



El Nino Ventures Inc.
(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS
Three and Six Months Ended July 31, 2011 and 2010
(Unaudited - Expressed in Canadian Dollars)

EL NINO VENTURES INC.

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

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

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

El Nino Ventures Inc.

Condensed Interim Statements of Financial Position

As at July 31, 2011 and January 31, 2011

(Unaudited)

(Expressed in Canadian Dollars)

	July 31, 2011 \$	January 31, 2011 \$
Assets		
Current		
Cash and cash equivalents	1,186,319	724,673
Amounts receivable and prepaids (Note 3)	255,600	49,857
Available-for-sale securities	1	1
	<u>1,441,920</u>	<u>774,531</u>
Investments (Note 4)	1	1
Property, plant and equipment (Note 5)	<u>13,095</u>	<u>18,238</u>
	<u>1,455,016</u>	<u>792,770</u>
Liabilities		
Current		
Trade payables and accrued liabilities	36,213	22,329
Flow-through tax liabilities	45,000	-
	<u>81,213</u>	<u>22,329</u>
Equity		
Share capital (Note 7)	22,727,286	21,405,683
Reserves	6,012,017	5,159,199
Deficit	<u>(27,365,500)</u>	<u>(25,794,441)</u>
	<u>1,373,803</u>	<u>770,441</u>
	<u>1,455,016</u>	<u>792,770</u>

Nature of operations and going concern (Note 1)

Contingencies (Note 15)

Subsequent events (Note 17)

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

“Harry Barr”, Director

“John Oness”, Director

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

El Nino Ventures Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

For the three and six months ended July 31, 2011 and 2010

(Unaudited)

(Expressed in Canadian Dollars)

	Three months ended July 31, 2011 \$	Three months ended July 31, 2010 \$ (Note 18)	Six months ended July 31, 2011 \$	Six months ended July 31, 2010 \$ (Note 18)
Expenditures				
Net Exploration Expenditures (Note 6)	611,035	-	611,035	-
General and Administrative Expenses				
Corporate costs (Note 16)	523,514	320,864	864,008	572,622
Share-based payments (Note 8)	75,361	22,346	84,307	28,346
Depreciation	2,669	3,790	5,338	11,302
Loss before other items	1,212,579	347,000	1,564,688	612,270
Other items				
Foreign exchange loss	3,583	945	9,751	7,941
Interest income	(460)	(3)	(3,380)	(3)
Write-down of investments (Note 4)	-	128,007	-	226,858
Net loss and comprehensive loss for the period	1,215,702	475,949	1,571,059	847,066
Loss and comprehensive loss per share – basic and diluted	\$0.01	\$0.01	\$0.01	\$0.01
Weighted average number of shares outstanding	119,060,464	74,384,365	110,236,547	74,344,814

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

El Nino Ventures Inc.
Condensed Interim Statements of Cash Flows
For the six months ended July 31, 2011 and 2010
(Unaudited)

(Expressed in Canadian Dollars)

	Six months ended July 31, 2011 \$	Six months ended July 31, 2010 \$ (Note 18)
Cash flows from operating activities		
Loss for the period	(1,571,059)	(847,066)
Items not affecting cash:		
Depreciation	5,338	11,302
Share-based payments (Note 8)	84,307	28,346
Write-down of investments (Note 4)	-	226,858
Changes in non-cash operating working capital:		
Amounts receivable and prepaids	(205,743)	(87,039)
Trade payables and accrued liabilities	13,884	(55,853)
	<u>(1,673,273)</u>	<u>(723,452)</u>
Cash flows from financing activities		
Issuance of common shares, net	<u>2,135,114</u>	<u>5,880</u>
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 5)	(195)	-
Purchase of investments (Note 4)	<u>-</u>	<u>(226,858)</u>
	<u>(195)</u>	<u>(226,858)</u>
Increase (decrease) in cash and cash equivalents	461,646	(944,430)
Cash and cash equivalents – Beginning of period	<u>724,673</u>	<u>1,434,475</u>
Cash and cash equivalents – End of period	<u>1,186,319</u>	<u>490,045</u>

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

El Nino Ventures Inc.

Condensed Interim Statements of Changes in Equity

For the six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital \$	Reserves		Deficit \$	Total Equity \$
			Stock Options Reserve \$	Warrants Reserve \$		
Balance – February 1, 2010	74,303,930	20,974,662	1,281,364	3,426,610	(24,189,366)	1,493,270
Common shares issued for properties	100,000	6,000	-	-	-	6,000
Share issue costs	-	(120)	-	-	-	(120)
Share-based payments	-	-	28,346	-	-	28,346
Expiry of warrants	-	31,509	-	(31,509)	-	-
Loss for the period	-	-	-	-	(847,066)	(847,066)
Balance – July 31, 2010 (Note 18)	<u>74,403,930</u>	<u>21,012,051</u>	<u>1,309,710</u>	<u>3,395,101</u>	<u>(25,036,432)</u>	<u>680,430</u>
Common shares issued for cash	16,135,000	806,750	-	-	-	806,750
Fair value allocated to warrants	-	(398,614)	-	398,614	-	-
Share issue costs	-	(14,504)	-	-	-	(14,504)
Share-based payments	-	-	55,774	-	-	55,774
Loss for the period	-	-	-	-	(758,009)	(758,009)
Balance – January 31, 2011	<u>90,538,930</u>	<u>21,405,683</u>	<u>1,365,484</u>	<u>3,793,715</u>	<u>(25,794,441)</u>	<u>770,441</u>
Common shares issued for cash	23,259,422	1,628,160	-	-	-	1,628,160
Flow-through common shares issued for cash	5,000,000	455,000	-	-	-	455,000
Exercise of warrants	285,714	50,731	-	(12,874)	-	37,857
Fair value allocated to warrants	-	(781,385)	-	781,385	-	-
Share issue costs	-	(30,903)	-	-	-	(30,903)
Share-based payments	-	-	84,307	-	-	84,307
Loss for the period	-	-	-	-	(1,571,059)	(1,571,059)
Balance – July 31, 2011	<u>119,084,066</u>	<u>22,727,286</u>	<u>1,449,791</u>	<u>4,562,226</u>	<u>(27,365,500)</u>	<u>1,373,803</u>

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

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

1. Nature of operations and going concern

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

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

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

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

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

2. Significant accounting policies

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, “*Interim Financial Reporting*”, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These are the Company’s second condensed interim financial statements prepared in accordance with IAS 34 and IFRS using accounting policies consistent with IFRS. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on January 31, 2012, the Company’s first annual IFRS reporting date. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s first condensed interim financial statements prepared in accordance with IAS 34 and IFRS dated April 30, 2011 as well as the Company’s annual financial statements for the year ended January 31, 2011 prepared in accordance with previous Canadian generally accepted accounting principles (“Canadian GAAP”).

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

2. Significant accounting policies, continued

Basis of Preparation

These condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. These financial statements are presented in Canadian dollars.

The preparation of condensed interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

Accounting Changes

These condensed interim financial statements follow the same accounting policies and methods of their application as the Company's first condensed interim financial statements prepared in accordance with IAS 34 and IFRS and as such should be read in conjunction with the Company's condensed interim financial statements for the three months ended April 30, 2011.

IFRS Standards issued but not yet effective:

IFRS 9, *Financial Instruments*

IFRS 7 (Amendment), *Financial Instruments: Disclosure*

IAS 12 (Amendment), *Income Taxes*

IFRS 10, *Consolidated Financial Statements*

IFRS 11, *Joint Arrangements*

IFRS 12, *Disclosure of Interests in Other Entities*

IFRS 13, *Fair Value Measurement*

IAS 27 (Amendment), *Separate Financial Statements*

IAS 28 (Amendment), *Investments in Associates and Joint Ventures*

The Company anticipates that the application of these standards and amendments will not have a material impact on the results and financial position of the Company.

3. Amounts receivable and prepaids

	July 31, 2011	January 31, 2011
Harmonized Sales Tax / Goods and Services Tax credit	\$ 21,536	\$ 17,091
Advances	120,696	20,135
Prepaids	113,368	12,631
Total	\$ 255,600	\$ 49,857

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

4. Investments

For the six month periods ended July 31, 2011 and 2010, the Company accounted for its investments in Infinity Resources SPRL (“Infinity”) and Harmony Resources SPRL (“Harmony”) using the cost method as the Company did not exercise control or significant influence over its investments in Infinity and Harmony during the six month periods ended July 31, 2011 and 2010 (Notes 6a and 15).

During the three and six month periods ended July 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 \$Nil and \$Nil, respectively (2010: \$128,007 and \$226,858, respectively) to a fair value of \$1.

5. Property, plant and equipment

A summary of the changes in the Company’s equipment for the six months ended July 31, 2011 is as follows:

	Computer and field equipment	Furniture and office equipment	Software	Total
Cost				
At January 31, 2011	\$ 15,466	\$ 50,019	\$ 8,325	\$ 73,810
Additions	195	-	-	195
Disposals	-	-	-	-
At July 31, 2011	\$ 15,661	\$ 50,019	\$ 8,325	\$ 74,005
Depreciation				
At January 31, 2011	\$ 14,793	\$ 32,454	\$ 8,325	\$ 55,572
Change for the period	336	5,002	-	5,338
At July 31, 2011	\$ 15,129	\$ 37,456	\$ 8,325	\$ 60,910
Net book value				
At January 31, 2011	\$ 673	\$ 17,565	\$ -	\$ 18,238
At July 31, 2011	\$ 532	\$ 12,563	\$ -	\$ 13,095

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

5. Property, plant and equipment, continued

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

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

6. Exploration and evaluation properties

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

	Option maintenance costs	Exploration costs	Option payments received	July 31, 2011
Murray Brook Project, Canada	\$ -	\$ 611,035	\$ -	\$ 611,035
Infinity Project, DRC	634,410	6,339,667	-	6,974,077
Bathurst Zinc Project, Canada	169,631	5,443,031	-	5,612,662
Zinc Project, Ireland	52,969	551,536	-	604,505
Bancroft Properties, Canada	110,463	358,356	(386,250)	82,569
Harmony / Phoenix Projects, DRC	250,850	-	-	250,850
Total	\$ 1,218,323	\$ 13,303,625	\$ (386,250)	\$ 14,135,698

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

6. Exploration and evaluation properties, continued

a. DRC Projects

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

i. Kasala Project (formerly Infinity Project)

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

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

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

During the six months ended July 31, 2011 and 2010, the Company accounted for its investment in Infinity using the cost method (Note 4).

ii. Harmony Project

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

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

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

6. Exploration and evaluation properties, continued

a. DRC Projects, continued

ii. Harmony Project, continued

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

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

During the six months ended July 31, 2011 and 2010, the Company accounted for its investment in Harmony using the cost method (Note 4).

iii. Phoenix Project

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

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

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

b. Bathurst Mining Camp Project (TriParty Agreement)

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

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

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

6. Exploration and evaluation properties, continued

c. Murray Brook Project

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

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

During the six months ended July 31, 2011, the Company incurred exploration expenditures of \$611,035 related to the Murray Brook Project.

d. Bancroft Properties, Bancroft, Ontario, Canada

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

The Halo Project is subject to a 3% Net Smelter Return Royalty ("NSR") and the Company has the option to purchase 1% of the total NSR for \$250,000. The Silver Crater Project is subject to a 3% NSR and the Company has the option to purchase 1% of the total NSR for \$250,000.

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

7. Share capital

Authorized

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

Issued and outstanding

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

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

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

7. Share capital, continued

Issued and outstanding, continued

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

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

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

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

On May 6, 2011, a total of 100,000 common shares were issued upon exercise of share purchase warrants at \$0.10 per share for total proceeds of \$10,000.

On May 10, 2011, a total of 185,714 common shares were issued upon exercise of share purchase warrants at \$0.15 per share for total proceeds of \$27,857.

8. Stock options and warrants

Stock options

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

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

8. 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, 2011	3,535,000	\$0.18
Granted	3,610,000	\$0.17
Exercised	-	-
Expired	(75,000)	\$0.50
Forfeited	(583,330)	\$0.16
Balance – July 31, 2011	6,486,670	\$0.17

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

Number of stock options outstanding	Number of stock options vested	Exercise Price	Expiry Date
240,000	240,000	\$0.60	July 11, 2012
500,000	500,000	\$0.10	December 29, 2013
2,336,670	1,905,009	\$0.15	June 25, 2015
3,410,000	-	\$0.17	May 24, 2016
6,486,670	2,645,009		

Share-based payments for the three and six months ended July 31, 2011 was \$75,361 and \$84,307, respectively (2010: \$22,346 and \$28,346, respectively).

A weighted average grant-date fair value of \$0.11 for options granted during the six months ended July 31, 2011 was determined using the Black-Scholes Option Pricing Model using the following assumptions:

	July 31, 2011
Risk-free interest rate	2.42%
Expected life	5.00 years
Expected volatility	150.07%
Expected dividend yield	-

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

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

8. Stock options and warrants, continued

Warrants

Warrant activity is summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance – January 31, 2011	48,429,571	\$0.13
Granted	14,129,736	\$0.12
Exercised	(285,714)	\$0.13
Expired	(27,108,857)	\$0.15
Balance – July 31, 2011	35,164,736	\$0.11

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

Date issued	Number of Shares	Exercise Price	Expiry Date
January 22, 2010	5,000,000	\$0.15	January 22, 2012
October 5, 2010	16,035,000	\$0.10	October 5, 2013
March 28, 2011	10,991,851	\$0.10	September 28, 2012
March 28, 2011	2,250,000	\$0.20	March 28, 2012
April 8, 2011	637,885	\$0.10	October 8, 2012
April 8, 2011	250,000	\$0.20	April 8, 2012
Balance – July 31, 2011	35,164,736	\$0.11	

The fair value of the share purchase warrants issued during the six months ended July 31, 2011 was \$781,385 (2010: \$Nil). The allocation of the fair value of the share purchase warrants included in unit offerings is estimated on the date of issuance of the unit using the Black-Scholes Option Pricing Model with the following assumptions:

	July 31, 2011
Risk-free interest rate	1.71%
Expected life	1.41 years
Expected volatility	149.75%
Expected dividend yield	-

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

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

9. Income taxes

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

10. Related party transactions

The key management personnel compensation is as follows:

	Three months ended July 31, 2011	Three months ended July 31, 2010	Six months ended July 31, 2011	Six months ended July 31, 2010
Management and other fees	45,000	43,500	74,000	72,500
Salaries and wages	22,142	16,594	42,877	39,115
Bonus	-	-	118,900	-
Share-based payments	51,508	1,217	58,671	3,078
	118,650	61,311	294,448	114,693

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.

11. Capital management

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

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

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

There were no changes in the Company's approach to capital management during the six months ended July 31, 2011. The Company is not subject to externally imposed capital requirements.

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

12. Financial instruments

Fair values

As at July 31, 2011, the Company's carrying values of cash and cash equivalents, amounts receivable and trades payable approximate their fair values due to their short term maturity.

As at July 31, 2011	Fair value hierarchy	FVTPL, at fair value	Loans and receivables, at amortized cost	Available-for-sale, at fair value	Other liabilities, at amortized cost
Cash and cash equivalents	Level 1	1,186,319	-	-	-
Amounts receivable	N/A	-	142,232	-	-
Available-for-sale securities	Level 1	-	-	1	-
Investments	Level 3	-	-	1	-
Trades payable	N/A	-	-	-	13,713

As at January 31, 2011	Fair value hierarchy	FVTPL, at fair value	Loans and receivables, at amortized cost	Available-for-sale, at fair value	Other liabilities, at amortized cost
Cash and cash equivalents	Level 1	724,673	-	-	-
Amounts receivable	N/A	-	37,226	-	-
Available-for-sale securities	Level 1	-	-	1	-
Investments	Level 3	-	-	1	-
Trades payable	N/A	-	-	-	-

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

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

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

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

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions as determined by rating agencies. Amounts receivable consist of Harmonized Sales Tax receivable of \$21,536 (January 31, 2011: \$17,091) and other advances receivable of \$120,696 (January 31, 2011: \$20,135). The Company is not subject to a significant credit risk.

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

12. Financial instruments, continued

Currency risk

For the six months ended July 31, 2011, a significant portion of the Company's operation was in the DRC. As a result, a portion of the Company's receivables, payables and accruals were denominated in the US dollar and were therefore subject to fluctuation in exchange rates.

As at July 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. However, the Company considers its currency risk to be insignificant.

Liquidity risk

The Company is reliant upon equity issuances as its sole source of cash. The Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its ongoing obligations. The Company continuously reviews its actual expenditures and forecast cash flows and matches the maturity dates of its cash and cash equivalents to capital and operating needs. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at July 31, 2011, the Company had a working capital of \$1,360,707 (January 31, 2011: \$752,202).

Other risks

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

13. Segmented information

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

The breakdown by geographic area for the six month period ended July 31, 2011 is as follows:

	Canada	DRC	Total
Total expenses	\$ 1,354,947	\$ 216,112	\$ 1,571,059
Current assets	\$ 1,441,920	\$ -	\$ 1,441,920
Property, plant and equipment	\$ 13,095	\$ -	\$ 13,095
Other assets	\$ 1	\$ -	\$ 1
Total assets	\$ 1,455,016	\$ -	\$ 1,455,016

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

13. Segmented information, continued

The breakdown by geographic area for the six month period ended July 31, 2010 is as follows:

	Canada	DRC	Total
Total expenses	\$ 847,066	\$ -	\$ 847,066
Current assets	\$ 690,503	\$ -	\$ 690,503
Property, plant and equipment	\$ 25,818	\$ -	\$ 25,818
Other assets	\$ 1	\$ -	\$ 1
Total assets	\$ 716,322	\$ -	\$ 716,322

14. Supplemental cash flow information

Income taxes and interest paid during the three and six months ended July 31, 2011 and 2010:

	Three months ended July 31, 2011	Three months ended July 31, 2010	Six months ended July 31, 2011	Six months ended July 31, 2010
Income taxes paid	\$ -	\$ -	\$ -	\$ -
Interest paid	-	-	-	-
Balance – End of period	\$ -	\$ -	\$ -	\$ -

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

15. Contingencies

- During a prior year, the Company was served with two separate claims filed in the DRC by Georges Kavvadias, GCP and PMC. An order for the garnishment of the shares held by the Company in the share capital of Infinity was rendered to guarantee payment of an alleged debt towards GCP and PMC. GCP was claiming fees and expenses of US\$82,312, plus damages, alleged to be owing to them by the Company in connection with the provision of services alleged to have been rendered by GCP and Infinity (Note 6a(i)). PMC alleged that the Company was obligated under the termination agreement to make the first anniversary payment to PMC of US\$250,000 as well as to pay damages (Note 6a(iii)). In May 2010, the Company received notice that the claims commenced in the DRC was dismissed by the Tribunal of Commerce of Lubumbashi (the "Tribunal"). The Company successfully argued that the jurisdiction for hearing the claims is in British Columbia and not the DRC. As well, the orders for garnishment of the shares held by the Company in the share capital of Infinity have been removed and remain registered in the Company's name contrary to the representations of Georges Kavvadias and GCP. Although an appeal has been filed by Georges Kavvadias and GCP, they have not complied with certain court orders and unless they do so, the courts will be dismissing them as a normal course of business before the end of October, 2011. As a loss is not deemed to be likely, no accruals have been made as of July 31, 2011.

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

15. Contingencies, continued

- b. On May 18, 2010, the Company delivered the final payments due under the Mineral Property Option Agreement with GCP to the Company's legal counsel, to be held in trust pending the decision by the courts in British Columbia (Note 6a(i)). On May 21, 2010, the Company received a notice of default related to the Mineral Property Option Agreement with GCP. GCP is also claiming that the Company has failed to pay exploration and development costs in the amount of US\$296,627. The Company denies it is in default and that it is indebted at all to GCP. The Company has served Georges Kavvadias and GCP a Notice of Dispute and petitioned the Supreme Court of British Columbia in response to two alleged defaults of the Mineral Property Option Agreement. The Company has stated in its Notice of Dispute and is prepared to prove:
- The amounts claimed are not due and owing and that Georges Kavvadias and GCP, despite repeated requests by the Company, are unable to provide an accounting of the funds entrusted with him for the advancement of exploration works in the DRC;
 - GCP is in breach of the Representations and Warranty contained in the Mineral Property Option Agreement; and
 - A claim of US\$850,349, for the right to set-off, as against any sums which may be due and owing to Georges Kavvadias and GCP, as well as unspecified damages for breach of the agreements by Georges Kavvadias and GCP and for further damages for fraud and fraudulent misrepresentation by Georges Kavvadias and GCP.

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

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

- c. Pursuant to the application filed by the Company in the DRC, the minutes appointing Georges Kavvadias as the General Manager were declared null and void by the Tribunal. The application to remove Georges Kavvadias as General Manager has been granted. An interim General Manager was appointed with a mandate to calling a shareholders' meeting of Infinity to appoint a new General Manager.
- d. The Company has been made aware of an attempt by Georges Kavvadias to fraudulently transfer the Kasala permits from Infinity to a company controlled by Georges Kavvadias. The Company submitted an application to prevent Cadastre Minier ("CAMI") from transferring the exploration permits.

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

16. Corporate costs

Details of corporate costs are as follows:

	Three months ended July 31, 2011 \$	Three months ended July 31, 2010 \$	Six months ended July 31, 2011 \$	Six months ended July 31, 2010 \$
Audit, accounting and legal	57,283	72,429	68,231	110,826
Labour, consulting and management fees	288,054	165,447	560,736	265,326
Office and miscellaneous	41,016	40,947	70,872	83,241
Promotion and shareholder relations	106,739	13,728	112,374	34,205
Transfer and filing fees	13,024	19,827	36,475	32,759
Travel	17,398	8,486	15,320	46,265
Corporate costs for the period	\$ 523,514	\$ 320,864	\$ 864,008	\$ 572,622

17. Subsequent events

No reportable events occurred from July 31, 2011 to the date the financial statements were available to be issued on September 28, 2011.

18. Transition to International Financial Reporting Standards

The Company has adopted IFRS with a transition date of February 1, 2010 (the "Transition Date"), the details of which are described in the condensed interim financial statements for the three months ended April 30, 2011. Under IFRS 1, "*First-time Adoption of International Financial Reporting Standards*", the IFRS are applied retrospectively at the Transition Date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit unless certain exemptions are applied.

a. Flow-through Shares

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

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

18. Transition to International Financial Reporting Standards, continued

a. Flow-through Shares, continued

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

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

b. Reclassification within Equity section

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

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

18. Transition to International Financial Reporting Standards, continued

Reconciliation of Statement of Financial Position as at July 31, 2010:

	Notes	Canadian GAAP \$	IFRS Adjustments \$	IFRS \$
Assets				
Current assets				
Cash and cash equivalents		490,045	-	490,045
Amounts receivable and prepaids		200,457	-	200,457
Available-for-sale securities		1	-	1
		<u>690,503</u>	<u>-</u>	<u>690,503</u>
Non-current assets				
Investments		1	-	1
Property, plant and equipment		25,818	-	25,818
Total assets		<u>716,322</u>	<u>-</u>	<u>716,322</u>
Liabilities				
Current liabilities				
Trade payables and accrued liabilities		<u>35,892</u>	<u>-</u>	<u>35,892</u>
Equity				
Share capital	18(a)	19,689,413	1,322,638	21,012,051
Contributed surplus	18(b)	4,704,811	(4,704,811)	-
Stock options reserve	18(b)	-	1,309,710	1,309,710
Warrants reserve	18(b)	-	3,395,101	3,395,101
Deficit	18(a)	<u>(23,713,794)</u>	<u>(1,322,638)</u>	<u>(25,036,432)</u>
		<u>680,430</u>	<u>-</u>	<u>680,430</u>
Total liabilities and equity		<u>716,322</u>	<u>-</u>	<u>716,322</u>

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

18. Transition to International Financial Reporting Standards, continued

Reconciliation of Statement of Loss and Comprehensive Loss for the three months ended July 31, 2010:

	Canadian GAAP \$	IFRS Adjustments \$	IFRS \$
Notes			
General and Administrative Expenses			
Corporate costs	320,864	-	320,864
Share-based payments	22,346	-	22,346
Depreciation	3,790	-	3,790
Loss before other items	347,000	-	347,000
Other items			
Foreign exchange loss	945	-	945
Interest income	(3)	-	(3)
Write-down of investments	128,007	-	128,007
	128,949	-	128,949
Loss and comprehensive loss for the period	475,949	-	475,949

Reconciliation of Statement of Loss and Comprehensive Loss for the six months ended July 31, 2010:

	Canadian GAAP \$	IFRS Adjustments \$	IFRS \$
Notes			
General and Administrative Expenses			
Corporate costs	572,622	-	572,622
Share-based payments	28,346	-	28,346
Depreciation	11,302	-	11,302
Loss before other items	612,270	-	612,270
Other items			
Foreign exchange loss	7,941	-	7,941
Interest income	(3)	-	(3)
Write-down of investments	226,858	-	226,858
	234,796	-	234,796
Loss and comprehensive loss for the period	847,066	-	847,066

El Nino Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended July 31, 2011 and 2010

(Expressed in Canadian Dollars)

18. Transition to International Financial Reporting Standards, continued

Reconciliation of Statement of Cash Flows for the six months ended July 31, 2010:

	Canadian GAAP \$	IFRS Adjustments \$	IFRS \$
Notes			
Cash flows from operating activities			
Loss for the period	(847,066)	-	(847,066)
Items not affecting cash:			
Depreciation	11,302	-	11,302
Share-based payments	28,346	-	28,346
Write-down of investments	226,858	-	226,858
Changes in non-cash operating working capital:			
Amounts receivable and prepaids	(87,039)	-	(87,039)
Trade payables and accrued liabilities	(55,853)	-	(55,853)
	(723,452)	-	(723,452)
Cash flows from financing activities			
Issuance of common shares, net	5,880	-	5,880
Cash flows from investing activities			
Purchase of investments	(226,858)	-	(226,858)
Decrease in cash and cash equivalents	(944,430)	-	(944,430)
Cash and cash equivalents, beginning of period	1,434,475	-	1,434,475
Cash and cash equivalents, end of period	490,045	-	490,045



**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JULY 31, 2011**

September 28, 2011

The following management discussion and analysis (“MD&A”) should be read in conjunction with the unaudited condensed interim financial statements and accompanying notes (“Financial Statements”) of El Nino Ventures Inc. (the “Company”) for the six months ended July 31, 2011. Results have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and reported in Canadian dollars unless otherwise indicated.

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

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

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1. Overview of the Company

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

As at September 28, 2011 the Company had 119,084,066 shares outstanding with a total market capitalization of approximately \$11.9 million. The Company shares trade on the TSX Venture Exchange (“ELN”) and the Frankfurt Stock Exchange (“E7Q”).

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

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

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

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

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

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

Harmony Project – The Company entered into a Letter of Intent (“LOI”) with MIMCO AG (“MIM”) to acquire a 70% interest in a mineral research permit #2461 (the “Harmony Project”) in the Copperbelt region, 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.

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Going Concern

At July 31, 2011, the Company had cash and cash equivalents of \$1,186,319, working capital of \$1,360,707 and a deficit of \$27,365,500. The funds on hand at July 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.

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

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

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

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

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

3. Project Updates

a) Kasala Project (formerly Infinity Project)

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

TABLE 1: (\$000's)

Kasala Project, DRC

	31-Oct-09	31-Jan-10	30-Apr-10	31-Oct-10	31-Jan-11	30-Apr-11	Three Months Ended		LTD
	Q3-10	Q4-10	Q1-11	Q3-11	Q4-11	Q1-12	31-Jul-11	31-Jul-10	
Drilling	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,315
Consulting and labour	-	-	-	-	-	-	-	-	1,210
Assay	-	-	-	-	-	-	-	-	637
Asset retirement obligation	-	-	-	-	-	-	-	-	43
Geological and field	-	-	-	-	-	-	-	-	1,168
Option maintenance costs	-	-	-	-	-	-	-	-	632
Travel and accomodation	-	-	-	-	-	-	-	-	161
Depreciation and amortization	-	-	-	-	-	-	-	-	160
Geophysics	-	-	-	-	-	-	-	-	648
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,974

2010 Exploration Program

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

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

2011 Projection

As at September 16, 2011, there were no new drill holes and no new geochemistry in place. Work on the Kasala project for 2011 YTD entailed compilation and thorough analysis of all earlier geochemistry and airborne geophysics (radiometric and magnetic) with geology, stratigraphy, topography, hydrology, satellite and existing, publicly available maps and data to refine the exploration target area and identify new drill targets.

Historical Exploration/Drilling

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

b) Harmony Project

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

c) Bathurst Zinc Project

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

2011 Projection

An Airborne survey was performed in February 2011, and as at July 31, 2011, results are pending. For the six months ended July 31, 2011, 6,500 meters of drilling took place. \$1 million in expenditures are projected to be incurred for the remainder of Fiscal 2011, and an additional 6,600 meters of drilling is expected to take place.

2011 Projection

An Airborne survey was performed in February 2011, and as at July 20, 2011, results are pending. For the three months ended April 30, 2011, 6,500 meters of drilling took place. \$1 million in expenditures are projected to be incurred for the remainder of Fiscal 2011, and an additional 6,600 meters of drilling is expected to take place. As at September 16, 2011, it has been informed that drilling was unable to be done for Q3 due to legal issues withholding access.

d) Ireland Zinc Project

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

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

TABLE 2: (\$000's)

Zinc Project, Ireland

	31-Oct-09	31-Jan-10	30-Apr-10	31-Oct-10	31-Jan-11	30-Apr-11	Three Months Ended		LTD
	Q3-10	Q4-10	Q1-11	Q3-11	Q4-11	Q1-12	31-Jul-11	31-Jul-10	
Option maintenance costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53
Consulting and labour	-	11	-	-	-	-	-	-	262
Geological and field	-	1	-	-	-	-	-	-	8
Drilling	-	-	-	-	-	-	-	-	272
Travel and accomodation	-	-	-	-	-	-	-	-	8
Total	\$ -	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 603

4. Financial Performance Review

Exploration Expenditures

TABLE 3: (\$000's)

Exploration Expenditures	31-Oct-09	31-Jan-10	30-Apr-10	31-Oct-10	31-Jan-11	30-Apr-11	Three Months Ended	
	Q3-10	Q4-10	Q1-11	Q3-11	Q4-11	Q1-12	31-Jul-11	31-Jul-10
By type:								
Drilling and assay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Asset retirement obligation	-	-	-	-	-	-	-	-
Consulting and labour	-	11	-	-	-	-	-	-
Geological and field	-	1	-	-	-	-	-	-
Option maintenance costs	-	-	-	-	-	-	-	-
Geophysics	-	-	-	-	-	-	-	-
Travel and accomodation	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-
Total	\$ -	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
By project:								
Infinity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bathurst	-	-	-	-	-	-	-	-
Ireland	-	12	-	-	-	-	-	-
Bancroft	-	-	-	-	-	-	-	-
Harmony/Phoenix	-	-	-	-	-	-	-	-
Total	\$ -	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Other Expenses and items

TABLE 4: (\$000's)

Other Expenses	31-Oct-09	31-Jan-10	30-Apr-10	31-Oct-10	31-Jan-11	30-Apr-11	Three Months Ended	
	Q3-10	Q4-10	Q1-11	Q3-11	Q4-11	Q1-12	31-Jul-11	31-Jul-10
By type:								
Corporate costs	\$ 165	\$ 368	\$ 340	\$ 339	\$ 300	\$ 340	\$ 524	\$ 321
Stock based compensation	15	-	9	36	20	9	75	22
Loss on derecognition of assets & liabilities	-	748	-	-	-	-	-	-
Write-down of investments	-	1,105	-	17	42	-	-	128
Depreciation and amortization	4	-	3	4	4	3	3	4
Interest Income	(1)	1	(3)	-	-	(3)	(1)	-
Foreign Exchange	1	(70)	6	2	(6)	6	4	1
Total	\$ 184	\$ 2,152	\$ 355	\$ 398	\$ 360	\$ 355	\$ 605	\$ 476

For the six months ended July 31, 2011, total other expenses were \$960,024 (2010: \$847,066), an increase of \$112,958. The increase is mainly due to an increase in corporate costs of \$291,386 and share based payments of \$55,961 partly offset by a decrease in write-down of investments in Infinity and Harmony of \$226,858

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Increase in corporate costs from \$572,622 in 2010 to \$864,008 in 2011 is mainly due to increase in labour, consulting and management fees and promotion and shareholder relations. Labour, consulting and management fees increased by \$295,410 as a result of providing a one-time bonus to its directors and officers during the six months ended July 31, 2011.

Audit, accounting and legal fees decreased by \$42,595, office and miscellaneous costs decreased by \$12,369 and travel costs decreased by \$30,945 due to decreased corporate activities. Transfer and filing fees increased by \$3,716 primarily due to recent private placement offerings.

5. Financial Position

TABLE 5: (\$000's)

Summary Financial Positions

	July 31, 2011	January 31, 2011	February 1, 2010
Cash and cash equivalents	\$ 1,186	\$ 725	\$ 1,435
Amounts receivable and prepaids	256	50	113
Property, plant and equipment	13	18	37
Total Assets	\$ 1,455	\$ 793	\$ 1,585
Trades payable and accrued liabilities	\$ 36	\$ 22	\$ 92
Flow-through tax liabilities	45	-	-
Total Liabilities	\$ 81	\$ 22	\$ 92
Share capital	\$ 22,727	\$ 21,406	\$ 20,974
Contributed surplus	6,012	5,159	4,708
Deficit	(27,365)	(25,794)	(24,189)
Total shareholders' equity	\$ 1,374	\$ 771	\$ 1,493

Amounts receivable and prepaids totaled \$255,600 (January 31, 2011: \$49,857) comprised of Harmonized Sales Tax receivable of \$21,536 (January 31, 2011: \$17,091); exploration advances of \$120,696 (January 31, 2011: \$20,135), prepaid insurance of \$22,518 (January 31, 2011: \$7,301), and other prepaid expenses of \$90,850 (January 31, 2011: \$5,330).

Property, plant and equipment (net) were \$13,095 (January 31, 2011: \$18,238).

As at July 31, 2011, there were 119,084,066 shares (January 31, 2011: 90,538,930), issued and outstanding.

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

TABLE 6: Share Capital	Number of Shares	\$ Amount
Balance - January 31, 2011	90,538,930	21,405,683
Issued in private placements	28,259,422	2,083,160
Issued in exercise of warrants	285,714	50,731
Fair value on unit offerings assigned to warrants	-	(781,385)
Share issue costs	-	(30,903)
Balance - July 31, 2011	119,084,066	22,727,286

As at July 31, 2011 the Company had 6,486,670 (January 31, 2010: 3,535,000) stock options and 35,164,736 (January 31, 2011: 48,429,571) warrants outstanding.

6. Cash Flow, Liquidity and Capital Resources

TABLE 7: (\$000's)

Summary of Cash Flows	6 months ended July 31, 2011	6 months ended July 31, 2010
Net change of cash related to:		
Operations	\$ (1,673)	\$ (723)
Investing	-	(227)
Financing	2,135	6
Net change in cash during the period	\$ 462	\$ (944)
Cash & equiv. - Beginning of period	\$ 725	\$ 1,434
Cash & equiv. - End of period	\$ 1,187	\$ 490

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

Cash outflows from operating activities before working capital adjustments for the period were \$1,673,273 (2010: \$723,452) and consist of corporate costs and other general and administrative costs (see "Section 4 – Financial Performance Review" above).

Cash outflows from investing activities for the period were \$195 (2010: \$226,858) which primarily related to the purchase of property, plant and equipment.

Cash flows from financing activities for the period resulted in cash inflows of \$2,135,114 net (2010: outflows of \$5,880). The cash inflow consisted of non-brokered financing for gross proceeds of \$2,128,160 and the Company paid a finder's fees and other capital transaction costs totaling \$30,903..

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7. Contractual Obligations

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

8. Related Party Transactions

- a. For the six months ended July 31, 2011, the Company paid \$42,000 and \$53,500 (2010: \$35,000 and \$nil) for management fees and bonus, respectively, to a company controlled by the acting Chief Executive Officer.
- b. For the six months ended July 31, 2011, the Company paid \$32,000 and \$50,000 (2010: \$37,500 and \$nil) for consulting fees and bonus, respectively, to a company controlled by the Chief Financial Officer and director.
- c. For the six months ended July 31, 2011, the Company paid \$42,877 and \$4,900 (2010: \$39,115 and \$nil) for wages and bonus, respectively, to a corporate controller.
- d. For the six months ended July 31, 2011, the Company paid \$nil and \$10,500 (2010: \$nil and \$nil) for consulting fees and bonus, respectively, to directors.
- e. For the six months ended July 31, 2011, the Company expensed \$58,671 (2010: \$3,078) in share-based payments related to stock options previously granted to the key management personnel.

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

9. Critical Accounting Estimates and Risks & Uncertainties

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

Basis of presentation

For the six months ended July 31, 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 six months ended July 31, 2011. As a result, the Company's financial statements at July 31, 2011 and for the six months then ended do not include the assets and liabilities and results of operations of Infinity. During the six months ended July 31, 2011 and 2010, the Company recorded a provision for write-down of \$nil and \$286,217, respectively, as a result a write-down of the investments carried at cost to a fair value of \$1.

Exploration and evaluation properties

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

Investments

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

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

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

Property, plant and equipment

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

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

Asset impairment

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

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

Restoration and Environmental Obligations

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

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are expensed as exploration and evaluation costs with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are expensed in accordance with the Company's accounting policy for exploration and evaluation assets.

Foreign currency translation

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

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

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

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

Foreign Political Risk

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

Government Laws, Regulation & Permitting

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

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

Estimates of Mineral Resources

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

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

Key Management and Competition

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

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

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Title to Properties

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

Commodity Prices

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

10. Changes in accounting policies – initial adoption

Adoption of International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises would be replaced by IFRS for fiscal years beginning on or after January 1, 2011. The Company's interim financial statements prepared under IFRS are the condensed interim financial statements for the six months ended July 31, 2011 with the effective date of transition being February 1, 2010. These condensed interim financial statements include full disclosure of its new IFRS policies in Note 2.

Transition to IFRS

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

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

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

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

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

Canadian GAAP to IFRS differences

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

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

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

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

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

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11. Financial Instruments

Fair Values

As at July 31, 2011, the Company's carrying values of cash and cash equivalents, amounts receivable, and trades payable approximate their fair values due to their short term maturity.

	Fair value hierarchy	FVTPL, at fair value	Loans and receivables, at amortized cost	Available-for-sale, at fair value	Other liabilities, at amortized cost
Cash and cash equivalents	Level 1	1,186,319	-	-	-
Amounts receivable	N/A	-	255,600	-	-
Available-for-sale securities	Level 1	-	-	1	-
Investments	Level 3	-	-	1	-
Trades payable	N/A	-	-	-	-

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions as determined by rating agencies. Amounts receivable consist of Harmonized Sales Tax receivable of \$21,536 (2010: \$18,991) and other advances receivable of \$120,696 (2010: \$151,320). The Company is not subject to a significant credit risk.

Currency Risk

For the six months ended July 31, 2011, a significant portion of the Company's operation was in the DRC. As a result, a portion of the Company's receivables, payables and accruals were denominated in the US dollar and were therefore subject to fluctuation in exchange rates.

As at July 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. However, the Company considers its currency risk to be insignificant.

Liquidity Risk

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

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Other Risks

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

12. Subsequent events

No reportable events occurred from July 31, 2011 to the date the financial statements were available to be issued on September 28, 2011.

13. Forward Looking Information

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

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

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

14. Outlook

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

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

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

15. Additional Information

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

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TRADING SYMBOLS

TSX Venture Exchange: ELN
Frankfurt Stock Exchange: E7Q

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