Golden Reign Resources Ltd.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended January 31, 2012
(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, 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 consolidated financial statements of Golden Reign Resources Ltd. as at January 31, 2012 and 2011, notes to interim condensed consolidated financial statements and related Management's Discussion and Analysis have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these interim 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.

GoldenReign RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
Canadian dollars

	January 31, 2012	April 30, 2011
ASSETS		
Current		
Cash (Note 7)	$ 3,251,609	$ 7,167,471
Interest receivable	85,299	48,452
Prepaid expenses	67,347	5,826
Total current assets	3,404,255	7,221,749
Equipment (Note 5)	295,654	153,178
Exploration Advances (Note 4)	277,663	97,820
Mineral properties (Note 4)	8,868,984	2,680,640
TOTAL ASSETS	**$ 12,846,556**	$ 10,153,387
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 185,825	$ 145,911
Future income tax liability	62,000	62,000
	247,825	207,911
Shareholders' equity		
Share capital (Note 6)	16,953,724	14,120,827
Contributed surplus (Note 6)	1,908,825	2,266,988
Accumulated other comprehensive income	(63,936)	(204,013)
Deficit	(6,199,882)	(6,238,326)
Total shareholders' equity	12,598,731	9,945,476
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 12,846,556**	$ 10,153,387

Corporate information and liquidity risk (Note 1)
Subsequent events (Note 13)

These interim financial statements are authorized for issue by the Board of Directors on March 30, 2012

On behalf of the Board:

"Kim Evans" Director ***"Bryce Porter"*** Director

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

GoldenReign
RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS
(Unaudited)
Canadian dollars

	Three months ended		Nine months ended	
	January 31, 2012	**January 31, 2011**	**January 31, 2012**	**January 31, 2011**
EXPENSES				
Amortization	$ 14,993	$ 7,443	$ 35,497	$ 13,480
Consulting fees	12,680	-	12,680	-
Foreign exchange (gain)/loss	(34,586)	(887)	(484,166)	(700)
Management fees	25,500	21,500	76,500	60,500
Office and miscellaneous	14,382	16,406	79,742	49,063
Professional fees	15,854	8,559	73,483	35,231
Regulatory and listing fees	4,343	3,908	13,051	19,363
Share-based compensation (Note 6)	4,197	-	33,773	298,500
Travel and promotion	10,051	18,729	64,556	31,050
Wages and benefits	31,123	26,652	103,971	67,550
	(98,537)	(102,310)	(9,087)	(574,037)
OTHER INCOME				
Interest income	11,811	1,720	47,531	2,165
(Loss) income for the period	**$ (86,726)**	**$ (100,590)**	**$ 38,444**	**$ (571,872)**
Net (loss) income per common share	$ (0.00)	$ (0.00)	$ 0.00	$ (0.01)
Weighted average number of common shares outstanding	57,903,200	38,944,041	57,008,763	39,606,783

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

GoldenReign RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE LOSS
(Unaudited)
Canadian dollars

	Three months ended		Nine months ended	
	January 31, 2012	January 31, 2011	January 31, 2012	January 31, 2011
(Loss) income for the period	**$ (86,726)**	**$ (100,590)**	**$ 38,444**	**$ (571,872)**
Other comprehensive (loss) income				
Cumulative translation adjustment	125,409	(14,347)	140,077	(21,698)
Other comprehensive (loss) income for the period	125,409	(14,347)	140,077	(21,698)
Comprehensive (loss) income for the period	**$ 38,683**	**$ (114,937)**	**$ 178,521**	**$ (593,570)**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)
Canadian dollars

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total Equity
Balance – May 1, 2011	**53,847,548**	**$ 14,120,827**	**$ 2,266,988**	**$ (204,013)**	**$ (6,238,326)**	**$ 9,945,476**
Net income (loss) for the period	-	-	-	-	38,444	**38,444**
Other comprehensive income (loss)	-	-	-	140,077	-	**140,077**
		-	-	140,077	38,444	**178,521**
Share issue costs	-	(1,274)	-	-	-	**(1,274)**
Shares issued on exercise of warrants	1,968,500	1,369,985	-	-	-	**1,369,985**
Shares issued for mineral property	1,000,000	810,000	-	-	-	**810,000**
Employee share options:						
Value of options	-	-	45,300	-	-	**45,300**
Changes in vesting rules	-	-	(11,527)	-	-	**(11,527)**
Shares issued on exercise of options	1,304,000	654,186	(391,936)	-	-	**262,250**
Balance – January 31, 2012	**58,120,048**	**$ 16,953,724**	**$ 1,908,825**	**$ (63,936)**	**$ (6,199,882)**	**$ 12,598,731**
Balance – May 1, 2010	**28,814,716**	**$ 5,116,055**	**$ 1,211,943**	**$ (34,330)**	**$ (4,918,073)**	**$ 1,375,595**
Net income (loss) for the period	-	-	-	-	(571,872)	**(571,872)**
Other comprehensive income	-	-	-	(21,698)	-	**(21,698)**
	-	-	-	(21,698)	(571,872)	**(593,570)**
Private placement	23,314,757	8,975,751	9,244	-	-	**8,984,995**
Share issue costs	-	(318,568)	-	-	-	**(318,568)**
Shares issued on exercise of warrants	4,950	1,238	-	-	-	**1,238**
Shares issued for mineral property	1,000,000	150,000	-	-	-	**150,000**
Employee share options:						
Value of options	-	-	386,600	-	-	**386,600**
Changes in vesting rules	-	-	-	-	-	**-**
Shares issued on exercise of options	100,000	41,188	(21,188)	-	-	**20,000**
Balance – January 31, 2011	**53,234,423**	**$ 13,965,664**	**$ 1,586,599**	**$ (56,028)**	**$ (5,489,945)**	**$ 10,006,290**

GoldenReign
RESOURCES LTD.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(Unaudited)
Canadian dollars

	Nine months ended	
	January 31, 2012	**January 31, 2011**
OPERATING ACTIVITIES		
Income (loss) for the period	$ 38,444	$ (571,872)
Items not affecting cash:		
Amortization	35,497	13,480
Share-based compensation	33,773	298,500
Changes in non-cash working capital items related to operations		
Receivables	(36,847)	(26,375)
Prepaid expenses	(61,521)	(7,415)
Accounts payable and accrued liabilities	39,914	11,801
Cash generated by (used in) operating activities	49,260	(281,881)
INVESTING ACTIVITIES		
Acquisition of equipment	(177,973)	(55,228)
Expenditures on mineral properties	(5,418,110)	(920,632)
Cash used in investing activities	(5,596,083)	(975,860)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	1,632,235	8,996,988
Share issue costs	(1,274)	(309,323)
Cash generated by financing activities	1,630,961	8,687,665
Net (decrease) increase in cash during the period	(3,915,862)	7,429,924
Cash, beginning of period	7,167,471	437,900
Cash, end of period	$ 3,251,609	$ 7,867,824

Supplemental cash flow information – Note 11

1 CORPORATE INFORMATION AND LIQUIDITY RISK

Golden Reign Resources Ltd. (the "Company") was incorporated on April 1, 2004 under the laws of the Yukon Territory and continued into British Columbia under the *British Columbia Corporations Act.* Its principal business activity is the acquisition and exploration of mineral properties.

The Company's primary mineral property is the San Albino-Murra Mining Concession, located in Nicaragua, which is in the exploration stage. Recovery of the carrying value of the investment in mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development and the attainment of future profitable production or the disposition of these assets for proceeds in excess of their carrying values.

The condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has no source of operating cash flows, has not yet achieved profitable operations, has accumulated losses since its inception, expects to incur further losses in the development of its business and has no assurance that sufficient funding will be available to conduct further exploration of its mineral properties.

Management estimates it will have sufficient working capital to conduct its planned operations for fiscal 2012. In the future, the Company may raise additional financing through the issuance of share capital, however, there can be no assurance that it will be successful in its efforts to do so and that the terms will be favourable to the Company. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, or the impact on the statement of operations and balance sheet classifications that would be necessary were the going concern assumption not appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance and Conversion to International Financial Reporting Standards

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"), using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") issued at January 31, 2012. IFRS standards require that financial statements be prepared in accordance with standards expected to be in place as at the annual reporting period, therefore, changes may be required to reflect IFRS standards in place at April 30, 2012.

Due to the requirement to present comparative financial information, the effective transition date is May 1, 2010. The three months ended July 31, 2011 is the Company's first reporting period under IFRS. Full disclosure of the company's accounting policies in accordance with IFRS can be found in the consolidated interim financial statements for the three months ended July 31, 2011.

These condensed consolidated interim financial statements include part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending April 30, 2012. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP").

The condensed consolidated interim financial statements were authorized by the board of directors and audit committee of the Company on March 30, 2012.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(b) Basis of presentation

The condensed interim consolidated financial statements of the Company have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in below. In addition, condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these Interim Financial Statements are in accordance with IFRS and have not been audited.

The preparation of 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 these estimates. These Interim Financial Statements do not include all of the information required for full annual financial statements.

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared to the most recent annual financial statements prepared under CGAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They have also been applied in preparing an opening IFRS balance sheet at May 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Reporting Standards ("IFRS 1"). The impact of the transition from CGAAP to IFRS is explained in Note 3.

(c) Basis of Consolidation

The consolidated financial statements of the Company include the following subsidiary:

Name of subsidiary	Place of incorporation	Percentage ownership
Gold Belt, S.A.	Nicaragua	100%

The Company consolidates the subsidiary on the basis that it controls the subsidiary through its ability to govern its financials and operating policies.

All intercompany transactions and balances are eliminated on consolidation.

(d) Determination of Functional Currency

The financial statements for the Company and its subsidiary are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, Golden Reign Resources Ltd., is the Canadian dollar; and the functional currency of the Company's subsidiaries is the US dollar. The presentation currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identifies in IAS 21, "The Effects of Changes in Foreign Exchange Rates".

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(e) Foreign currency translation

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting periods, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of profit or loss

The financial statements of entities that have a functional currency different from that of the Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

(f) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets are classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. At January 31, 2012, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(g) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(g) Financial liabilities (cont'd…)

calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life ofthe financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. At January 31, 2012, the Company has not classified any financial liabilities as FVTPL.

(h) Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost less option payments received and other recoveries. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. These costs will be amortized over the proven reserves available on the related property following commencement of production. The amounts shown for mineral properties represent costs incurred to date and are not intended to reflect present or future values.

Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold. If commercially profitable, ore reserves are developed, capitalized costs of the mineral property are reclassified as mining assets and amortized using the unit of production method.

Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in material future write-downs of capitalized property carrying values.

(i) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future cash outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to the required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciate over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense. As at January 31, 2012 and 2011, the Company had made no provisions.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(j) Impairment of assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized immediately in profit or loss.

Additionally, goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Where an indicator of impairment exists, the Company makes a formal estimate for the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any provision for impairment is charged to profit or loss in the period concerned. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Impairments of goodwill are not reversed. Impairment losses or other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortization, had no impairments been recognized.

(k) Decommissioning, restoration and similar liabilities ("asset retirement obligations")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases that carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement obligation costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional asset retirement obligation costs).

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(k) Decommissioning, restoration and similar liabilities ("asset retirement obligations") (cont'd…)

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or benefit is discernible are charged to the profit and loss statement

The Company does not currently have any asset retirement liabilities as of January 31, 2012, April 30, 2011 or May 1, 2010.

(l) Equipment

Equipment is recorded at cost less related accumulated depreciation and accumulated impairment losses. Cost is determined as the expenditure directly attributable to the asset at acquisition, only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. When an asset is disposed of, its carrying cost is derecognized. All repairs and maintenance costs are charged to the earnings statement during the financial period in which they are incurred.

The Company provides for amortization of equipment on a declining balance basis unless otherwise noted using the following annual rates:

Computer equipment	30%
Equipment and furniture	20%
Vehicles	30%

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

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

(m) Share capital

The Company has one class of shares, common shares, which are classified as share capital. These are recorded at the proceeds received less any direct issue costs and related taxes. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Where the Company purchases any of the Company's equity share capital, the consideration paid is deducted from equity attributable to the Company's equity holders until shares are cancelled, reissued or disposed of.

(n) Future Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax expense represents the expected income tax payable (or recoverable) on taxable income for the period using income tax rates enacted or substantially enacted at the end of the reporting period and taking into account any adjustments arising from prior years.

The Company uses the liability method of accounting for income taxes under which deferred tax assets and liabilities are recognized when there are differences between the financial statement carrying amounts of

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(n) Future Income taxes (cont'd…)

existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted or enacted tax rates in effect in the period in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings. All items recognized directly in shareholders' equity are recognized net of tax.

(o) Loss per share

The Company presents basic and diluted loss per share data for common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(p) Share-based payments

The Company grants stock options to certain employees directors, officers and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from contributed surplus to share capital.

Share options vest over various periods and expire after five years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model taking into terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

(q) Significant accounting judgments and estimation uncertainties

The preparation of the interim consolidated financial statements requires management to make judgments, estimates and form 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 amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include the fair value of financial instruments, receivables, deferred income taxes, evaluating the fair value of mineral properties useful lives of equipment and share-based compensation.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements is included in the notes to the financial statements where applicable.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(r) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(s) Recent accounting pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective as of January 31, 2012 and have not been applied in preparing these condensed consolidated interim financial statements. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

(i) **Financial instruments disclosure**

In October 2010, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosure". This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

(ii) **Income taxes**

In December 2010, the IASB issued an amendment to IAS 12, "Income taxes" that provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

(iii) **Consolidation**

IFRS 10, "Consolidated Financial Statements" requires and entity to consolidate and investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation – Special Purpose Entities" and parts of IAS 27, "Consolidated and Separate Financial Statements".

(iv) **Joint Ventures**

The IASB issued IFRS 11, "Joint Arrangements" on May 12, 2011. IFRS 11 eliminates the Company's choice to proportionately consolidate jointly controlled entities and requires such entities to be accounted for using the equity method and proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The Company is currently evaluating the impact of IFRS 11 is expected to have on its financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(t) Future accounting pronouncements (effective for annual periods beginning on or after January 1, 2013)

(i) **Fair-value measurement**

IFRS 13, "Fair Value Measurement" is a comprehensive standard for fair value measurement and disclosure requirement for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. The Company is currently evaluating the impact of IFRS 13 is expected to have on its financial statements.

(ii) **Financial instruments**

IFRS 9, "Financial Instruments: Classification and Measurement" effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities as FVTPL, financial guarantees and certain other exceptions. The Company is currently evaluating the impact the final standard is expected to have on its condensed consolidated financial statements.

3 FIRST TIME ADOPTION OF IFRS

(a) Transition to IFRS

As stated in Note 2, these financial statements are for the period covered by the Company's third interim condensed consolidated financial statements prepared in accordance with IFRS. The accounting policies in Note 2 have been applied in preparing the condensed consolidated interim financial statements for the periods ended January 31, 2012 and 2011, and the opening IFRS statement of financial position on May 1, 2010, the ("Transition Date") and April 30, 2010.

In preparing the opening IFRS statement of financial position and the financial statements for the interim period ended January 31, 2012, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from CGAAP to IFRS has affected the Company's financial position is set out in the following table. There was no effect on financial performance or cash flows. The guidance for the first time adoption of IFRS is set out in IFRS 1, "First-Time Adoption of International Financial Reporting Standards". IFRS 1 provides for certain mandatory exceptions and optional exemptions from the general principle of retrospective restatement for first time adopters of IFRS.

The guidance for the first time adoption to IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

(i) IFRS 2, "Share Based payments"

The Company has elected not to apply IFRS 2 to share based payments granted and fully vested before the Company's date of transition to IFRS.

3 FIRST TIME ADOPTION OF IFRS (cont'd…)

(a) Transition to IFRS (cont'd)

(ii) IFRS 3, "Business Combinations"

IFRS 3 has not been applied to acquisitions of subsidiaries that occurred before May 1, 2010, the Company's transition date to IFRS. As such, there is no retrospective change in accounting for business combinations.

(iii) Currency translation differences

The Company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the transition date to IFRS.

The Company applied the following mandatory exception:

Estimates:

Hindsight is not used to create or revise 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 the previous CGAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of April 30, 2010 are consistent with its CGAAP estimates for the same date.

The reconciliation between GAAP and IFRS statement of financial position at May 1, 2010 (date of transition to IFRS) is provided below:

3 FIRST TIME ADOPTION OF IFRS (cont'd…)

(b) Reconciliation of equity as previously reported under Canadian GAAP to IFRS

Below is the Company's statement of financial position as at April 30, 2011, January 31, 2011 and May 1, 2010 (the date of transition) under IFRS:

		April 30, 2011			January 31, 2011			May 1, 2010		
	Note	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
ASSETS										
Current										
Cash		7,167,471	-	7,167,471	7,867,824	-	7,867,824	437,900	-	437,900
Receivables		48,452	-	48,452	36,512	-	36,512	10,137	-	10,137
Prepaid expenses		5,826	-	5,826	12,765	-	12,765	5,350	-	5,350
Total current assets		7,221,749	-	7,221,749	7,917,101	-	7,917,101	453,387	-	453,387
Equipment		153,178	-	153,178	72,581	-	72,581	30,833	-	30,833
Exploration advances		97,820	-	97,820	-	-	-	-	-	-
Mineral properties	3(d)(ii)	2,884,653	(204,013)	2,680,640	2,144,506	(56,028)	2,088,478	985,774	(34,330)	951,444
TOTAL ASSETS		10,357,400	(204,013)	10,153,387	10,134,188	(56,028)	10,078,160	1,469,994	(34,330)	1,435,664
LIABILITIES AND SHAREHOLDERS' EQUITY										
Current										
Accounts payable and accrued liabilities		145,911	-	145,911	71,870	-	71,870	60,069	-	60,069
Future income tax liability		62,000	-	62,000	-	-	-	-	-	-
		207,911	-	207,911	71,870	-	71,870	60,069	-	60,069
Shareholders' equity										
Share capital		14,120,827	-	14,120,827	13,965,664	-	13,965,664	5,116,055	-	5,116,055
Contributed surplus	3(d)(i)	2,250,851	16,137	2,266,988	1,586,599	-	1,586,599	1,211,943	-	1,211,943
Other comprehensive income	3(d)(ii)	-	(204,013)	(204,013)	-	(56,028)	(56,028)	-	(34,330)	(34,330)
Accumulated deficit		(6,222,189)	(16,137)	(6,238,326)	(5,486,945)	-	(5,489,945)	(4,918,073)	-	(4,918,073)
Total shareholders' equity		10,149,489	(204,013)	9,945,476	10,065,318	(56,028)	10,006,290	1,409,925	(34,330)	1,375,595
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,357,400	(204,013)	10,153,387	10,137,188	(56,028)	10,078,160	1,469,994	(34,330)	1,435,664

3 FIRST TIME ADOPTION OF IFRS (cont'd…)

(c) Reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS for the nine months ended January 31, 2011 is provided below:

		Nine months ended January 31, 2011		
	Note	**Cdn GAAP**	**Adj**	**IFRS**
EXPENSES				
Amortization		$ 13,480	$ -	$ 13,480
Management fees		60,500	-	60,500
Office and miscellaneous		49,063	-	49,063
Foreign exchange loss (gain)		(700)	-	(700)
Professional fees		35,231	-	35,231
Regulatory and listing fees		19,363	-	19,363
Share-based compensation (Note 8)	3(d)(i)	298,500	-	298,500
Travel and promotion		31,050	-	31,050
Wages and benefits		67,550	-	67,550
		(574,037)	-	(574,037)
OTHER INCOME				
Interest income		2,165	-	2,165
(Loss) gain for the period		(571,872)	-	(571,872)
Other comprehensive (loss) income				
Cumulative translation adjustment		-	(21,698)	(21,698)
Comprehensive (loss) income for the period		**$ (571,872)**	**$ (21,698)**	**$ (593,570)**

Reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS for the three months ended January 31, 2011 is provided below:

		Three months ended January 31, 2011		
	Note	**Cdn GAAP**	**Adj**	**IFRS**
EXPENSES				
Amortization		$ 7,443	$ -	$ 7,443
Management fees		21,500	-	21,500
Office and miscellaneous		16,406	-	16,406
Foreign exchange loss (gain)		(887)	-	(887)
Professional fees		8,559	-	8,559
Regulatory and listing fees		3,908	-	3,908
Share-based compensation (Note 8)	3(d)(i)	-	-	-
Travel and promotion		18,729	-	18,729
Wages and benefits		26,652	-	26,552
		(102,310)	-	(102,310)
OTHER INCOME				
Interest income		1,720	-	1,720
(Loss) gain for the period		(100,590)	-	(100,590)
Other comprehensive (loss) income				
Cumulative translation adjustment		-	(14,347)	(14,347)
Comprehensive (loss) income for the period		**$ (100,590)**	**$ (14,347)**	**$(114,937)**

3 FIRST TIME ADOPTION OF IFRS (cont'd…)

(d) Adjustments

The following paragraph explains the significant difference between Canadian GAAP and the current IFRS above accounting policy applied by the Company. The difference results in an adjustment in the tables above. The descriptive caption next to each numbered item below corresponds to the same numbered and descriptive caption in the table.

(i) Share-based payments

Under IFRS, the Company accrues the cost of share options over the vesting period using the graded method of amortization rather than the straight-line method, which was the Company's policy under Canadian GAAP. There was no impact on the contributed surplus and deficit at the date of the transition or increase to share-based compensation expenses for the nine month period ended January 31, 2011.

(ii) Currency translation reserve

In accordance with IFRS transitional provisions, the Company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS. Along with the change in the way the Company translates the results of its foreign operations, the adjustment to deficit and contributed surplus was zero.

The following is a summary of transition adjustments to the Company's retained earnings from CGAAP to IFRS:

	April 30, 2011	**January 31, 2011**
Deficit as reported under Canadian GAAP	$ (6,222,189)	$ (5,489,945)
IFRS adjustments increase (decrease):		
Amortization of share options	(16,137)	-
Retained earnings as reported under IFRS	**$ (6,238,326)**	**$ (5,489,945)**

4 MINERAL PROPERTIES

San Albino-Murra Property, Nicaragua

On June 29, 2009, the Company entered into an option agreement (the "Agreement"), to acquire an 80% interest in the San Albino-Murra Mining Concession (the "Property") located in Nicaragua by:

(a) making cash payments to the optionor as follows:

(i) US$30,000 (paid) on signing of the Agreement;

(ii) US$100,000 (paid), of which US$50,000 was paid upon delivery of an acceptable legal title opinion to the Property and receipt by the Company of conditional acceptance of the Agreement by the TSX-V (received) and the remaining US$50,000 was paid upon receipt by the Company of final acceptance of the Agreement by the TSX-V (the "Approval Date"), which was received on September 30, 2009;

(iii) US$40,000 on each six month anniversary of the signing of the Agreement, for the duration of the option earn-in period (paid US$280,000).

4 MINERAL PROPERTIES (cont'd…)

San Albino-Murra Property, Nicaragua (cont'd…)

(b) incurring aggregate exploration expenditures of US$5,000,000 on the Property, as follows:

- (i) US$200,000 (incurred) on or before the first anniversary of September 30, 2010;
- (ii) US$1,000,000 (incurred) on or before the second anniversary of September 30, 2011;
- (iii) US$1,800,000 (incurred) on or before the third anniversary of September 30, 2012; and
- (iv) US$2,000,000 on or before the fourth anniversary of September 30, 2013.

(c) issuing a total of 4,000,000 common shares of the Company, as follows:

- (i) 1,000,000 common shares (issued at a value of $140,000) within five business days of the Approval Date; and
- (ii) 1,000,000 common shares to be issued on each of the first (issued at a value of $150,000), second (issued at a value of $810,000) and third anniversary dates of the Agreement.

Upon the Company earning its 80% interest, a participating joint-venture agreement will be entered into, unless the optionor elects to convert its 20% working interest to a 3% Net Smelter Royalty ("NSR") and cause the transfer of its working interest to the Company. In which case, the Company has the right to purchase 50% of the NSR, or 1.5%, for an amount of US$1,850,000, and, further, will have the right of first refusal to purchase the remaining 1.5% NSR should it be offered for sale at any time.

Should a commercial production decision be reached, the Company, at its election, will issue to the optionor additional shares in its capital or cash or a combination thereof, the value of which is to be equivalent to US$3,500,000.

Detailed costs to date:

	January 31, 2012	April 30, 2011
San Albino-Murra Property, Nicaragua		
Acquisition costs		
Balance, beginning of year	$ 589,371	$ 324,871
Option payments	815,301	233,644
	1,404,672	558,515
Deferred exploration costs		
Balance, beginning of year	2,239,362	591,185
Assaying	610,190	164,946
Drilling	2,869,623	155,926
Field Office	70,478	27,282
Geological consulting	1,132,154	312,860
Professional fees	65,257	103,454
Project expenses	406,465	446,290
Reports	-	9,336
Surface fees	31,014	65,729
Share-based compensation	-	211,782
Translation	-	1,106
Travel	39,769	32,229
	7,464,312	2,122,125
San Albino-Murra Property, Nicaragua – Balance, end of period	**$ 8,868,984**	**$ 2,680,640**

4 MINERAL PROPERTIES (cont'd…)

El Jicaro Concession, Nicaragua

In January 2012, the Company paid an advance of $119,843 (USD$120,000), classified as an exploration advance, towards the acquisition of a 100% interest in the El Jicaro Mining Concession (the "Concession") located in Nueva Segovia, Nicaragua, which was completed subsequent to January 31, 2012 (Note 13(b)). The El Jicaro Concession license is valid for a period of twenty-five years until September 28, 2033. The Concession covers an area of 5,071 hectares (51 km^2).

Exploration Advances

At January 31, 2012 and April 30, 2011, the Company had paid the following in exploration advances related to the San Albino-Murra Property and El Jicaro Concession:

		January 31, 2012		April 30, 2011
San Albino-Murra Property				
Drilling Advance	$	97,820	$	97,820
Professional fees		60,000		-
El Jicaro Concession				
Acquisition costs advanced		119,843		-
	$	277,663	$	97,820

5 EQUIPMENT

	January 31, 2012					
		Cost		Accumulated Amortization		Net Book Value
Computer equipment	$	26,119	$	15,150	$	10,969
Equipment & Furniture		211,814		18,614		193,200
Vehicles		109,317		17,832		91,485
	$	**347,250**	**$**	**51,596**	**$**	**295,654**

	April 30, 2011					
		Cost		Accumulated Amortization		Net Book Value
Computer equipment	$	16,629	$	13,342	$	3,287
Equipment & Furniture		111,135		12,330		98,805
Vehicles		63,311		12,225		51,086
	$	**191,075**	**$**	**37,897**	**$**	**153,178**

6 SHARE CAPITAL

Authorized: Unlimited number of common shares, without par value

The following is a description of the issued share capital:

	Number of shares	Amount
Issued:		
Balance at May 1, 2010	**28,814,716**	**$ 5,116,055**
Private placement	23,314,757	8,975,751
Option exercises	535,000	276,585
Warrant exercises	183,075	50,769
Mineral Property	1,000,000	150,000
Share issue costs	-	(448,333)
Balance at April 30, 2011	**53,847,548**	**$ 14,120,827**
Option exercises	1,304,000	654,186
Warrant exercises	1,968,500	1,369,985
Mineral Property	1,000,000	810,000
Share issue costs	-	(1,274)
Balance at January 31, 2012	**58,120,048**	**$ 16,953,724**

(a) Private placements

(i) 2011/2010

In January 2011, the Company completed a non-brokered private placement issuing 16,851,197 units at a price of $0.45 per unit for gross proceeds of $7,583,039. Each unit was comprised of one common share and one share purchase warrant, each warrant entitling the holder thereof to purchase one additional common share at a price of $0.75 for a period of two years. Finders' fees of $250,893 cash and 494,020 warrants exercisable into 494,020 common shares at a price of $0.75 per share for a period of two years were paid in connection with the private placement. The share purchase warrants were valued at $127,691 and credited to contributed surplus. Fair value was determined using the Black-Scholes valuation model, based on a risk free interest rate of 1.76%, an expected life of two years, an expected volatility of 90.92% and a dividend yield rate of nil.

In October 2010, the Company completed a non-brokered private placement issuing 2,000,000 units at a price of $0.25 per unit for gross proceeds of $500,000. Each unit was comprised of one common share and one share purchase warrant, each warrant entitling the holder thereof to purchase one additional common share at a price of $0.35 for a period of two years, subject to an acceleration clause, at managements election, should the trading price of the Company's shares for 20 consecutive trading days exceed $0.70 per share during the exercise period, then the expiry time of the warrants shall be 30 calendar days from the date that written notice is provided by the Company to the warrant holders.

6 SHARE CAPITAL (cont'd…)

(a) Private placements (cont'd…)

(i) 2011/2010

In June 2010, the Company completed the second and final tranche of a non-brokered private placement, issuing 4,463,560 units at a price of $0.20 per unit for gross proceeds of $892,712. Each unit was comprised of one common share and one-half of one share purchase warrant, each full warrant entitling the holder thereof to purchase one additional common share at a price of $0.25 for a period of two years. Finders' fees of $23,000 cash and 125,000 warrants exercisable into 125,000 common shares at a price of $0.25 per share for a period of two years were paid in connection with this tranche of the private placement. The share purchase warrants were valued at $11,119 and credited to contributed surplus. Fair value was determined using the Black-Scholes valuation model, based on a risk free interest rate of 1.82%, an expected life of two years, an expected volatility of 117.90% and a dividend yield rate of nil. Including the first tranche that closed on April 1, 2010, the Company raised gross proceeds of $1,267,712.

In April 2010, the Company completed the first tranche of a non-brokered private placement issuing 1,875,000 units at a price of $0.20 per unit for gross proceeds of $375,000. Each unit was comprised of one common share and one-half of one share purchase warrant, each full warrant entitling the holder thereof to purchase one additional common share at a price of $0.25 for a period of two years. Finders' fees of $23,000 were paid in cash.

(b) Share Purchase Warrants

The following share purchase warrants were outstanding and exercisable as at January 31, 2012 and April 30, 2011:

	January 31, 2012		April 30, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	22,456,422	$ 0.64	937,500	$ 0.25
Granted	-	-	21,701,997	0.66
Exercised	(1,968,500)	0.70	(183,075)	0.28
Expired	-		-	-
Ending balance	20,487,922	$ 0.64	22,456,422	$ 0.64
Warrants exercisable	20,487,922	$ 0.64	22,456,422	$ 0.64

At January 31, 2012 and April 30, 2011 the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	January 31, 2012	April 30, 2011	Weighted Average Remaining Contractual Life
April 8, 2012	$0.25	875,000	912,500	0.19 years
June 9, 2012	$0.25	2,073,425	2,248,705	0.36 years
September 29, 2012	$0.35	1,950,000	1,950,000	0.66 years
January 18, 2013	$0.75	15,589,497	17,345,217	0.97 years
		20,487,922	**22,456,422**	**0.54 years**

6 SHARE CAPITAL (cont'd…)

(c) Share options

The Company has a share option plan, under which the Board of Directors is authorized to grant options to employees, directors, officers and consultants, enabling them to acquire up to 10% of the issued and outstanding share capital of the Company. The exercise price of each option is based on the market price of the Company's share as calculated on the date of grant. The options can be granted for a maximum term of five years. Options granted to investor relations consultants are subject to vesting provisions, as established by regulatory authorities, over a twelve month period, with no more than ¼ vesting during any three month period. Vesting provisions for other options are determined by the Company's Board of Directors.

The following options were outstanding and exercisable as at January 31, 2012 and April 30, 2011:

	January 31, 2012			**April 30, 2011**		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Opening balance	4,830,000	$	0.37	2,250,000	$	0.20
Granted	-		-	3,215,000		0.46
Exercised	(1,304,000)		0.20	(535,000)		(0.20)
Expired	(165,000)		0.85	(100,000)		(0.20)
Ending balance	3,361,000		0.43	4,830,000	$	0.37
Options exercisable	3,361,000		0.41	4,678,750	$	0.36

All share options have exercise prices that are higher or equal to market prices at the date of grant.

Weighted Average Exercise Price	**Expiry Date**	**Number Outstanding**	**Number Exercisable**	**Weighted Average Remaining Contractual Life**
0.20	November 9, 2014	375,000	375,000	2.78 years
0.25	September 20, 2015	936,000	936,000	3.64 years
0.41	October 15, 2015	400,000	400,000	3.71 years
0.50	October 15, 2015	150,000	150,000	3.71 years
0.56	February 7, 2016	1,500,000	1,500,000	4.02 years
$ 0.41		**3,361,000**	**3,361,000**	**3.57 years**

(d) Share-based compensation

During fiscal 2012, the Company recognized share-based compensation totaling $33,773, which was expensed as share-based compensation in operations, with a corresponding increase in contributed surplus.

During fiscal 2011, the Company recorded share-based compensation totaling $386,600 of which $88,100 was capitalized as mineral property expenditures and $298,500 was expensed as share-based compensation in operations, with a corresponding increase in contributed surplus.

6 SHARE CAPITAL (cont'd…)

(d) Share-based compensation (cont'd…)

The fair value of share options was estimated on the measurement date using the Black-Scholes option-pricing model and is amortized over the vesting period of the underlying options. The assumptions used to calculate the fair value were as follows:

The fair values of the options granted were estimated using the Black-Scholes option pricing model with the following assumptions:

	2012	2011
Risk-free interest rate	2.76%	2.36%
Expected life of options	5 years	5 years
Expected volatility	124.43%	114.87%
Weighted average fair value per option	$0.83	$ 0.35
Dividend yield	Nil	Nil

During fiscal 2012, the Company did not grant any share options. The assumptions above were derived based on the share options issued subsequent to January 31, 2012 (Note 12 (a)).

7 CASH

Cash consists of the following:

	January 31, 2012	April 30, 2011
Cash	$ 91,609	$ 217,471
Short term investment	3,160,000	6,950,000
	$ 3,251,609	$ 7,167,471

As at January 31, 2012, the Company's short term investment consists of a one-year guaranteed investment certificate bearing an interest rate of prime less 1.2%, which is redeemable, in whole or in part, at any time and an expiry date of March 31, 2012.

8 RELATED PARTY TRANSACTIONS

During the period ended January 31, 2012, the Company paid or accrued:

a) management fees of $76,500 (2011 - $60,500) to a director and officer of the Company; and
b) consulting fees of $58,500 (2011 - $42,500) to an officer of the Company for the provision of geological consulting services, which was capitalized to mineral properties.

Included in accounts payable and accrued liabilities is a total of $9,003 (2011 - $4,000) due to related parties for expenses. The amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash, receivables and accounts payable and accrued liabilities.

(a) Fair value

Cash are measured at fair value using level one as the basis for measurement in the fair value hierarchy. The carrying value of receivables and payables and accrued liabilities approximate fair value because of the short-term nature of these instruments.

(b) Credit and interest risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk arising from operations. The Company has significant cash balances but no interest-bearing debt. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and other receivables. The Company's current policy is to invest excess cash in variable interest investment-grade demand deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk to be remote. Receivables are due from a government agency. The Company's credit risk has not changed significantly from the prior period.

(c) Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its short term obligations. The Company forecasts cash flows for a period of twelve months to identify financial requirements. These requirements are met through a combination of cash flows from operations, dispositions of assets and accessing financing through private placements. The exposure of the Company to liquidity risk is considered to be minimal. At January 31, 2012, the Company had a cash balance of $3,251,609 to settle current liabilities of $247,825.

(d) Commodity risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of commodities for which it is exploring. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

9 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd…)

(e) Foreign currency risk

The Company's functional currency is the Canadian dollar, however there are transactions in US dollars. The Company is exposed to the currency risk related to the fluctuation of foreign exchange rates and the degree of volatility in these rates. A reduction in the value of the US Dollar relative to the Canadian dollar would have a favourable impact on funding required for exploration, subject to any resulting inflationary impacts; while an increase in that value would have an unfavourable impact. The Company has not hedged its exposure to currency fluctuations.

10 CAPITAL MANAGEMENT

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an 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 adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in an interest bearing Canadian chartered bank account. Cash consists of cash on hand and balances with banks in highly liquid instruments. There have been no changes to the Company's approach to capital management during the nine months ended January 31, 2012. The Company is not subject to externally imposed capital requirements.

11 SUPPLEMENTAL CASH FLOW INFORMATION

	2012	2011
Cash paid during the period for:		
Interest	$ -	$ -
Income taxes	$ -	$ -
Non-cash financing and investing activities:		
Issuance of 1,000,000 common share for mineral properties (Note 5)	$ 810,000	$ 150,000
Share-based compensation recorded as mineral property expenditures	$ -	$ 88,000
Deferred exploration costs included in accounts payable and accrued liabilities	$ 133,372	$ 22,942

12 SEGMENTED INFORMATION

The Company operates in the single business segment of mine exploration and development. The Company's identifiable capital assets are located primarily in Nicaragua. Geographic information is as follows:

		January 31, 2012		April 30, 2011
Capital assets				
Nicaragua	$	9,151,301	$	2,827,746
Canada		13,337		6,072
	$	**9,164,638**	**$**	**2,833,818**

13 SUBSEQUENT EVENTS

Subsequent to January 31, 2012, the Company:

a) granted 2,000,000 stock options priced at of $1.10 per common share exercisable for a term of five years to directors, officers, employees and consultants;

b) paid cash of $149,565 (USD$150,000), less an advance payment amount of $119,843 (Note 4), to acquire a 100% interest in the El Jicaro Concession located in Nueva Segovia, Nicaragua; and

c) received gross proceeds of $319,099 upon the exercise of 20,500 stock options priced at $0.25 per share and 1,035,299 share purchase warrants priced between $0.25 and $0.75.