarter and LTD for the Ireland Zinc project:

TABLE 3: ($000's)

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

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

4. Financial Performance Review

Exploration Expenditures

TABLE 4: ($000's)

Exploration Expenditures	30-Apr-10 Q1-11	31-Jul-10 Q2-11	31-Oct-10 Q3-11	31-Jan-11 Q4-11	Twelve Months Ended 31-Jan-11	Twelve Months Ended 31-Jan-10
By type:						
Drilling and assay	$ -	$ -	$ -	$ -	$ -	$ -
Asset retirement obligation	-	-	-	-	-	-
Consulting and labour	-	-	-	-	-	23
Geological and field	-	-	-	-	-	1
Option maintenance costs	-	-	-	-	-	-
Geophysics	-	-	-	-	-	-
Travel and accomodation	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-
Management fees	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ 24
By project:						
Infinity	$ -	$ -	$ -	$ -	$ -	$ -
Bathurst	-	-	-	-	-	-
Ireland	-	-	-	-	-	24
Bancroft	-	-	-	-	-	-
Harmony/Phoenix	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ 24

Exploration Expenditures	30-Apr-09	31-Jul-09	31-Oct-09	31-Jan-10	Twelve Months Ended	
	Q1-10	Q2-10	Q3-10	Q4-10	31-Jan-10	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

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-10	31-Jul-10	31-Oct-10	31-Jan-11	Twelve Months Ended	
	Q1-11	Q2-11	Q3-11	Q4-11	31-Jan-11	31-Jan-10
By type:						
Corporate costs	$ 252	$ 321	$ 339	$ 300	$ 1,212	$ 1,043
Stock based compensation	6	22	36	20	84	74
Loss on derecognition of assets & liabilities	-	-	-	-	-	748
Write-down of investments	99	128	17	42	286	1,105
Depreciation and amortization	7	4	4	4	19	14
Interest Income	-	-	-	-	-	(3)
Foreign Exchange	7	1	2	(6)	4	(20)
Total	$ 371	$ 476	$ 398	$ 360	$ 1,605	$ 2,961

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)
Total	$ 327	$ 298	$ 184	$ 2,152	$ 2,961	$ 1,553

For the quarter, total other expenses were $359,617 (2010: $2,151,448), a decrease of $1,791,831. For the year, total other expenses were $1,605,075 (2010: $2,961,084), a decrease of $1,356,009. For the year, corporate costs increased in fiscal 2011 by $170,028 (2010: decrease of $410,128). Audit, accounting and legal fees increased by $174,542 primarily due to the Company's ongoing legal issues with Mr. Kavvadias. Labour, consulting and management fees remained relatively stable, with a slight decrease of $9,678. Office and miscellaneous decreased by $43,687. Promotion and shareholder relations decreased by $40,394. Travel increased by $79,817.

5. Financial Position

TABLE 6: ($000's)

Summary Balance Sheets	January 31, 2011	January 31, 2010	January 31, 2009
Cash and cash equivalents	$ 724	$ 1,435	$ 1,154
Receivables, prepaids and deposits	50	113	308
Property, plant and equipment	18	37	668
Total Assets	$ 792	$ 1,585	$ 2,130
Accounts payable and accrued liabilities	$ 22	$ 92	$ 294
Asset retirement obligations	-	-	49
Total Liabilities	$ 22	$ 92	$ 343
Non-controlling interest	$ -	$ -	$ 6
Share capital	$ 20,083	$ 19,652	$ 18,697
Contributed surplus	5,159	4,708	2,965
Deficit	(24,472)	(22,867)	(19,881)
Total shareholders' equity	$ 770	$ 1,493	$ 1,781

Receivables, prepaids and deposits totaled $49,857 (2010: $113,418) comprised of prepaid rent of $nil (2010: $65,882); prepaid insurance of $7,301 (2010: $5,232), and other prepaids of $5,330 (2010: $22,837), HST receivable of $17,091 (2010: $12,883), advances of $20,135 (2010: $6,584).

Property, plant and equipment (net) were $18,238 (2010: $37,120).

As at January 31, 2011, there were 90,538,930 shares (2010: 74,303,930), issued and outstanding. Table 7 below summarizes the changes in share capital for the current year.

TABLE 7: **Share Capital**	Number of Shares	$ Amount
Balance - January 31, 2010	74,303,930	19,652,024
Issued as consideration for mineral properties	100,000	6,000
Issued in private placements	16,135,000	806,750
Fair value on unit offerings assigned to warrants	-	(367,105)
Share issue costs	-	(14,624)
Balance - January 31, 2010	90,538,930	20,083,045

As at January 31, 2011 the Company had 3,535,000 (2010: 2,215,000) stock options and 48,429,571 (2010: 35,239,015) warrants outstanding.

6. Cash Flow, Liquidity and Capital Resources

TABLE 8: ($000's) **Summary of Cash Flows**	3 months ended January 31, 2011	3 months ended January 31, 2010	12 months ended January 31, 2011	12 months ended January 31, 2010
Net change of cash related to:				
Operations	$ (237)	$ 235	$ (1,222)	$ (1,167)
Investing	(36)	(1,176)	(280)	(1,167)
Financing	(6)	2,230	792	2,614
Net change in cash during the period	$ (279)	$ 1,289	$ (710)	$ 280
Cash & equiv. - Beginning of period	1,003	145	1,434	1,154
Cash & equiv. - End of period	$ 724	$ 1,434	$ 724	$ 1,434

To fund its working capital, including exploration activities and corporate expenses, the Company requires access to capital markets to raise financing through equity offerings. All financing activities are currently provided through equity offerings. The Company during the last six months of 2010 was able to complete one non-brokered financing for gross proceeds of $806,750. 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 $1,215,856 (2010: $1,047,132) and consist of corporate costs (see *"Section 4 – Financial Performance Review"* above).

Cash outflows from investing activities for the year were $280,217 (2010: $1,167,334) 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 $792,126 net (2010: $2,615,267 net). The cash inflow consisted of one non-brokered financing for gross proceeds of $806,750 and the Company paid a commission of $14,624 on October 12, 2010.

7. Contractual Obligations

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

8. Related Party Transactions

a. For the year ended January 31, 2011, the Company paid $90,000 (2010: $30,000) for management fees to a company controlled by the acting Chief Executive Officer and director. During the quarter, the Company paid $21,000 (2010: $30,000).

b. For the year ended January 31, 2011, the Company paid $83,000 (2010: $18,227) for consulting fees to a company controlled by the Chief Financial Officer and director. During the quarter, the Company paid $18,000 (2010: $18,227).

c. For the year ended January 31, 2011, the Company paid $3,000 (2010: $nil) for consulting fees to directors. During the quarter, the Company paid $nil (2010: $nil).

   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 2 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 2011, the Company accounted for its investments in Infinity using the cost method rather than on a consolidated basis as the Company did not exercise control or significant influence over its investments in Infinity during the year ended January 31, 2011. As a result, the Company's financial statements at January 31, 2011 and for the then year ended do not include the assets and liabilities and results of operations of Infinity. During the year ended 31 January 2011, the Company recorded a provision for write-down of $nil and $286,217 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.

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 February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises would be replaced by IFRS for fiscal years beginning on or after January 1, 2011.

The Company commenced its IFRS conversion project in 2008 when it established a formal project governance structure, which included the Company's Audit Committee and senior management. Overall project governance, management and support have been coordinated by the Company, with an independent external advisor engaged to assist in the IFRS conversion.

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.

- Phase three, the implementation of the conversion process, including the completion of the opening balance sheet as at January 1, 2010 together with related discussion and notes.

The following is a summary of key areas where accounting policies differ and where accounting policy decisions are necessary that will impact the Company's reported financial position and results of operations:

- Mineral properties – IFRS 6, "Exploration for and Evaluation of Mineral Resources" provides the Company with the option of expensing the exploration and evaluation costs as incurred, or deferring these costs until technical feasibility and commercial viability has been determined, at which point they are transferred to the development and production phase and allocated to specific projects. Under Canadian GAAP, exploration, evaluation and development costs are expensed as incurred. The existing accounting policy will be maintained.

- Share-based payment – 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. Since the Company recognized stock-based compensation under the graded method under the Canadian GAAP, the Company's financial statements will not be impacted on the changeover to IFRS.

- Impairment of assets – Under IFRS, impairment tests are generally carried out using the discounted future cash flows (one step test). Write-downs to net realizable values under an impairment test can be reversed if the conditions of impairment cease to exist. Under Canadian GAAP, impairment tests are generally done on the basis of undiscounted future cash flows and impairment loss is measured as the excess of the carrying value over the discounted future cash flows (two-step approach). Unlike IFRS, write-downs are permanent changes in the carrying value of assets and cannot be reversed. The Company's financial statements will not be impacted on the changeover to IFRS based on the analysis of impairment indicators on transition. Nevertheless, in subsequent years, IFRS could generate more impairment write-downs than Canadian GAAP since it uses a one-step test.

- Flow-through shares – Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP, the funds received are recorded as share capital at the time of issue. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company records a deferred tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP, the Company records any deferred tax recovery eligible to be recognized to offset the deferred tax charge to equity as a tax recovery in the statement of operations. IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and recognized in income at the time the qualifying expenditures are made. The recognition of the deferred tax liability upon renunciation of the flow-through expenditures is recorded as income tax expensed in the period of renunciation.

The transition to IFRS requires the Company to apply IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1") which details the requirements for preparing IFRS-compliance financial statements in the first reporting period after the date of transition. IFRS 1 provides entities adopting IFRS for the first time with a number of optional and mandatory exemptions in certain areas to the general requirement of full retrospective application of IFRS. Based on management's analysis of the various accounting policy choices available, IFRS 1 elections relevant to the Company are as follows:

- Property, plant and equipment – IFRS 1 allows the Company to elect to have fair value or revaluation amounts as the deemed cost of property, plant and equipment at the date of transition. In accordance with IFRS 1, the Company may elect to measure certain items of property, plant and equipment at their fair values at the date of transition. Any fair value adjustments and changes to the assessment of the related useful lives of the individual components of property, plant and equipment could impact the depreciation charges subsequent to the date of transition. The Company will not elect to utilize this transitional provision and will record property, plant and equipment at cost upon adoption of IFRS.

The Company is in the implementation stage. This stage involves finalizing accounting policy decisions, preparing the Company's opening balance sheet as at January 1, 2010, preparing comparative financial statements and notes under IFRS for each quarterly period of 2010, and implementing system, processes, internal controls and training necessary. The quantification of the amounts that resulted from the differences between Canadian GAAP and IFRS relating to the key standards are based on management's estimates and decisions, and currently being reviewed internally by the Board of Directors and by the Company's external auditors.

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, 2011 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

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions as determined by rating agencies. Amounts receivable consist of Harmonized Sales Tax receivable of $17,091 (2010: $12,883) and other advances receivable of $20,135 (2010: $6,584). The Company is not subject to a significant credit risk.

Currency Risk

As at January 31, 2011 a significant portion of the Company's cash and cash equivalents were held in Canadian dollars and were therefore subject to fluctuation against the US dollar. 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.

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

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

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

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, 2011 and 2010

(Expressed in Canadian Dollars, except where indicated)

EL NINO VENTURES INC.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of El Nino Ventures Inc.

We have audited the accompanying financial statements of El Nino Ventures Inc. (the "Company"), which comprise the balance sheets as at 31 January 2011 and 2010 and the statements of loss, comprehensive loss and deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 January 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

James Stafford

Chartered Accountants

Vancouver, Canada
24 May 2011

El Nino Ventures Inc.

Balance Sheets

As at January 31, 2011 and 2010

(Expressed in Canadian Dollars)

	2011 $	2010 $
Assets		
Current assets		
Cash and cash equivalents	724,673	1,434,475
Amounts receivable and prepaids (Note 3)	49,857	113,418
Available-for-sale securities	1	1
	774,531	1,547,894
Investments (Note 4)	1	1
Property, plant and equipment, net (Note 5)	18,238	37,120
	792,770	1,585,015
Liabilities		
Current		
Accounts payable and accrued liabilities	22,329	91,745
Shareholders' Equity		
Share capital (Note 8)	20,083,045	19,652,024
Contributed surplus (Note 10)	5,159,199	4,707,974
Deficit	(24,471,803)	(22,866,728)
	770,441	1,493,270
	792,770	1,585,015

Nature of Operations and Going concern (Note 1)

Related party transactions (Note 12)

Contingencies (Note 17)

Subsequent events (Note 19)

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, 2011 and 2010

(Expressed in Canadian Dollars)

	2011 $	2010 $
Expenditures		
Net Exploration Expenditures (Note 6)	-	24,359
Other Expenses (Income)		
Corporate costs (Note 18)	1,212,594	1,042,566
Stock-based compensation (Note 9)	84,120	74,000
Loss on derecognition of assets and liabilities (Notes 2 and 4)	-	748,152
Write-down of investments (Notes 2 and 4)	286,217	1,105,437
Depreciation and amortization (Note 5)	18,882	13,608
Foreign exchange loss (gain)	3,504	(19,835)
Interest income	(242)	(2,844)
	1,605,075	2,961,084
Loss and comprehensive loss for the year	1,605,075	2,985,443
Deficit – beginning of year	22,866,728	19,881,285
Deficit – end of year	24,471,803	22,866,728
Basic and diluted loss per share	$ 0.02	$ 0.06
Weighted average number of shares outstanding	79,590,588	47,553,077

El Nino Ventures Inc.

Statements of Cash Flows

For the years ended January 31, 2011 and 2010

(Expressed in Canadian Dollars)

	2011 $	2010 $
Cash flows used in operating activities		
Net loss for the year	(1,605,075)	(2,985,443)
Items not affecting cash:		
Stock-based compensation (Note 9)	84,120	74,000
Loss on derecognition of assets and liabilities (Notes 2 and 4)	-	748,152
Write-down of investments (Notes 2 and 4)	286,217	1,105,437
Depreciation and amortization (Note 5)	18,882	13,608
Foreign exchange gain	-	(2,886)
Changes in non-cash operating working capital:		
Amounts receivable and prepaids	63,561	81,809
Accounts payable and accrued liabilities	(69,416)	(201,996)
	(1,221,711)	(1,167,319)
Cash flows from financing activities		
Issuance of common shares, net	792,126	2,615,267
Cash flows used in investing activities		
Purchase of investments (Notes 2 and 4)	(280,217)	(1,096,937)
Derecognition of cash (Notes 2 and 4)	-	(70,397)
	(280,217)	(1,167,334)
Increase (decrease) in cash and cash equivalents	(709,802)	280,614
Cash and cash equivalents – beginning of year	1,434,475	1,153,861
Cash and cash equivalents – end of year	724,673	1,434,475

Supplemental cash flow information (Note 16)

1. Nature of operations and going concern

El Nino Ventures Inc. (the "Company") was incorporated on February 19, 1988 under the laws of the Province of British Columbia, Canada. The Company is focusing its efforts on developing and growing its asset base. On May 4, 2010, the Company with its partner, Xstrata Canada Corporation – Xstrata Zinc Canada Division ("Xstrata Zinc"), optioned its extensive claims in the Bathurst Mining Camp, New Brunswick, to Votorantim Metals Canada Inc. ("Votorantim"). Votorantim can earn up to 70% of the claims by spending $20 million on exploration. In the Democratic Republic of Congo ("DRC"), the Company's discovery on the Kasala Project gives the Company a bona fide development project going forward (Note 6a). The Company is aggressively pursuing acquisitions globally.

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.

The Company incurred a net loss and comprehensive loss of $1,605,075 for the year ended January 31, 2011 (2010: $2,985,443) and had cash and cash equivalents of $724,673 (2010: $1,434,475) and working capital of $752,202 (2010: $1,456,149) at January 31, 2011. The funds on hand at January 31, 2011 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 (Note 14).

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

2. Significant accounting policies

Basis of presentation

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

2. Significant accounting policies, continued

Basis of presentation, continued

For the years ended January 31, 2011 and 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 years ended January 31, 2011 and 2010. As a result, the Company's financial statements at January 31, 2011 and 2010 and for the years then ended do not include the assets and liabilities and results of operations of Infinity and Harmony.

During the year ended January 31, 2011, the Company recorded a provision for write-down of $Nil (2010: $748,152) and $286,217 (2010: $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 3, 4, 5, 6a and 7).

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 in these financial statements. 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.

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.

2. Significant accounting policies, continued

Mineral properties, continued

Although the Company has taken steps to verify title to mineral research permits and/or properties in which it has an option to acquire an interest or has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

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, 2011 and 2010.

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

Unless there is an other than temporary decline in the value of an available-for-sale investment, carrying values for available-for-sale investments are adjusted to estimated fair values with such adjustment being included in the Statements of Loss, 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

2. Significant accounting policies, continued

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 (loss) for the year.

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 and warrants (Note 9) would be anti-dilutive.

2. Significant accounting policies, continued

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.

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 2012, 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.

(Expressed in Canadian Dollars)

3. Amounts receivable and prepaids

	January 31, 2011	January 31, 2010
Harmonized Sales Tax receivable	$ 17,091	$ 12,883
Advances	20,135	6,584
Prepaids	12,631	82,846
Deposits	-	11,105
Total	**$ 49,857**	**$ 113,418**

During the year, the Company derecognized amounts receivable and prepaids of Infinity and Harmony valued at $Nil (2010: $130,235) (Notes 2 and 4).

4. Investments

For the years ended January 31, 2011 and 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 years ended January 31, 2011 and 2010 (Notes 2 and 6a).

The method of accounting for these investments by the Company using the cost method at January 31, 2011 and for the year then ended resulted in a loss on derecognition of assets and liabilities of $Nil (2010: $748,152) for the year ended January 31, 2011.

	January 31, 2011	January 31, 2010
Cash and cash equivalents	$ -	$ 70,397
Amounts receivable and prepaids (Note 3)	-	130,235
Property, plant and equipment (Note 5)	-	617,582
Asset retirement obligation (Note 7)	-	(49,456)
Non-controlling interests	-	(6,182)
Other	-	(14,424)
Total	**$ -**	**$ 748,152**

During the year ended January 31, 2011, the Company recorded in the Statements of Loss, Comprehensive Loss and Deficit a write-down of its investments in Infinity and Harmony of $286,217 (2010: $1,105,437) to a fair value of $1.

5. Property, plant and equipment

	January 31, 2011			January 31, 2010		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer and office equipment	$ 73,810	$ (55,572)	$ 18,238	$ 73,810	$ (36,690)	$ 37,120
Total	**$ 73,810**	**$ (55,572)**	**$ 18,238**	**$ 73,810**	**$ (36,690)**	**$ 37,120**

During the year, the Company derecognized the property, plant and equipment of Infinity and Harmony valued at $Nil (2010: $617,582) (Notes 2 and 4).

(Expressed in Canadian Dollars)

6. Mineral properties

Cumulative acquisition and exploration expenditures as at January 31, 2011 are as follows:

	Option maintenance costs	Exploration costs	Option payments received	January 31, 2011
Kasala 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**

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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**

Details of exploration expenditures for the years ended January 31, 2011 and 2010 are as follows:

	Year ended January 31, 2011	Year ended January 31, 2010
Zinc Project, Ireland		
Engineering and consulting	$ -	$ 23,178
Geological and field expenses	-	1,181
Net exploration expenditures for the year	$ -	$ 24,359

a. DRC Projects

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

i. Kasala Project (formerly Infinity Project)

Pursuant to an agreement dated May 19, 2007, the Company exercised its option to acquire a 70% interest in certain mineral research permits (the “Kasala Mineral Research Permits”) located between Lubumbashi and Likasi in the DRC from GCP Group Ltd. (“GCP”) a private British Virgin Islands company (the “Mineral Property Option Agreement”). Total consideration to be paid consists of cash payments of US$550,000 (US$450,000 paid) and the issuance of 700,000 shares (600,000 issued). The remaining US$100,000 and 100,000 shares that are payable and issuable, respectively, on May 18, 2010 are being held in trust pending the decision by the courts in British Columbia in regards to the Company’s petition to set-off the US$100,000 and 100,000 shares against the $850,000 being claimed by the Company as well as orders for arbitration to settle the disputes (Notes 17a and 17b).

6. Mineral properties, continued

a. DRC Projects, continued

i. Kasala Project (formerly Infinity Project), continued

In February 2008, the Kasala Mineral Research Permits were transferred by GCP into Infinity in contemplation of the Company fulfilling all of the terms of the option agreement.

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 Kasala Mineral Research Permits, the terms of which shall be negotiated 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 commercial production, the Company will be entitled to reimbursement for all Exploration Expenditures incurred from the profits of such commercial production.

During the years ended January 31, 2011 and 2010, the Company accounted for its investment in Infinity using the cost method (Notes 2 and 4).

ii. Harmony Project

On February 4, 2008, the Company entered into a letter of intent (the "LOI") 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. As consideration, the Company issued 200,000 shares to MIM and committed to making exploration expenditures totalling US$1.5 million over a 3 year period, at a minimum of US$500,000 per annum beginning in fiscal 2010. The Company had a right, at any time, to increase its interest to 85% by paying MIM the sum of US$15.0 million.

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

Under the terms of the LOI, the Company 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.

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

During the years ended January 31, 2011 and 2010, the Company accounted for its investment in Harmony using the cost method (Notes 2 and 4).

6. Mineral properties, continued

a. DRC Projects, continued

iii. Phoenix Project

On November 14, 2008, the Company signed an agreement with Phoenix Mining Corporation (“PMC”) whereby the Company 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 issue 300,000 shares over a 3 year period, in equal annual instalments on November 14, 2009, November 14, 2010, and November 14, 2011; as well as to pay US$250,000 on December 16, 2009; US$300,000 on December 16, 2010; US$350,000 on December 16, 2011; and US$1,100,000 on December 16, 2012 in order to maintain its interest in the Project.

The Company was responsible for carrying out and administering all exploration and development costs of Phoenix and upon the identification of a minable deposit, PMC was to 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 ended January 31, 2010, the Company notified PMC, as per the agreement, that the Company would not be exercising its option on the property (Note 17a).

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

The Company entered into an option agreement with Xstrata Zinc to explore the Bathurst Mining Camp in New Brunswick and acquire a 50% interest. The Company has vested its 50% interest in the related mineral claims held by Xstrata Zinc by advancing the required $5.0 million.

In fiscal 2010, Votorantim finalized its Option / Joint Venture Agreement with the Company and Xstrata Zinc to earn a 50% interest in the Bathurst Mining Camp 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.

c. Bancroft Properties, Bancroft, Ontario, Canada

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

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

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

(Expressed in Canadian Dollars)

7. 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 estimates 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 3.0% to calculate the present value of the ARO, which as $38,265 (rounded to US$40,000).

During the year ended January 31, 2011, the Company derecognized ARO related to Infinity at its carrying value of $Nil (2010: $49,456) (Notes 2 and 4).

8. 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, 2009	40,483,692	$ 18,697,256
Mineral properties (Notes 6a and 16)	100,000	8,500
Private placements	5,660,000	452,800
Private placements	21,428,571	1,500,000
Private placements	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
Mineral properties (Notes 6a, 16 and 17b)	100,000	6,000
Private placements	16,135,000	806,750
Fair value on unit offerings assigned to warrants	-	(367,105)
Share issue costs	-	(14,624)
Balance – January 31, 2011	**90,538,930**	**$20,083,045**

8. Share capital, continued

a. On May 19, 2009, 100,000 shares were issued for the Kasala Project at fair value of $8,500.

b. 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.

c. 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.

d. 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.

e. On May 19, 2010, 100,000 shares were issued for the Kasala Project at fair value of $6,000.

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

9. 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 Board of Directors grant such options, less the maximum discount permitted under the polices of the TSX Venture Exchange.

(Expressed in Canadian Dollars)

9. Stock options and warrants, continued

Stock options, continued

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, 2009	3,795,000	$0.46
Granted	200,000	$0.10
Exercised	-	-
Expired	-	-
Forfeited	(1,780,000)	$0.51
Balance – January 31, 2010	2,215,000	$0.39
Granted	2,820,000	$0.15
Exercised	-	-
Expired	-	-
Forfeited	(1,500,000)	$0.43
Balance – January 31, 2011	**3,535,000**	**$0.18**

At January 31, 2011 the following stock options were outstanding and exercisable:

Number of stock options outstanding	Number of stock options vested	Exercise Price	Expiry Date
75,000	75,000	$0.50	March 29, 2011[1]
240,000	240,000	$0.60	July 11, 2012
500,000	500,000	$0.10	December 29, 2013
2,720,000	1,173,348	$0.15	June 25, 2015
3,535,000	**1,988,348**		

Note 1: These stock options expired unexercised on March 29, 2011.

Stock-based compensation for the year ended January 31, 2011 was $84,120 (2010: $74,000).

The grant date fair value of 2,820,000 options granted during the year was $0.04 per option (2010: $0.05 per option).

The fair value of stock options is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2011	2010
Risk-free interest rate	2.5%	1.2%
Expected life	4.9 years	1.5 years
Expected volatility	154.4%	184.7%
Expected dividend yield	nil	nil

(Expressed in Canadian Dollars)

9. Stock options and warrants, continued

Stock options, continued

Black-Scholes Option Pricing Model 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, 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
Granted	16,135,000	$0.10
Exercised	-	-
Expired	(2,944,444)	$0.15
Balance – January 31, 2011	**48,429,571**	**$0.13**

At January 31, 2011, the following warrants were outstanding:

Date issued	Number of Shares	Exercise Price	Expiry Date
August 20, 2009	5,660,000	$0.15	February 20, 2011[1]
August 20, 2009	206,000	$0.15	February 20, 2011[1]
November 20, 2009	21,428,571	$0.15	May 20, 2011[2]
January 22, 2010	5,000,000	$0.15	January 22, 2012
October 12, 2010	16,135,000	$0.10	October 12, 2013
Balance – January 31, 2011	**48,429,571**		

Note 1: These warrants expired unexercised on February 20, 2011
Note 2: These warrants expired unexercised on May 20, 2011

The fair value of the share purchase warrants issued during the year was $367,105 (2010: $1,790,911). The relative pro rata allocation of the fair value of the share 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 Option Pricing Model with the following assumptions:

	2011	2010
Risk-free interest rate	1.55%	0.86% to 0.93%
Expected life	3 years	1 year
Expected volatility	169.6%	169.3% to 184%
Expected dividend yield	nil	nil

(Expressed in Canadian Dollars)

9. Stock options and warrants, continued

Warrants, continued

Black-Scholes Option Pricing Model 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.

10. Contributed surplus

	2011	2010
Balance – Beginning of year	$ 4,707,974	$ 2,964,974
Fair value assigned to warrants	367,105	1,790,911
Fair value assigned to warrants on finders' fees	-	7,185
Exercise of warrants	-	(15,407)
Forfeiture of warrants	-	(113,689)
Stock-based compensation	84,120	74,000
Balance – End of year	**$ 5,159,199**	**$ 4,707,974**

11. Income taxes

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

	2011	2010
Loss for the year	$ 1,605,075	$ 2,985,443
Canadian federal and provincial income tax rates	28.33%	29.88%
Income tax recovery at statutory rates	454,771	891,901
Permanent differences	(125,099)	(549,138)
Change in prior year provision to actual	(1,716)	(90,069)
Changes in Canadian tax rates	(38,785)	(51,960)
Derecognized loss carry forwards	-	(1,715,386)
Change in valuation allowance	(289,171)	1,514,652
Future income tax recovery	**$ -**	**$ -**

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

Future income tax assets	2011	2010
Non-capital loss carry forwards	$ 1,351,488	$ 996,656
Net capital loss carry forwards	38,070	38,070
Share issue costs	59,539	129,921
Resource property costs	768,056	768,056
Other	92,724	88,003
Future income tax assets	2,309,877	2,020,706
Valuation allowance	(2,309,877)	(2,020,706)
Net future income tax asset (liability)	**$ -**	**$ -**

(Expressed in Canadian Dollars)

11. Income taxes, continued

As at January 31, 2011, 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
2015	$ 84,502
2026	88,428
2027	961,396
2028	538,135
2029	914,962
2030	1,306,522
2031	1,512,007
	$ 5,405,952

12. Related party transactions

The related party transactions during the year ended January 31, 2011 are as follows:

a. During the year, the Company paid $90,000 (2010: $30,000) for management fees to a company controlled by the acting Chief Executive Officer and director.

b. During the year, the Company paid $83,000 (2010: $18,227) for consulting fees to a company controlled by the Chief Financial Officer and director.

c. During the year, the Company paid $3,000 (2010: $Nil) for consulting fees to directors.

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.

13. Capital management

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

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

(Expressed in Canadian Dollars)

13. Capital management, continued

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, 2011 compared to the year ended January 31, 2010. The Company is not subject to externally imposed capital requirements.

14. Financial instruments

Fair Values

As at January 31, 2011, 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

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 is as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, 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	2011	2010
Available-for-sale securities	Level 1	$ 1	$ 1
Investments	Level 3	$ 1	$ 1

14. Financial instruments, continued

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions as determined by rating agencies. Amounts receivable consist of Harmonized Sales Tax receivable of $17,091 (2010: $12,883) and other advances receivable of $20,135 (2010: $6,584). The Company is not subject to a significant credit risk.

Currency Risk

As at January 31, 2011, a significant portion of the Company's cash and cash equivalents were held in Canadian dollars and were therefore subject to fluctuation against the US dollar. 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).

15. 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, 2011 is as follows:

	Canada	DRC	Republic of Ireland	Total
Total expenses	$ 1,360,256	$ 244,819	$ -	$ 1,605,075
Current assets	774,531	-	-	774,531
Property, plant and equipment	18,238	-	-	18,238
Other assets	1	-	-	1
Total assets	**$ 792,770**	**$ -**	**$ -**	**$ 792,770**

(Expressed in Canadian Dollars)

15. Segmented information, continued

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**

16. Supplemental cash flow information

Income taxes and interest paid during the years ended January 31, 2011 and 2010:

	2011	2010
Income taxes paid	$ -	$ -
Interest paid	$ -	$ -

During the year ended January 31, 2011, the Company issued 100,000 common shares (2010: 100,000 common shares) related to the Kasala Project valued at $6,000 (2010: $8,500) (Notes 6a, 8 and 17b).

17. Contingencies

a. During a prior year, the Company was served with two separate claims filed in the DRC by Georges Kavvadias, GCP and PMC. An order for the garnishment of the shares held by the Company in the share capital of Infinity was rendered to guarantee payment of an alleged debt towards GCP and PMC. GCP was claiming fees and expenses of US$82,312, plus damages, alleged to be owing to them by the Company in connection with the provision of services alleged to have been rendered by GCP to Infinity (Note 6a(i)). PMC alleged that the Company was obligated under the termination agreement to make the first anniversary payment to PMC of US$250,000 as well as to pay damages (Note 6a(iii)). In May 2010, the Company received notice that the claims commenced in the DRC was dismissed by the Tribunal of Commerce of Lubumbashi (the "Tribunal"). The Company successfully argued that the jurisdiction for hearing the claims is in British Columbia and not the DRC. As well, the orders for garnishment of the shares held by the Company in the share capital of Infinity have been removed and remain registered in the Company's name contrary to the representations of Georges Kavvadias and GCP. An appeal has been filed by Georges Kavvadias and GCP but no date has been fixed for the hearing. The Company continues to take the position that the actions of its previous Country Manager, Georges Kavvadias, GCP and PMC are both spurious and without merit. As a loss is not deemed to be likely, no accruals have been made as of January 31, 2011.

17. Contingencies, continued

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

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

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

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

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

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

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

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

(Expressed in Canadian Dollars)

18. Corporate costs

Details of corporate costs are as follows:

	Year ended January 31, 2011	Year ended January 31, 2010
Audit, accounting and legal	$ 222,452	$ 47,910
Labour, consulting and management fees	633,042	642,720
Office and miscellaneous	166,373	210,060
Promotion and shareholder relations	39,715	80,109
Transfer and filing fees	45,631	36,203
Travel	105,381	25,564
Corporate costs for the year	**$ 1,212,594**	**$ 1,042,566**

19. Subsequent events

The following subsequent events occurred from the date of the year ended January 31, 2011 to the date the annual financial statements were available to be issued on May 24, 2011:

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

b) On April 1, 2011, gross proceeds of $450,000 were raised in a 4,500,000 flow-through unit private placements at a price of $0.10 per unit, consisting of one common flow-through share and one-half non flow-through share purchase warrant. Each whole warrant entitles the holder to purchase one additional non flow-through common share until April 1, 2012 at a price of $0.20 per share.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR AND QUARTER ENDED JANUARY 31, 2011

May 24, 2011

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, 2011 and 2010. 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 24, 2011 the Company had 118,798,352 shares outstanding with a total market capitalization of approximately $11.9 million. The Company shares trade on the TSX Venture Exchange ("ELN") and the Frankfurt Stock Exchange ("E7Q").

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

Kasala Project – Pursuant to an agreement dated May 19, 2007, the Company exercised its option to acquire a 70% interest in certain mineral research permits (the "Kasala Mineral Research Permits") covering 352 square kilometers of prospective exploration areas in the Copperbelt, located between Lubumbashi and Likasi in the DRC from GCP Group Ltd. ("GCP") a private British Virgin Islands company (the "Mineral Property Option Agreement"). Total consideration to be paid consists of cash payments of US$550,000 (US$450,000 paid) and the issuance of 700,000 shares (600,000 issued). The remaining US$100,000 and 100,000 shares that are payable and issuable, respectively, on May 18, 2010 are being held in trust pending the decision by the courts in B.C. in regards to the Company's petition to set-off the US$100,000 and 100,000 shares against the $850,000 being claimed by the Company as well as orders for arbitration to settle the disputes. (See "*Section 2 – Litigation*").

The Company has been made aware of an attempt by Georges Kavvadias to fraudulently transfer the Kasala permits from Infinity Resources Sprl ("Infinity") to a company controlled by Georges Kavvadias. The Company is taking all available steps to prevent this blatant attempt to deprive the Company of its rightful ownership in the Kasala properties.

The Company received notice that the claims commenced by Mr. Kavvadias and GCP in the DRC were dismissed by the Tribunal of Commerce of Lubumbashi. The Company successfully argued that the jurisdiction for hearing the claims is in British Columbia and not the DRC. As well, the orders for garnishment of the shares held by the Company in the share capital of Infinity have been removed and remain registered in the Company's name. Mr. Kavvadias and GCP are appealing the decision.

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.

Subsequently, the Company received notice that the claims commenced by PMC in the DRC were dismissed by the Tribunal of Commerce of Lubumbashi. The Company successfully argued that the jurisdiction for hearing the claims is in British Columbia and not the DRC. As well, the orders for garnishment of the shares held by the Company in the share capital of Infinity have been removed and remain registered in the Company's name. The decision is being appealed by PMC.

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

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

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

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

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

Going Concern

At January 31, 2011, the Company had cash and cash equivalents of $724,673, working capital of $752,202 and a deficit of $24,471,803. The funds on hand at January 31, 2011 are not sufficient to meet our planned corporate, administrative and proposed exploration activities for the next twelve months. The Company performed a minimal amount of exploration activities due to financial market conditions and the current litigation in the DRC. The Company feels that once its ongoing efforts to stabilize and implement the restructuring of its corporate affairs in the DRC are complete, the Company will be in a better position to raise sufficient funds to meet its financial requirements.

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

2. Litigation

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

In May 2010, the Company received notice that the claims commenced in the DRC were dismissed by the Tribunal of Commerce of Lubumbashi. The Company successfully argued that the jurisdiction for hearing the claim was in British Columbia and not the DRC. As well, the orders for garnishment of the shares held by the Company in the share capital of Infinity have been removed and remain registered in the Company's name contrary to the representations of Georges Kavvadias and GCP. The Company continues to take the position that the actions of its previous Country Manager, Mr. Kavvadias, are both spurious and without merit. Mr. Kavvadias and GCP have appealed the decision.

The Company served Mr. Kavvadias and GCP a Notice of Dispute and petitioned the Supreme Court of British Columbia in response to two alleged defaults of the Mineral Property Option Agreement. The Company has stated in its Notice of Dispute and is prepared to prove that:

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

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

Following receipt from GCP of the Notices of Default relating to the Mineral Property Option Agreement, the Company has invoked the arbitration clauses contained in the agreements. Whereas in the past, GCP has commenced litigation both in British Columbia which has been resolved and in the DRC which has been dismissed, with respect to past disputes, the Company's purpose for invoking the arbitration clause is to obtain a quick resolution of the current disputes. At this time the arbitrator is being chosen and the arbitration will be held shortly.

In addition, the Company has been made aware of an attempt by Mr. Kavvadias to fraudulently transfer the Kasala permits from Infinity to a company controlled by Mr. Kavvadias. The Company is taking all available steps to prevent this blatant attempt to deprive the Company of its rightful ownership in the Kasala properties.

At this time, two judgments petitioned by the Company in the DRC, to remove Mr. Kavvadias as manager and declare him incompetent and that he has fraudulently used a power of attorney and issued minutes fraudulently appointing him manager, have been rendered in the Company's favor. A shareholder's meeting of Infinity to appoint a new manager will be held shortly.

3. Project Updates

a) Kasala Project (formerly Infinity Project)

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

TABLE 1: ($000's) **Kasala Project, DRC**	30-Apr-10 Q1-11	31-Jul-10 Q2-11	31-Oct-10 Q3-11	31-Jan-11 Q4-11	Twelve Months Ended 31-Jan-11	Twelve Months Ended 31-Jan-10	LTD
Drilling	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,315
Consulting and labour	-	-	-	-	-	-	1,210
Assay	-	-	-	-	-	-	637
Asset retirement obligation	-	-	-	-	-	-	43
Geological and field	-	-	-	-	-	-	1,168
Option maintenance costs	-	-	-	-	-	-	632
Travel and accomodation	-	-	-	-	-	-	161
Depreciation and amortization	-	-	-	-	-	-	160
Geophysics	-	-	-	-	-	-	648
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,974

Kasala Project, DRC	30-Apr-09	31-Jul-09	31-Oct-09	31-Jan-10	Twelve Months Ended		
	Q1-10	Q2-10	Q3-10	Q4-10	31-Jan-10	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

2010 Exploration Program

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

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

Historical Exploration/Drilling

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

b) Harmony Project

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

c) Bathurst Zinc Project

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

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-10	31-Jul-10	31-Oct-10	31-Jan-11	Twelve Months Ended		
	Q1-11	Q2-11	Q3-11	Q4-11	31-Jan-11	31-Jan-10	LTD
Option maintenance costs	$ -	$ -	$ -	$ -	$ -	$ -	$ 171
Drilling and assay	-	-	-	-	-	-	2,815
Geological and field	-	-	-	-	-	-	514
Geophysics	-	-	-	-	-	-	1,813
Management fees	-	-	-	-	-	-	300
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,613

Bathurst Zinc Project, Canada	30-Apr-09	31-Jul-09	31-Oct-09	31-Jan-10	Twelve Months Ended		
	Q1-10	Q2-10	Q3-10	Q4-10	31-Jan-10	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

d) Ireland Zinc Project

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

Table 3 below presents the total net expenditures by quarter and LTD for the Ireland Zinc project:

TABLE 3: ($000's)

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

Zinc Project, Ireland	30-Apr-09	31-Jul-09	31-Oct-09	31-Jan-10	Twelve Months Ended		
	Q1-10	Q2-10	Q3-10	Q4-10	31-Jan-10	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

4. Financial Performance Review

Exploration Expenditures

TABLE 4: ($000's)

Exploration Expenditures	30-Apr-10	31-Jul-10	31-Oct-10	31-Jan-11	Twelve Months Ended	
	Q1-11	Q2-11	Q3-11	Q4-11	31-Jan-11	31-Jan-10
By type:						
Drilling and assay	$ -	$ -	$ -	$ -	$ -	$ -
Asset retirement obligation	-	-	-	-	-	-
Consulting and labour	-	-	-	-	-	23
Geological and field	-	-	-	-	-	1
Option maintenance costs	-	-	-	-	-	-
Geophysics	-	-	-	-	-	-
Travel and accomodation	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-
Management fees	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ 24
By project:						
Infinity	$ -	$ -	$ -	$ -	$ -	$ -
Bathurst	-	-	-	-	-	-
Ireland	-	-	-	-	-	24
Bancroft	-	-	-	-	-	-
Harmony/Phoenix	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ 24

Exploration Expenditures	30-Apr-09	31-Jul-09	31-Oct-09	31-Jan-10	Twelve Months Ended	
	Q1-10	Q2-10	Q3-10	Q4-10	31-Jan-10	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

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-10	31-Jul-10	31-Oct-10	31-Jan-11	Twelve Months Ended	
	Q1-11	Q2-11	Q3-11	Q4-11	31-Jan-11	31-Jan-10
By type:						
Corporate costs	$ 252	$ 321	$ 339	$ 300	$ 1,212	$ 1,043
Stock based compensation	6	22	36	20	84	74
Loss on derecognition of assets & liabilities	-	-	-	-	-	748
Write-down of investments	99	128	17	42	286	1,105
Depreciation and amortization	7	4	4	4	19	14
Interest Income	-	-	-	-	-	(3)
Foreign Exchange	7	1	2	(6)	4	(20)
Total	$ 371	$ 476	$ 398	$ 360	$ 1,605	$ 2,961

Other Expenses	30-Apr-09	31-Jul-09	31-Oct-09	31-Jan-10	Twelve Months Ended	
	Q1-10	Q2-10	Q3-10	Q4-10	31-Jan-10	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)
Total	$ 327	$ 298	$ 184	$ 2,152	$ 2,961	$ 1,553

For the quarter, total other expenses were $359,617 (2010: $2,151,448), a decrease of $1,791,831. For the year, total other expenses were $1,605,075 (2010: $2,961,084), a decrease of $1,356,009. For the year, corporate costs increased in fiscal 2011 by $170,028 (2010: decrease of $410,128). Audit, accounting and legal fees increased by $174,542 primarily due to the Company's ongoing legal issues with Mr. Kavvadias. Labour, consulting and management fees remained relatively stable, with a slight decrease of $9,678. Office and miscellaneous decreased by $43,687. Promotion and shareholder relations decreased by $40,394. Travel increased by $79,817.

5. Financial Position

TABLE 6: ($000's)
Summary Balance Sheets

	January 31, 2011	January 31, 2010
Cash and cash equivalents	$ 724	$ 1,435
Receivables, prepaids and deposits	50	113
Property, plant and equipment	18	37
Total Assets	$ 792	$ 1,585
Accounts payable and accrued liabilities	$ 22	$ 92
Total Liabilities	$ 22	$ 92
Share capital	$ 20,083	$ 19,652
Contributed surplus	5,159	4,708
Deficit	(24,472)	(22,867)
Total shareholders' equity	$ 770	$ 1,493

Receivables, prepaids and deposits totaled $49,857 (2010: $113,418) comprised of prepaid rent of $nil (2010: $65,882); prepaid insurance of $7,301 (2010: $5,232), and other prepaids of $5,330 (2010: $22,837), HST receivable of $17,091 (2010: $12,883), advances of $20,135 (2010: $6,584).

Property, plant and equipment (net) were $18,238 (2010: $37,120).

As at January 31, 2011, there were 90,538,930 shares (2010: 74,303,930), issued and outstanding. Table 7 below summarizes the changes in share capital for the current year.

TABLE 7: **Share Capital**	Number of Shares	$ Amount
Balance - January 31, 2010	74,303,930	19,652,024
Issued as consideration for mineral properties	100,000	6,000
Issued in private placements	16,135,000	806,750
Fair value on unit offerings assigned to warrants	-	(367,105)
Share issue costs	-	(14,624)
Balance - January 31, 2010	90,538,930	20,083,045

As at January 31, 2011 the Company had 3,535,000 (2010: 2,215,000) stock options and 48,429,571 (2010: 35,239,015) warrants outstanding.

6. Cash Flow, Liquidity and Capital Resources

TABLE 8: ($000's) **Summary of Cash Flows**	3 months ended January 31, 2011	3 months ended January 31, 2010	12 months ended January 31, 2011	12 months ended January 31, 2010
Net change of cash related to:				
Operations	$ (237)	$ 235	$ (1,222)	$ (1,167)
Investing	(36)	(1,176)	(280)	(1,167)
Financing	(6)	2,230	792	2,614
Net change in cash during the period	$ (279)	$ 1,289	$ (710)	$ 280
Cash & equiv. - Beginning of period	1,003	145	1,434	1,154
Cash & equiv. - End of period	$ 724	$ 1,434	$ 724	$ 1,434

To fund its working capital, including exploration activities and corporate expenses, the Company requires access to capital markets to raise financing through equity offerings. All financing activities are currently provided through equity offerings. The Company during the last six months of 2010 was able to complete one non-brokered financing for gross proceeds of $806,750. 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 $1,215,856 (2010: $1,047,132) and consist of corporate costs (see *"Section 4 – Financial Performance Review*" above).

Cash outflows from investing activities for the year were $280,217 (2010: $1,167,334) 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 $792,126 net (2010: $2,615,267 net). The cash inflow consisted of one non-brokered financing for gross proceeds of $806,750 and the Company paid a commission of $14,624 on October 12, 2010.

7. Contractual Obligations

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

8. Related Party Transactions

a. For the year ended January 31, 2011, the Company paid $90,000 (2010: $30,000) for management fees to a company controlled by the acting Chief Executive Officer and director. During the quarter, the Company paid $21,000 (2010: $30,000).

b. For the year ended January 31, 2011, the Company paid $83,000 (2010: $18,227) for consulting fees to a company controlled by the Chief Financial Officer and director. During the quarter, the Company paid $18,000 (2010: $18,227).

c. For the year ended January 31, 2011, the Company paid $3,000 (2010: $nil) for consulting fees to directors. During the quarter, the Company paid $nil (2010: $nil).

   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 2 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 2011, the Company accounted for its investments in Infinity using the cost method rather than on a consolidated basis as the Company did not exercise control or significant influence over its investments in Infinity during the year ended January 31, 2011. As a result, the Company's financial statements at January 31, 2011 and for the then year ended do not include the assets and liabilities and results of operations of Infinity. During the year ended 31 January 2011, the Company recorded a provision for write-down of $nil and $286,217 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.

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 February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises would be replaced by IFRS for fiscal years beginning on or after January 1, 2011.

The Company commenced its IFRS conversion project in 2008 when it established a formal project governance structure, which included the Company's Audit Committee and senior management. Overall project governance, management and support have been coordinated by the Company, with an independent external advisor engaged to assist in the IFRS conversion.

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.

- Phase three, the implementation of the conversion process, including the completion of the opening balance sheet as at January 1, 2010 together with related discussion and notes.

The following is a summary of key areas where accounting policies differ and where accounting policy decisions are necessary that will impact the Company's reported financial position and results of operations:

- Mineral properties – IFRS 6, "Exploration for and Evaluation of Mineral Resources" provides the Company with the option of expensing the exploration and evaluation costs as incurred, or deferring these costs until technical feasibility and commercial viability has been determined, at which point they are transferred to the development and production phase and allocated to specific projects. Under Canadian GAAP, exploration, evaluation and development costs are expensed as incurred. The existing accounting policy will be maintained.

- Share-based payment – 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. Since the Company recognized stock-based compensation under the graded method under the Canadian GAAP, the Company's financial statements will not be impacted on the changeover to IFRS.

- Impairment of assets – Under IFRS, impairment tests are generally carried out using the discounted future cash flows (one step test). Write-downs to net realizable values under an impairment test can be reversed if the conditions of impairment cease to exist. Under Canadian GAAP, impairment tests are generally done on the basis of undiscounted future cash flows and impairment loss is measured as the excess of the carrying value over the discounted future cash flows (two-step approach). Unlike IFRS, write-downs are permanent changes in the carrying value of assets and cannot be reversed. The Company's financial statements will not be impacted on the changeover to IFRS based on the analysis of impairment indicators on transition. Nevertheless, in subsequent years, IFRS could generate more impairment write-downs than Canadian GAAP since it uses a one-step test.

- Flow-through shares – Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP, the funds received are recorded as share capital at the time of issue. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company records a deferred tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP, the Company records any deferred tax recovery eligible to be recognized to offset the deferred tax charge to equity as a tax recovery in the statement of operations. IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and recognized in income at the time the qualifying expenditures are made. The recognition of the deferred tax liability upon renunciation of the flow-through expenditures is recorded as income tax expensed in the period of renunciation.

The transition to IFRS requires the Company to apply IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1") which details the requirements for preparing IFRS-compliance financial statements in the first reporting period after the date of transition. IFRS 1 provides entities adopting IFRS for the first time with a number of optional and mandatory exemptions in certain areas to the general requirement of full retrospective application of IFRS. Based on management's analysis of the various accounting policy choices available, IFRS 1 elections relevant to the Company are as follows:

- Property, plant and equipment – IFRS 1 allows the Company to elect to have fair value or revaluation amounts as the deemed cost of property, plant and equipment at the date of transition. In accordance with IFRS 1, the Company may elect to measure certain items of property, plant and equipment at their fair values at the date of transition. Any fair value adjustments and changes to the assessment of the related useful lives of the individual components of property, plant and equipment could impact the depreciation charges subsequent to the date of transition. The Company will not elect to utilize this transitional provision and will record property, plant and equipment at cost upon adoption of IFRS.

The Company is in the implementation stage. This stage involves finalizing accounting policy decisions, preparing the Company's opening balance sheet as at January 1, 2010, preparing comparative financial statements and notes under IFRS for each quarterly period of 2010, and implementing system, processes, internal controls and training necessary. The quantification of the amounts that resulted from the differences between Canadian GAAP and IFRS relating to the key standards are based on management's estimates and decisions, and currently being reviewed internally by the Board of Directors and by the Company's external auditors.

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, 2011 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

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions as determined by rating agencies. Amounts receivable consist of Harmonized Sales Tax receivable of $17,091 (2010: $12,883) and other advances receivable of $20,135 (2010: $6,584). The Company is not subject to a significant credit risk.

Currency Risk

As at January 31, 2011 a significant portion of the Company's cash and cash equivalents were held in Canadian dollars and were therefore subject to fluctuation against the US dollar. 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.

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

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

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

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:

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TRADING SYMBOLS

TSX Venture Exchange: ELN
Frankfurt Stock Exchange: E7Q