# INCA ONE METALS CORP.

**(Formerly SUB Capital Inc.)**
**(An Exploration Stage Company)**

**Condensed Interim Consolidated Financial Statements (Unaudited)**
**(Expressed in Canadian Dollars)**

**Three Months Ended July 31, 2011 and 2010**

# INCA ONE METALS CORP.
**(Formerly SUB Capital Inc.)**

**(the “Company”)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Three months ended July 31, 2011 and 2010**

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The management of Inca One Metals Corp. is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed interim consolidated financial statements and are in accordance with IAS 34 - Interim Financial Reporting.

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

October 25, 2011

# INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)
(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(Expressed in Canadian Dollars)

| | July 31, 2011 | April 30, 2011 (Note 12) | May 1, 2010 (Note 12) |
|---|---|---|---|
| | $ | $ | $ |
| **ASSETS** | | | |
| CURRENT | | | |
| Cash and cash equivalents | 1,830,811 | 700,853 | 163,483 |
| Receivables and advances (Note 4) | 266,695 | 44,302 | 228,729 |
| Prepaid expenses and deposits | 123,730 | 1,200 | - |
| | 2,221,236 | 746,355 | 392,212 |
| Equipment (Note 5) | 3,023 | 2,321 | - |
| Exploration and evaluation assets (Note 6) | 326,410 | 158,097 | - |
| | 2,550,669 | 906,773 | 392,212 |
| **LIABILITIES** | | | |
| CURRENT | | | |
| Accounts payable and accrued liabilities | 58,541 | 71,658 | 54,830 |
| Loans payable (Note 7) | - | 120,000 | - |
| | 58,541 | 191,658 | 54,830 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital (Note 8) | 6,793,713 | 4,848,237 | 4,067,480 |
| Reserves | 738,211 | 516,967 | 448,745 |
| Deficit | (5,039,796) | (4,650,089) | (4,178,843) |
| | 2,492,128 | 715,115 | 337,382 |
| | 2,550,669 | 906,773 | 392,212 |

The accompanying notes are an integral part of these consolidated financial statements.

# INCA ONE METALS CORP.
(Formerly SUB Capital Inc.)
(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)
(Expressed in Canadian Dollars)

| Three months ended July 31, | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| **EXPENSES** | | |
| Consulting and management fees | 43,190 | 7,500 |
| Depreciation | 208 | - |
| Office, rent and administration | 23,943 | 4,061 |
| Professional fees | 16,638 | 8,762 |
| Regulatory fees | 2,904 | 3,450 |
| Share-based payments (Note 8(e)) | 221,244 | - |
| Transfer agent and shareholder information | 6,505 | 3,198 |
| Travel, advertising and promotion | 74,181 | 950 |
| | 388,813 | 27,921 |
| **LOSS BEFORE OTHER ITEMS** | (388,813) | (27,921) |
| **OTHER ITEMS** | | |
| Finance and other costs (Note 7) | (1,983) | (258) |
| Finance income | 1,089 | - |
| | (894) | (258) |
| **LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD** | (389,707) | (28,179) |
| **BASIC AND DILUTED LOSS PER SHARE (Note 8(g))** | (0.02) | - |

The accompanying notes are an integral part of these consolidated financial statements.

# INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)
(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
(Expressed in Canadian Dollars)

| | Share Capital | | Reserves | | | | Deficit | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Stock options | Warrants | Other | Total | | |
| | # | $ | $ | $ | $ | $ | $ | $ |
| **Balance, May 1, 2010** | **9,619,039** | **4,067,480** | **88,600** | **360,145** | **-** | **448,745** | **(4,178,843)** | **337,382** |
| Comprehensive loss for the period | - | - | - | - | - | - | (28,179) | (28,179) |
| Private placement | 805,001 | 72,450 | - | - | - | - | - | 72,450 |
| Share issue costs | - | (19,147) | - | - | - | - | - | (19,147) |
| Finder's fees | 80,500 | 7,245 | - | - | - | - | - | 7,245 |
| Escrow share cancellation | (109,245) | (42,931) | - | - | 42,931 | 42,931 | - | - |
| **Balance, July 31, 2010** | **10,395,295** | **4,085,097** | **88,600** | **360,145** | **42,931** | **491,676** | **(4,207,022)** | **369,751** |
| Comprehensive loss for the period | - | - | - | - | - | - | (443,067) | (443,067) |
| Exercise of warrants | 6,064,412 | 758,052 | - | - | - | - | - | 758,052 |
| Exercise of options | 12,000 | 2,640 | - | - | - | - | - | 2,640 |
| Transfer to share capital on exercise of options | - | 2,448 | (2,448) | - | - | (2,448) | - | - |
| Share-based payments | - | - | 27,739 | - | - | 27,739 | - | 27,739 |
| **Balance, April 30, 2011** | **16,471,707** | **4,848,237** | **113,891** | **360,145** | **42,931** | **516,967** | **(4,650,089)** | **715,115** |
| Comprehensive loss for the period | - | - | - | - | - | - | (389,707) | (389,707) |
| Private placement | 5,000,000 | 2,000,000 | - | - | - | - | - | 2,000,000 |
| Share issue costs | - | (183,582) | - | - | - | - | - | (183,582) |
| Finder's fees | 87,750 | 35,100 | - | - | - | - | - | 35,100 |
| Exercise of warrants | 751,667 | 93,958 | - | - | - | - | - | 93,958 |
| Share-based payments | - | - | 221,244 | - | - | 221,244 | - | 221,244 |
| **Balance, July 31, 2011** | **22,311,124** | **6,793,713** | **335,135** | **360,145** | **42,931** | **738,211** | **(5,039,796)** | **2,492,128** |

The accompanying notes are an integral part of these consolidated financial statements.

# INCA ONE METALS CORP.
(Formerly SUB Capital Inc.)
(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

| Three months ended July 31, | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| **CASH WAS PROVIDED BY (USED IN)** | | |
| **OPERATING ACTIVITIES** | | |
| Loss for the period | (389,707) | (28,179) |
| Adjustments for: | | |
| Depreciation | 208 | - |
| Share-based payments | 221,244 | - |
| Changes in non-cash working capital accounts | | |
| Receivables and advances | (223,992) | (4,378) |
| Prepaid expenses and deposits | (122,530) | (4,896) |
| Accounts payable and accrued liabilities | (30,882) | (3,606) |
| | (545,659) | (41,059) |
| **FINANCING ACTIVITIES** | | |
| Loans payable | (120,000) | - |
| Proceeds on issuance of securities | 1,947,075 | 278,838 |
| | 1,827,075 | 278,838 |
| **INVESTING ACTIVITIES** | | |
| Deferred costs | - | (10,545) |
| Purchase of equipment | (910) | - |
| Exploration and evaluation assets | (150,548) | - |
| | (151,458) | (10,545) |
| **INCREASE IN CASH AND CASH EQUIVALENTS** | 1,129,958 | 227,234 |
| Cash and cash equivalents, beginning of period | 700,853 | 163,483 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | 1,830,811 | 390,717 |
| **SUPPLEMENTARY INFORMATION** | | |
| Non-cash financing activities: | | |
| Shares issued for finder's fees (Note 8(c)) | 35,100 | - |

The accompanying notes are an integral part of these consolidated financial statements.

## NOTE 1 – NATURE OF OPERATIONS

Inca One Metals Corp. (the "Company") was incorporated under the laws of Canada on November 9, 2005. On November 25, 2009, the Company consolidated its capital stock on a ten-for-one basis. All share and per share information contained in these financial statements reflect the post-consolidated share numbers. On May 11, 2011, the Company changed its name from SUB Capital Inc. to Inca One Metals Corp. The Company's shares are traded on the TSX Venture Exchange ("Exchange") under the symbol "IO".

Effective September 5, 2008, the Company was designated as inactive and its listing was transferred to the NEX ("NEX") Board of the TSX Venture Exchange ("Exchange"). On June 25, 2010, the Company entered into an option agreement (Note 6(b)) for an asset acquisition and this transaction constituted the Company's Change of Business under the policies of the Exchange. On September 23, 2010, the Company received Exchange acceptance of its Change of Business and effective September 24, 2010, the Company's listing was transferred from the NEX to Tier 2 of the Exchange.

The head office and principal address of the Company are located at Suite 507 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's records office and registered office address is located at Suite 300 - 576 Seymour Street, Vancouver, British Columbia, Canada, V6B 3K1.

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts capitalized for resource properties and related deferred exploration expenditures are dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of its resource properties, the discovery of economically recoverable reserves, the attainment of future profitable production or proceeds from disposition of the Company's resource properties. The outcome of these matters cannot be predicted at this time.

The Company has a history of losses with no operating revenue, other than interest income and has working capital at July 31, 2011 of $2,162,695 (April 30, 2011 - $554,697). Management has estimated that the Company will have adequate funds from existing working capital to meet corporate, administrative and other obligations over the next twelve months. The Company will be required to raise additional capital in order to meet its option payments and incur expenditures to maintain its option to acquire an interest in the Las Huaquillas property and to fund working capital requirements in the long term. However, there can be no assurance that the Company will be able to obtain additional financial resources necessary and/or achieve profitability or positive cash flows. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying financial statements.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorized for issue on October 25, 2011 by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance and adoption of International Financial Reporting Standards ("IFRS")

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" and IFRS 1, "First time adoption of International Financial Reporting Standards ("IFRS")" using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended April 30, 2011 prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The basis of presentation of these condensed interim consolidated financial statements is different to that of the Company's most recent annual financial statements due to the first time adoption of IFRS.

The impact of the conversion from GAAP to IFRS is explained in note 12. Note 12 includes reconciliations of the Company's condensed interim consolidated statements of financial position and consolidated statements of loss and comprehensive loss for comparative periods prepared in accordance with GAAP and as previously reported to those prepared and reported in these unaudited condensed interim consolidated financial statements in accordance with IFRS.

(b) Basis of presentation and consolidation

The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted. The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Inca One Metals S.A., incorporated in Peru. All intercompany balances and transactions have been eliminated on consolidation.

The condensed interim consolidated financial statements of the Company have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as explained in note 2(n).

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - continued**

(c) Use of estimates and judgments

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

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments and other equity-based payments and the estimated useful life and recoverability of equipment. Actual results may differ from those estimates and judgments.

(d) Functional and presentation of foreign currency

The presentation currency and functional currency of the Company and its subsidiary is the Canadian dollar.

(e) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date and non-monetary assets and liabilities are translated at historical rates. Foreign currency gains and losses arising from translation are included in profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(g) Equipment

Equipment is carried at acquisition cost less accumulated depreciation. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. The annual rate used to compute depreciation is as follows:

| | | |
|---|---|---|
| Computer hardware | declining-balance basis | 30% |

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - continued**

(h) Exploration and evaluation assets

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage.

Once a right to explore a mineral property has been secured, exploration and evaluation expenditures are capitalized and include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Costs incurred before the Company has obtained the legal rights to explore a mineral property are expensed as incurred.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that mineral property are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective mineral properties.

(i) Impairment of non-financial assets

The carrying amount of the Company’s non-financial assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset’s fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - continued**

(j) Decommissioning obligation

The liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized decommissioning costs will be amortized to expense over the life of the related assets using the units-of-production method. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

As at July 31, 2011, April 30, 2011 and May 1, 2010, the Company has not commenced exploration work on its resource property.

(k) Share capital

Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

(l) Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(m) Loss per share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

As the Company reported losses for the three months ended July 31, 2011 and 2010, basic loss per share is equal to dilutive loss per share for the periods presented.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - continued**

(n) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading in the near future or are designated as such upon initial recognition. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are recorded at the date of obligation at fair value and are subsequently measured at amortized cost using the effective interest method.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

**NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS**

The following IFRS standards have been recently issued by the International Accounting Standards Board ("IASB"): Amendments to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Financial Statements and IFRS 13 Fair Value Measurement. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

(a) Amendments to IFRS 7, Financial instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments are effective for annual periods beginning on or after July 1, 2011.

(b) IFRS 9, Financial instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized costs or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

(c) IFRS 10, Financial statements

IFRS 10 Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on May 1, 2013 and is currently evaluating the impact on its consolidated financial statements.

(d) IFRS 13, Fair value measurement

IFRS 13, Fair Value Measurement ("IFRS 13") was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

(Expressed in Canadian Dollars)

## NOTE 4 – RECEIVABLES AND ADVANCES

| | July 31, 2011 | April 30, 2011 | May 1, 2010 |
|---|---|---|---|
| | $ | $ | $ |
| Share subscription receipts in transit | - | 1,599 | 218,290 |
| HST recoverable | 76,516 | 42,253 | 10,439 |
| Interest receivable | 1,539 | 450 | - |
| Advances to Minera Huaquillas SAC (Note 6(a)) | 64,890 | - | - |
| Advances receivable (Note 6(a)) | 123,750 | - | - |
| | **266,695** | **44,302** | **228,729** |

As at April 30, 2011, there was a share subscription receipt in transit of $1,599 from the exercise of 222,222 warrants at $0.125 per share which was received during the three months ended July 31, 2011.

On April 28, 2010, the Company issued 2,425,444 common shares at $0.09 per share pursuant to a private placement which the Company's lawyer was holding against payments in transit of $218,290, all of which were received during the year ended April 30, 2011.

## NOTE 5 – EQUIPMENT

| | Computer |
|---|---|
| | **$** |
| **Costs:** | |
| May 1, 2010 | - |
| April 30, 2011 | 2,731 |
| July 31, 2011 | 3,641 |
| **Depreciation:** | |
| May 1, 2010 | - |
| April 30, 2011 | 410 |
| Balance, July 31, 2011 | 618 |
| **Carrying amounts:** | |
| May 1, 2010 | - |
| April 30, 2011 | 2,321 |
| July 31, 2011 | 3,023 |

(Expressed in Canadian Dollars)

## NOTE 6 – EXPLORATION AND EVALUATION ASSETS

| | Las Huaquillas project Peru (a) | Thorburn Lake property Saskatchewan, Canada (b) | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance, May 1, 2010** | - | - | - |
| Acquisition Costs: | | | |
| Cash Consideration | 74,175 | 30,000 | 104,175 |
| Others (Professional and Regulatory Fees) | 83,922 | 10,545 | 94,467 |
| **Impairment of resource property** | - | (40,545) | (40,545) |
| **Balance, April 30, 2011** | 158,097 | - | 158,097 |
| Acquisition Costs: | | | |
| Cash Consideration | 60,740 | - | 60,740 |
| Others (Professional and Regulatory Fees) | 107,573 | - | 107,573 |
| **Balance, July 31, 2011** | 326,410 | - | 326,410 |

(a) Las Huaquillas project

On March 25, 2011, the Company entered into a definitive letter agreement (the “Agreement”) with Rial Minera SAC (“Rial”) and its shareholders (collectively the “Optionors”) pursuant to which the Company has been granted an option to acquire all of the issued and outstanding shares of Rial (the “Rial Shares”). Rial is a private Peruvian company that owns a 100% interest in the Las Huaquillas gold-copper project (the “Project”) located in the Department of Cajamarca in northern Peru. Pursuant to the Agreement, the Company can acquire 100% of the Rial Shares, of which 95% may be acquired by (a) paying an aggregate of US$5,000,000 to the Optionors; (b) issuing 5,000,000 common shares of the Company to the Optionors; and (c) incurring exploration expenditures of US$10,000,000 over a period of four years as follows:

(Expressed in Canadian Dollars)

**NOTE 6 – EXPLORATION AND EVALUATION ASSETS - continued**

(a) Las Huaquillas project - continued

| | Cash | | Common shares |
|---|---|---|---|
| | US$ | | # |
| Within 5 days of execution of the Letter Agreement | 75,000 | Paid | - |
| Within 5 days of Exchange approval | 125,000(1) (2) | | 200,000(1) |
| Concurrently with the execution of the public deed formalizing the mining assignment agreement ("dated July 26, 2011") | 50,000 | Paid | - |
| Within 5 days from the date in which the Supreme Decree is granted and published in the Official Gazette "EI Peruano" | 125,000 | | 125,000 |
| On or before January 26, 2012 | 125,000 | | 125,000 |
| On or before July 26, 2012 | 375,000 | | 375,000 |
| On or before July 26, 2013 | 1,500,000 | | 1,500,000 |
| On or before July 26, 2014 | 1,500,000 | | 1,550,000 |
| On or before July 26, 2015 | 1,125,000 | | 1,125,000 |
| Total | 5,000,000 | | 5,000,000 |

(1) Paid and issued subsequent to July 31, 2011.

(2) The Company advanced US$125,000 (CAD$123,750) to the Optionors pursuant to a loan agreement dated June 28, 2011. The loan was advanced against the above cash consideration to be paid to the Optionors. The loan was non-interest bearing and was to be settled upon the Company's receipt of Exchange approval of the acquisition. The Company received Exchange approval on August 19, 2011. (Note 4)

Upon the Company acquiring 95% of the Rial Shares, a 1% net smelter royalty shall be payable to the Optionors on all future production. After completion of the above cash and share payments and exploration expenditures, the Company may earn a further 5% of the Rial Shares by issuing an additional 3,000,000 common shares of the Company to one of the Optionors within 15 days of notice of exercise of the option ("Second Option"). In addition, the Company shall issue to one of the Optionors as bonus payments one common share of the Company per each new ounce of gold or gold equivalent that is found or determined to exist on the project, in excess of 560,000 ounces of gold or gold equivalent, to be delivered upon public announcement of such discovery.

Pursuant to the Agreement, Rial entered into a mining assignment agreement dated July 26, 2011 with Minera Huaquillas SAC ("Minera"), a Peruvian company engaged in the exploration of mineral properties, whereby Rial assigned all of its exploration rights and obligations related to the Project to Minera for a period of four years. On May 24, 2011, the Company entered into a loan agreement with Minera pursuant to which the Company will advance to Minera up to US$100,000 to fund its exploration activities on the Project. The loan is non-interest bearing and due within one year from the date of the last amount advanced. (Note 4)

(Expressed in Canadian Dollars)

**NOTE 6 – EXPLORATION AND EVALUATION ASSETS - continued**

(a) Las Huaquillas project – continued

As consideration for the acquisition, the Company entered into a finder's fee agreement dated July 31, 2011 and shall pay a finder's fee of US$282,500 and 400,000 common shares over a period of four years as follows:

| | Cash | Common shares |
|---|---|---|
| | US$ | # |
| Within 5 days of execution of the Letter Agreement | 7,500[1] | - |
| Within 5 days of Exchange approval | 12,500[1] | 10,000[1] |
| Concurrently with the execution of the public deed formalizing the Mining Assignment Agreement ("dated July 26, 2011") | 5,000[1] | - |
| Within 5 days from the date in which the Supreme Decree is granted and published in the Official Gazette "EI Peruano" | 10,625 | 6,250 |
| On or before January 26, 2012 | 9,375 | 6,250 |
| On or before July 26, 2012 | 28,125 | 18,750 |
| On or before July 26, 2013 | 78,125 | 75,000 |
| On or before July 26, 2014 | 75,000 | 77,500 |
| On or before July 26, 2015 | 56,250 | 56,250 |
| Within 15 days as of the date in which the Second Option is exercised by the Company | - | 150,000 |
| Total | 282,500 | 400,000 |

(1) Paid and issued subsequent to July 31, 2011.

(b) Thorburn Lake property

On June 25, 2010, the Company entered into an option agreement with Unity Energy Corp. ("Unity") whereby the Company could earn a 75% interest in the Thorburn Lake Property located within the Athabasca Basin, in the La Ronge Mining District of northern Saskatchewan (the "Property").

Unity had an option to acquire a 100% undivided interest in the Property pursuant to an agreement dated February 22, 2010 with GWN Investment Ltd. ("GWN") by paying GWN an aggregate of $610,000 over a period of three years, issuing 750,000 common shares of Unity to GWN and incurring $2,500,000 in exploration expenditures on the Property. In addition, there was reserved to GWN a 1% net smelter return ("NSR") which may be purchased at any time by Unity by paying GWN $1,000,000 less all amounts previously received by GWN as NSR payments.

## NOTE 6 – EXPLORATION AND EVALUATION ASSETS - continued

(b) Thorburn Lake property – continued

The Company could exercise the Option by paying Unity $30,000 (paid), making the above Underlying Payments directly to GWN and incurring $2,400,000 in exploration expenditures prior to February 22, 2014, including not less than $200,000 on or before December 31, 2011.

During the year ended April 30, 2011, the Company determined that it would not pursue the option agreement for the Thorburn Lake Property and as a result, $40,545 in resource property costs was written off.

## NOTE 7 – LOANS PAYABLE

During the year ended April 30, 2011, the Company arranged for loans totaling $120,000 pursuant to loan agreements dated August 16, 2010. The loans have a term of one year maturing August 31, 2011 and bear interest at 12% per annum. As at April 30, 2011, $60,000 of the $120,000 loan was payable to a company controlled by an officer of the Company. During the three months ended July 31, 2011, the loans were fully repaid, and the Company paid $1,105 (2010 - $Nil) in interest on the loans.

## NOTE 8 – SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited number of voting common shares without par value.

b) Issued share capital

At July 31, 2011, there were 22,311,124 issued and fully paid common shares (April 30, 2011 – 16,471,707).

c) Share issuances

During the three months ended July 31, 2011, the Company completed a private placement of 5,000,000 units at $0.40 per unit for gross proceeds of $2,000,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional common share of the Company at $0.75 per share expiring June 30, 2013. The warrants are subject to an acceleration provision whereby the warrant holders will be required to exercise their warrants within a period of 30 days if the Company's common shares close at or above $1.00 per share for 10 consecutive trading days, otherwise the warrants will, if not exercised, expire at the end of such 30 day period. Share issue costs with respect to the private placement totaled $183,582, which included finders' fees of $136,790, 87,750 common shares at a fair value of $35,100 and regulatory expenses of $11,692.

During the three months ended July 31, 2011, 751,667 common shares were issued on exercise of 751,667 warrants at $0.125 for proceeds of $93,958.

(Expressed in Canadian Dollars)

**NOTE 8 – SHARE CAPITAL AND RESERVES - continued**

c) Share issuances - continued

During the year ended April 30, 2011, the Company completed a private placement of 805,001 units at $0.09 per unit for gross proceeds of $72,450. Each unit consisted of one common share and one common share purchase warrant entitling its holder to acquire an additional common share at $0.125 per share on or before May 27, 2011. Share issue costs with respect to this private placement totaled $19,147, which included 80,500 common shares at a fair value of $7,245 and Legal fees of $11,902.

During the year ended April 30, 2011, 6,064,412 common shares were issued for gross proceeds of $758,052 on the exercise of 6,064,412 warrants at $0.125 per share.

During the year ended April 30, 2011, 12,000 stock options at $0.22 per share were exercised for total proceeds of $2,640. A reclassification of $2,448 from contributed surplus to share capital was recorded on the exercise of these options.

d) Escrow shares

As of July 31, 2011, the Company has 1,674,666 (April 30, 2011 – 1,674,666) common shares held in escrow. Pursuant to an escrow agreement dated July 7, 2010, 1,196,444 common shares of the Company were deposited in escrow in connection with the Company's Change of Business. In addition, a total of 260,000 stock options (120,000 at $0.135 expiring February 18, 2015 and 140,000 at $0.125 expiring April 17, 2015) and share purchase warrants to purchase up to 1,036,444 common shares of the Company at $0.125 expiring April 28, 2011, are also subject to the escrow agreement. During the year ended April 30, 2011, 777,333 warrants were exercised and 777,333 common shares were deposited into escrow.

Under the escrow agreement, 10% of the escrowed securities were released from escrow following receipt of Exchange approval of the Change of Business. The remaining 90% of the securities will be released from escrow in increments of 15% every six months thereafter over a period of thirty six months. In the event the Company becomes a Tier 1 issuer of the Exchange, the escrow release schedule will be accelerated to 18 months.

On July 26, 2010, 109,246 common shares held in escrow pursuant to an escrow agreement dated January 10, 2007 were cancelled and returned to treasury.

A summary of the status of the escrow shares outstanding follows:

| | Escrow shares<br>#|
|---|---|
| **Balance, May 1, 2010** | 109,246 |
| Cancelled | (109,246) |
| Deposited | 1,196,444 |
| Warrants exercised | 777,333 |
| Released | (299,111) |
| **Balance, July 31, 2011 and April 30, 2011** | 1,674,666 |

(Expressed in Canadian Dollars)

**NOTE 8 – SHARE CAPITAL AND RESERVES - continued**

e) Stock options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Stock options will be exercisable for a period of up to 10 years from the date of grant.

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of twelve months after such death, subject to the expiry date of such option.

A summary of the status of the options outstanding follows:

| | Options | Weighted Average Exercise Price |
|---|---|---|
| | # | $ |
| Balance, May 1, 2010 | 911,000 | 0.128 |
| Granted | 136,000 | 0.220 |
| Exercised | (12,000) | (0.220) |
| Balance, April 30, 2011 | 1,035,000 | 0.140 |
| Granted | 1,196,000 | 0.452 |
| Balance, July 31, 2011 | 2,231,000 | 0.307 |

The following table summarizes the options outstanding as at July 31, 2011:

(Expressed in Canadian Dollars)

**NOTE 8 – SHARE CAPITAL AND RESERVES - continued**

e) Stock options - continued

| Options | Weighted Average Remaining Contractual Life | Exercise Price | Expiry Date | Options Exercisable |
|---|---|---|---|---|
| # | | $ | | # |
| 311,000 [1] | 3.56 years | 0.135 | February 18, 2015 | 311,000 |
| 600,000 [1] | 3.69 years | 0.125 | April 7, 2015 | 600,000 |
| 124,000 | 9.26 years | 0.220 | September 23, 2020 | 124,000 |
| 376,000 | 9.79 years | 0.500 | May 13, 2021 | 94,000 |
| 820,000 | 9.98 years | 0.430 | July 21, 2021 | 317,500 |
| 2,231,000 | 7.32 years | 0.307 | | 1,446,500 |

[1] Of these options, 120,000 and 140,000 are held in escrow respectively (Note 8(d)).

During the three months ended July 31, 2011, the Company recognized share-based compensation expense of $221,244 (2010 - $Nil) for stock options granted to directors, officers and employees.

The fair value of stock options was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

| | 2011 | 2010 |
|---|---|---|
| Risk-Free Annual Interest Rate | 2.21% | - |
| Expected Annual Dividend Yield | 0% | - |
| Expected Stock Price Volatility | 196.49% | - |
| Average Expected Life of Options | 5.61 years | - |

The weighted average fair value of stock options granted during the three months ended July 31, 2011 was $0.41 (2010 - $Nil) per option.

(Expressed in Canadian Dollars)

**NOTE 8 – SHARE CAPITAL AND RESERVES - continued**

f) Warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of the warrants outstanding follows:

| | Warrants | Weighted Average Exercise Price |
|---|---|---|
| | # | $ |
| Balance, May 1, 2010 | 7,396,430 | 0.370 |
| Issued | 805,001 | 0.125 |
| Exercised | (6,064,412) | 0.125 |
| Balance, April 30, 2011 | 2,137,019 | 0.965 |
| Issued | 2,500,000 | 0.750 |
| Exercised | (751,667) | 0.125 |
| Balance, July 31, 2011 | 3,885,352 | 0.989 |

The following table summarizes the share purchase warrants outstanding at July 31, 2011:

| Warrants | Weighted Average Remaining Contractual Life | Exercise Price | Expiry Date |
|---|---|---|---|
| # | | $ | |
| 125,000 | 0.45 years | 2.000 | January 12, 2012 |
| 916,666 | 0.78 years | 1.500 | May 9, 2012 |
| 343,686 | 1.37 years | 1.000 | December 12, 2012 |
| 2,500,000 | 1.92 years | 0.750 | June 30, 2013 |
| 3,885,352 | 1.55 years | 0.989 | |

(Expressed in Canadian Dollars)

## NOTE 8 – SHARE CAPITAL AND RESERVES - continued

g) Loss per share

Basic loss per share is computed by dividing net loss for the period, applicable to common shareholders, by the weighted average number of common shares outstanding for the period, including contingently issuable shares when the conditions necessary for the issuance have been met. Diluted loss per share is calculated in a similar number except that the weighted average number of common shares outstanding is increased to include potential common shares from the assumed exercise of options, warrants and convertible securities, if dilutive.

| Three months ended July 31, | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| Loss per share - basic and diluted | 0.02 | - |
| Loss for the period | 389,707 | 28,179 |
| | # | # |
| Weighted average number of shares - basic and diluted | 18,844,856 | 10,247,165 |

## NOTE 9 – RELATED PARTY TRANSACTIONS

(a) Related party transactions

The Company incurred the following transactions with companies that are controlled by an officer of the Company and with companies having a director and an officer in common:

| Three months ended July 31, | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| Office, rent and administration | 9,900 | 3,300 |
| Legal fees and share issuance costs | 13,682 | 13,890 |
| Interest paid | 493 | - |
| | 24,075 | 17,190 |

(Expressed in Canadian Dollars)

**NOTE 9 – RELATED PARTY TRANSACTIONS - continued**

(b) Compensation of key management personnel

The Company's key management personnel has authority and responsibility for planning, directing and controlling the activities of the Company and consists of its Directors, Chief Executive Officer and Chief Financial Officer.

| Three months ended July 31, | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| Short-term benefits - management fees | 18,000 | 3,750 |
| Share-based compensation | 109,250 | - |
| | 127,250 | 3,750 |

(c) Related party balances

The following related party amounts were included in *(i)* accounts payable and accrued liabilities and *(ii)* prepaid expenses and deposits:

| | July 31, 2011 | April 30, 2011 |
|---|---|---|
| | $ | $ |
| Companies controlled by a director and an officer of the Company *(i)* | 12,163 | 13,630 |
| Company having an officer in common *(ii)* | 1,200 | 1,200 |

These transactions are in the normal course of operations and are measured at the fair value amount of consideration established and agreed to by the related parties. Any amounts due to related parties are unsecured, non-interest bearing and have no specific repayment terms.

**NOTE 10 – FINANCIAL RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks. All transactions undertaken are to support the Company's ongoing business and the Company does not acquire or issue derivative financial instruments for trading or speculative purposes. The Company's Board of Directors oversees management's risk management practices.

**NOTE 10 – FINANCIAL RISK MANAGEMENT - continued**

The risk exposure is summarized as follows:

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank guaranteed investment certificates and receivables and advances. Cash and cash equivalents consisting of Guaranteed Investment Certificates ("GICs") have been invested with Schedule 1 banks or equivalents, with its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Receivables and advances consist of harmonized sales tax recoverable, loans and advances receivable and interest receivable (Note 4).

b) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at July 31, 2011, the Company had cash and cash equivalents of \$1,830,811 to settle current liabilities of \$58,541 which consist of accounts payable that are considered short term and settled within 30 days. The Company believes that it has sufficient capital to meet its requirements for fiscal 2012.

c) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents attract interest at floating rates and have maturities of 90 days or less. A change of 100 basis points in the interest rates would not be material to the financial statements.

(ii) Foreign currency risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company holds cash in Canadian, United States and Peruvian currencies in line with forecasted expenditures.

(iii) Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its resource properties described in Note 6 of these financial statements from which production is not expected in the near future.

## NOTE 11 – CAPITAL MANAGEMENT

In the management of capital, the Company includes the components of shareholders' equity, as well as cash.

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; to pursue the development of a business interest; and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or improve its liquidity, the Company will have to issue new shares, issue new debt, or, acquire or dispose of assets all in the effort to optimize liquidity by raising or conserving cash.

The Company is dependent on the capital markets as its sole source of operating capital. Its capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the three months ended July 31, 2011.

## NOTE 12 – CONVERSION TO IFRS

The Company adopted IFRS on May 1, 2011, with the transition date of May 1, 2010 representing the Company's opening IFRS balance sheet. As required by IFRS 1, *First-time Adoption of IFRS*, the Company will apply the IFRS in effect as at April 30, 2012 on a full retrospective basis, except where permitted or required under an IFRS 1 exemption.

On adoption of IFRS 1, the Company elected to apply the following exemptions:

> IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to May 1, 2010 (date of transition date to IFRS), which have been accounted for in accordance with Canadian GAAP.

**NOTE 12 – CONVERSION TO IFRS - continued**

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening balance sheet dated May 1, 2010:

Estimates - In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as at May 1, 2010 are consistent with its previous estimates under GAAP for the same date.

In preparing its IFRS condensed consolidated financial statements, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. An explanation of how the transition from previous GAAP to IFRS affected the Company's financial position and results is set out in the following notes and accompanying tables.

(a) Reserves

Under GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified within equity as either stock option or warrant reserves.

(b) Share-based payments

Under GAAP, the Company recognized an expense related to share-based payments on a straight-line basis through the date of full vesting and did not incorporate a forfeiture multiple on the grant date. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate.

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the transition date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 only to all outstanding equity instruments that are unvested as at May 1, 2010. As at May 1, 2010, all stock options granted were fully vested and no fair value adjustment was made accordingly.

(c) Expiry of options and warrants

On transition to IFRS, the Company elected to change its accounting policy for the treatment of expired unexercised options and warrants whereby amounts recorded for expired unexercised stock options and warrants are transferred to deficit. Previously under GAAP, these amounts were kept in the contributed surplus.

Accordingly, upon conversion to IFRS, the Company recorded a fair value adjustment of $131,460 as at May 1, 2010 to decrease reserves with a corresponding decrease in deficit.

(Expressed in Canadian Dollars)

**NOTE 12 – CONVERSION TO IFRS - Continued**

**IFRS Reconciliation of Statements of Financial Position**

| | | As at May 1, 2010 | | | As at July 31, 2010 | | | As at April 30, 2011 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Canadian GAAP | Effect of Conversion to IFRS | **IFRS** | Canadian GAAP | Effect of Conversion to IFRS | **IFRS** | Canadian GAAP | Effect of Conversion to IFRS | **IFRS** |
| | | $ | $ | **$** | $ | $ | **$** | $ | $ | **$** |
| **Assets** | | | | | | | | | | |
| **Current assets** | | | | | | | | | | |
| Cash and cash equivalents | | 163,483 | - | **163,483** | 390,717 | - | **390,717** | 700,853 | - | **700,853** |
| Receivables and advances | | 228,729 | - | **228,729** | 14,817 | - | **14,817** | 44,302 | - | **44,302** |
| Prepaid expenses and deposits | | - | - | **-** | 4,896 | - | **4,896** | 1,200 | - | **1,200** |
| Deferred costs | | - | - | **-** | 10,545 | - | **10,545** | - | - | **-** |
| | | 392,212 | - | **392,212** | 420,975 | - | **420,975** | 746,355 | - | **746,355** |
| **Non-current assets** | | | | | | | | | | |
| Equipment | | - | - | **-** | - | - | **-** | 2,321 | - | **2,321** |
| Exploration and evaluation assets | | - | - | **-** | - | - | **-** | 158,097 | - | **158,097** |
| | | - | - | **-** | - | - | **-** | 160,418 | - | **160,418** |
| **Total assets** | | 392,212 | - | **392,212** | **420,975** | - | **420,975** | **906,773** | **-** | **906,773** |

(Expressed in Canadian Dollars)

**NOTE 12 – CONVERSION TO IFRS -continued**

**IFRS Reconciliation of Statements of Financial Position - continued**

| | | As at May 1, 2010 | | | As at July 31, 2010 | | | As at April 30, 2011 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Canadian GAAP | Effect of Conversion to IFRS | **IFRS** | Canadian GAAP | Effect of Conversion to IFRS | **IFRS** | Canadian GAAP | Effect of Conversion to IFRS | **IFRS** |
| | | $ | $ | **$** | $ | $ | **$** | $ | $ | **$** |
| **Liabilities** | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | |
| Accounts payable and accrued liabilities | | 54,830 | - | **54,830** | 51,224 | - | **51,224** | 71,658 | - | **71,658** |
| Loans payable | | - | - | **-** | - | - | **-** | 120,000 | - | **120,000** |
| | | 54,830 | - | **54,830** | 51,224 | - | **51,224** | 191,658 | - | **191,658** |
| **Equity** | | | | | | | | | | |
| Share capital | | 4,067,480 | - | **4,067,480** | 4,085,097 | - | **4,085,097** | 4,848,237 | - | **4,848,237** |
| Reserves | (a) | - | 448,745 | **448,745** | - | 491,676 | **491,676** | - | 516,967 | **516,967** |
| Contributed surplus | (a)(c) | 580,205 | (580,205) | **-** | 623,136 | (623,136) | **-** | 648,427 | (648,427) | **-** |
| Deficit | | (4,310,303) | 131,460 | **(4,178,843)** | (4,338,482) | 131,460 | **(4,207,022)** | (4,781,549) | 131,460 | **(4,650,089)** |
| | | 337,382 | - | **337,382** | 369,751 | - | **369,751** | 715,115 | - | **715,115** |
| **Total equity and liabilities** | | **392,212** | **-** | **392,212** | **420,975** | **-** | **420,975** | **906,773** | **-** | **906,773** |

(Expressed in Canadian Dollars)

**NOTE 12 – CONVERSION TO IFRS - continued**

**IFRS Reconciliation of Statements of Loss and Comprehensive Loss**

| | | Three months ended July 31, 2010 | | | Year ended April 30, 2011 | | |
|---|---|---|---|---|---|---|---|
| | Note | GAAP | Effect of Conversion to IFRS | **IFRS** | GAAP | Effect of Conversion to IFRS | **IFRS** |
| | | $ | $ | **$** | $ | $ | **$** |
| **Expenses** | | | | | | | |
| Consulting and management fees | | 7,500 | - | **7,500** | 69,245 | - | **69,245** |
| Depreciation | | - | - | **-** | 410 | - | **410** |
| Office, rent and administration | | 4,061 | - | **4,061** | 46,672 | - | **46,672** |
| Professional fees | | 8,762 | - | **8,762** | 65,736 | - | **65,736** |
| Project evaluation | | - | - | **-** | 9,063 | - | **9,063** |
| Regulatory fees | | 3,450 | - | **3,450** | 25,554 | - | **25,554** |
| Share-based payments | (b) | - | - | **-** | 27,739 | - | **27,739** |
| Transfer agent and shareholder information | | 3,198 | - | **3,198** | 73,894 | - | **73,894** |
| Travel and promotion | | 950 | - | **950** | 100,177 | - | **100,177** |
| | | 27,921 | - | **28,179** | 418,490 | - | **418,490** |
| **Loss before other items** | | (27,921) | - | **(28,179)** | (418,490) | - | **(418,490)** |
| **Other items** | | | | | | | |
| Impairment of exploration and evaluation assets | | - | - | **-** | (40,545) | - | **(40,545)** |
| Exchange loss | | - | - | **-** | (2,020) | - | **(2,020)** |
| Finance and other costs | | (258) | - | **(258)** | (11,178) | - | **(11,178)** |
| Finance income | | - | - | **-** | 987 | - | **987** |
| | | (258) | - | **(258)** | (52,756) | - | **(52,756)** |
| **Loss and comprehensive loss for the period** | | (28,179) | - | **(28,179)** | (471,246) | - | **(471,246)** |
| **Basic and diluted loss per share** | | - | - | **-** | $ (0.04) | - | **$ (0.04)** |

(Expressed in Canadian Dollars)

**NOTE 12 – CONVERSION TO IFRS - continued**

**IFRS Reconciliation of Statements of Cash Flows**

| | | Three months ended July 31, 2010 | | | Year ended April 30, 2011 | | |
|---|---|---|---|---|---|---|---|
| | Note | GAAP | Effect of Transition to IFRS | **IFRS** | GAAP | Effect of Transition to IFRS | **IFRS** |
| | | $ | $ | **$** | $ | $ | **$** |
| **Operating Activities** | | | | | | | |
| Net loss | | (29,179) | - | **(29,179)** | (471,246) | - | **(471,246)** |
| Items not affecting cash | | | | | | | |
| Depreciation | | - | - | **-** | 410 | - | **410** |
| Impairment of exploration and evaluation assets | | - | - | **-** | 40,545 | - | **40,545** |
| Share-based payments | (b) | - | - | **-** | 27,739 | - | **27,739** |
| Change in non-cash working capital components | | | | | | | |
| Amounts receivable | | (4,378) | - | **(4,378)** | (32,264) | - | **(32,264)** |
| Prepaid expenses and deposits | | (4,896) | - | **(4,896)** | (1,200) | - | **(1,200)** |
| Accounts payable and accrued liabilities | | (3,606) | - | **(3,606)** | 16,828 | - | **16,828** |
| | | (41,059) | - | **(41,059)** | (419,188) | - | **(419,188)** |
| **Financing Activities** | | | | | | | |
| Loans payable | | - | - | **-** | 120,000 | - | **120,000** |
| Proceeds on issuance of securities | | 278,838 | - | **278,838** | 1,037,931 | - | **1,037,931** |
| | | 278,838 | - | **278,838** | 1,157,931 | - | **1,157,931** |
| **Investing Activities** | | | | | | | |
| Deferred costs | | (10,545) | - | **(10,545)** | - | - | **-** |
| Purchase of equipment | | - | - | **-** | (2,731) | - | **(2,731)** |
| Exploration and evaluation assets | | - | - | **-** | (198,642) | - | **(198,642)** |
| | | (10,545) | - | **(10,545)** | (201,373) | - | **201,373** |
| Increase in cash and cash equivalents | | 227,234 | - | **227,234** | 537,370 | - | **537,370** |
| Cash and cash equivalents, beginning of period | | 163,483 | - | **163,483** | 163,483 | - | **163,483** |
| Cash and cash equivalents, end of period | | 390,717 | - | **390,717** | 700,853 | - | **700,853** |