INCA ONE RESOURCES CORP.

(Formerly Inca One Metals Corp.)
(An Exploration Stage Company)

Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years Ended April 30, 2012 and 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Inca One Resources Corp.

We have audited the accompanying consolidated financial statements of Inca One Resources Corp., which comprise the consolidated statements of financial position as at April 30, 2012, April 30, 2011 and May 1, 2010 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended April 30, 2012 and April 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Inca One Resources Corp. as at April 30, 2012, April 30, 2011 and May 1, 2010 and its financial performance and its cash flows for the years ended April 30, 2012 and April 30, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

August 21, 2012

INCA ONE RESOURCES CORP.

(Formerly Inca One Metals Corp.)
(An Exploration Stage Company)

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	April 30, 2012	April 30, 2011 (Note 14)	May 1, 2010 (Note 14)
	$	$	$
Assets			
Current:			
Cash and cash equivalents	543,030	700,853	163,483
Receivables (Note 4)	134,321	44,302	228,729
Prepaid expenses and deposits	36,174	1,200	-
	713,525	746,355	392,212
Equipment (Note 5)	19,598	2,321	-
Exploration and evaluation assets (Note 6)	1,395,072	158,097	-
	2,128,195	906,773	392,212
Liabilities			
Current:			
Accounts payable and accrued liabilities	96,980	71,658	54,830
Loans payable (Note 7)	-	120,000	-
	96,980	191,658	54,830
Shareholders' Equity			
Share capital (Note 8)	6,955,586	4,848,237	4,067,480
Reserves (Note 8)	905,257	516,967	448,745
Deficit	(5,829,628)	(4,650,089)	(4,178,843)
	2,031,215	715,115	337,382
	2,128,195	906,773	392,212

Nature of operations and going concern (Note 1)
Commitments (Note 6)

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

On behalf of the Board:

"Edward Kelly"
Edward Kelly
Director

"Robert McMorran"
Robert McMorran
Director

INCA ONE RESOURCES CORP.

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Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Years ended April 30, 2012	2011 (Note 14)
	$	$
Administrative expenses:		
Consulting and management fees (Note 9(b))	198,480	69,245
Depreciation	910	410
Office, rent and administration (Note 9(a))	140,932	46,672
Professional fees (Note 9(a))	63,015	65,736
Project investigation	-	9,063
Regulatory fees	13,511	25,554
Share-based payments (Note 8(e))	384,037	27,739
Transfer agent and shareholder information	25,368	73,894
Travel, advertising and promotion	355,782	100,177
Total administrative expenses	(1,182,035)	(418,490)
Foreign exchange loss	(2,218)	(2,020)
Finance and other costs (Note 7)	(5,618)	(11,178)
Finance income	10,332	987
Impairment of exploration and evaluation assets (Note 6(b))	-	(40,545)
	2,496	(52,756)
Net loss for the year	(1,179,539)	(471,246)
Other comprehensive loss:		
Cumulative translation adjustment	(221)	-
Net loss and total comprehensive loss for the year	(1,179,760)	(471,246)
Basic and diluted loss per share	(0.05)	(0.04)
Weighted average number of common shares outstanding	21,659,683	10,735,756

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

INCA ONE RESOURCES CORP.

(Formerly Inca One Metals Corp.)
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Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
Years ended April 30, 2012 and 2011

		Share Capital		Reserves					Deficit	Total shareholders' equity
	Notes	Common shares	Amount	Stock options	Warrants	Foreign currency translation	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 year		-	-	-	-	-	-	-	(471,246)	(471,246)
Private placement	8(c)	805,001	72,450	-	-	-	-	-	-	72,450
Share issuance costs	8(c)	-	(19,147)	-	-	-	-	-	-	(19,147)
Finder's fees	8(c)	80,500	7,245	-	-	-	-	-	-	7,245
Exercise of warrants	8(f)	6,064,412	758,052	-	-	-	-	-	-	758,052
Cancelled escrow shares		(109,245)	(42,931)	-	-	-	42,931	42,931	-	-
Exercise of options	8(e)	12,000	5,088	(2,448)	-	-	-	(2,448)	-	2,640
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 year		-	-	-	-	(221)	-	(221)	(1,179,539)	(1,179,760)
Private placement	8(c)	5,000,000	2,000,000	-	-	-	-	-	-	2,000,000
Share issuance costs	8(c)	87,750	(148,481)	-	-	-	-	-	-	(148,481)
Shares issued for exploration and evaluation assets and finder's fees	6(a)	341,250	110,512	-	-	-	-	-	-	110,512
Exercise of warrants	8(f)	751,667	93,958	-	-	-	-	-	-	93,958
Expired warrants		-	25,000	-	(25,000)	-	-	(25,000)	-	-
Exercise of options	8(e)	120,000	26,360	(11,360)	-	-	-	(11,360)	-	15,000
Share-based payments		-	-	424,871	-	-	-	424,871	-	424,871
Balance, April 30, 2012		22,772,374	6,955,586	527,402	335,145	(221)	42,931	905,257	(5,829,628)	2,031,215

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

INCA ONE RESOURCES CORP.

(Formerly Inca One Metals Corp.)
(An Exploration Stage Company)

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years ended April 30, 2012	2011
	$	$
Cash was provided by (used in):		
Operating activities:		
Net loss for the year	(1,179,539)	(471,246)
Items not involving cash:		
Depreciation	910	410
Foreign exchange gain	(221)	-
Impairment of exploration and evaluation assets	-	40,545
Share-based payments	384,037	27,739
Changes in non-cash working capital accounts:		
Receivables	(90,019)	(32,264)
Prepaid expenses and deposits	(34,974)	(1,200)
Accounts payable and accrued liabilities	(27,908)	16,828
	(947,714)	(419,188)
Financing activities:		
(Repayment) proceeds of loans payable	(120,000)	120,000
Proceeds on issuance of securities	2,108,957	1,049,833
Share issuance cost	(148,481)	(11,902)
	1,840,476	1,157,931
Investing activities:		
Purchase of equipment	(20,515)	(2,731)
Exploration and evaluation assets	(1,030,070)	(198,642)
	(1,050,585)	(201,373)
(Decrease) increase in cash and cash equivalents	(157,823)	537,370
Cash and cash equivalents, beginning of year	700,853	163,483
Cash and cash equivalents, end of year	543,030	700,853
Cash and cash equivalents consist of:		
Cash	118,030	620,853
Guaranteed Investment Certificates	425,000	80,000
Supplementary information:		
Cash paid for interest	1,105	10,145
Cash paid for income taxes	-	-
Non-cash financing and investing activities:		
Shares issued for exploration and evaluation assets and finder's fees (Note 6(a))	110,512	-
Shares issued for finder's fees (Note 8(c))	40,363	7,245
Exploration and evaluation expenditures in consideration for accounts payable and accrued liabilities (Note 6(a))	53,230	-
Reclassification of options reserve on exercise of options and warrants	36,360	2,448
Share-based payments capitalized to exploration and evaluation assets (Note 6(a))	40,834	-

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

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Inca One Resources 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. On May 11, 2011, the Company changed its name from SUB Capital Inc. to Inca One Metals Corp. and on October 26, 2011, to Inca One Resources 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 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 exploration and evaluation assets and has not yet determined whether these assets contain reserves that are economically recoverable. The ability of the Company to recover its cumulative expenditures on its exploration and evaluation assets and to attain profitable operations is dependent upon the completion of exploration programs, discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production, and adequate mineral market prices. The ultimate outcomes of these matters cannot presently be determined because they are contingent on future events.

These financial statements have been prepared using accounting policies applicable to a going concern which contemplate the realization of assets and settlement of liabilities in the normal course of business. As at April 30, 2012, the Company had no operating revenue, accumulated deficit of $5,829,628, working capital of $616,545 (2011 - $554,697) and expects to incur further losses related to the exploration of its resource property interests and the development of its business. 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. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities. These material uncertainties cast significant doubt on the entity's ability to continue as a going concern.

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 August 21, 2012 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 financial statements represent the first annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective for the Company's reporting period ended April 30, 2012.

The disclosures related to the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS are included in note 14 to these consolidated financial statements. Note 14 contains reconciliations and descriptions of the effect of the transition from GAAP to IFRS on previously reported statements of financial position as at April 30, 2011 and May 1, 2010. The first date at which IFRS was applied was May 1, 2010.

(b) Basis of presentation and consolidation

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The consolidated financial statements include the accounts of the Company, its wholly owned subsidiary, Inca One Metals S.A., and Minera Huaquillas SAC ("Minera"), a private company incorporated in Peru (Note 6(a)). Minera is not a subsidiary of the Company, however, the Company consolidates 100% of its operations as they have effective control and therefore the right to obtain the majority of the benefits and are exposed to the risks of the activities of Minera. All intercompany balances and transactions have been eliminated on consolidation.

The consolidated financial statements of the Company have been prepared on a historical cost basis.

(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 accounting policies and the reported amounts of assets, liabilities and disclosure of contingent assets and 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 going concern assessments, functional currency, the impairment of exploration and evaluation assets and share-based payments. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – continued

(c) Use of estimates and judgments – continued

(i) Economic recoverability and probability of future economic benefits of mineral property interests

Management has determined the exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities and the evaluation of permitting and environmental issues and local support for the project.

(ii) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

(iii) Value of share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimates and the Company's earnings and equity reserves.

(iv) Deferred tax assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

(d) Functional and presentation of foreign currency

(i) Functional and presentation currency

Items included in the financial statements of the Company's consolidated entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company. The functional currency of the Company's consolidated entities is the Peruvian Sol.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Functional and presentation of foreign currency

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in profit and loss.

(iii) Consolidated entities

The results and financial position of consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(e) Cash and cash equivalents

Cash and cash equivalents include short-term deposits, which are all guaranteed investment certificates with a maturity of less than one year and cashable at any time at the option of the holder.

(f) Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses. 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%
Furniture	declining-balance basis	20%

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – continued

(g) 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. Exploration costs include value added taxes incurred in foreign jurisdictions when recoverability of these taxes is uncertain. Costs incurred before the Company has obtained the legal rights to explore a mineral property are expensed as incurred.

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.

(h) 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 financial 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 when the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period.

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. An impairment loss with respect to goodwill is never reversed.

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – continued

(i) Decommissioning obligations

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 April 30, 2012, April 30, 2011 and May 1, 2010, the Company has determined that it does not have material decommissioning obligations as the disturbance to date is minimal.

(j) Share capital

Transaction 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 in reserves 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.

(k) Share-based payments

The Company has an employee stock option plan. Share-based payments to employees are measured at the fair value of the stock options at the grant date and amortized to expense 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 in equity as a stock option reserve. The fair value of options is determined using a Black–Scholes option pricing model which incorporates all market vesting conditions. The number of 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. Amounts recorded for forfeited or expired unexercised options are reversed in the period the forfeiture occurs.

(l) 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.

All potential dilutive common shares are anti-dilutive for the years presented.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – continued

(m) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. 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 other financial liabilities.

Non-derivative financial assets

(i) Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit and loss are either 'held-for-trading' or classified at fair value through profit or loss. Financial assets are designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch, the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy or the financial asset contains one or more embedded derivatives. They are initially and subsequently measured at fair value and changes in fair value are recognized in profit or loss for the period.

The Company does not have any financial assets at fair value through profit and loss.

(ii) Loans and receivables

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. They 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.

The Company has designated its cash and cash equivalents and other receivables as loans and receivables.

(iii) Held-to-maturity

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, using the effective interest method, less any impairment losses.

The Company does not have any held-to-maturity financial assets.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – continued

(m) Financial instruments – continued

(iv) Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income (loss) and presented within equity in accumulated other comprehensive income. When the financial assets are sold or an impairment write-down is required, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Company does not have any available-for-sale financial assets.

Non-derivative financial liabilities

All financial liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company's non-derivative financial liabilities include its accounts payable and accrued liabilities, which are designated as other liabilities.

Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or in the case of amounts receivable are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(n) Income taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date. As the Company is in a loss position there is no current tax payable.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – continued

(n) Income taxes - continued

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets liabilities and assets.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be related tax benefit will be realized.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

The following IFRS standards have been recently issued by the IASB or the IFRIC. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein. 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) IFRS 7, Financial Instruments: Disclosures and IAS 32, Financial Instruments: Presentation

The IASB has issued amendments to IFRS 7, Financial Instruments: Disclosures (“IFRS 7”) and IAS 32, Financial Instruments: Presentation, requiring incremental disclosures and clarity an entity’s ability to offset financial assets and financial liabilities. These amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and the amendments to IAS 32 are applicable for annual periods beginning on or after January 1, 2014. The Company does not expect the implementation to have a material impact on the Company’s disclosures.

(b) IFRS 9, Financial Instruments

The IASB has issued a new standard, IFRS 9, “Financial Instruments” (“IFRS 9”), which will ultimately replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, 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. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity’s credit risk are presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company does not expect the implementation to have a material impact on the Company’s results of operations, financial position and disclosures.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS – continued

(c) IFRS 10, Consolidated Financial Statements

In 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10"), which replaces parts of IAS 27, Consolidated and Separate Financial Statements ("IAS 27") and all of SIC-12 Consolidation – Special Purpose Entities, changes the definition of control which is the determining factor in whether an entity should be consolidated. Under IFRS 10, an investor controls an 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. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on May 1, 2013.

(d) IFRS 11, Joint Arrangements

In May 2011, the IASB issued IFRS 11 which replaces IAS 31, Interest in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers, requires a venture to classify its interest in a joint operator will recognize its assets, liabilities, revenue and expenses, and/or its relative share thereof. For a joint venture, the joint venturer will account for its interest in the venture's net assets using the equity method of accounting. The choice to proportionally consolidate joint ventures is prohibited. This new standard is applicable for accounting periods beginning January 1, 2013.

(e) IFRS 12, Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12, a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The required disclosures aim to provide information in order to enable users to evaluate the nature of and the risks associated with an entity's interest in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on May 1, 2013.

(f) IFRS 13, Fair value measurement

In May 2011, the IASB issued IFRS 13 which replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to see an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. The Company intends to adopt IFRS 13 in its financial statements for the annual period beginning on May 1, 2013.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS – continued

(g) IAS 1, Presentation of Items of Other Comprehensive Income

The IASB has issued amendments to IAS 1 which require entities to group items presented in other comprehensive income ("OCI") on the basis of whether they might at some point be reclassified from OCI to profit or loss at a later date when specified conditions are met. By requiring items of OCI to be grouped on this basis, their potential effect on profit or loss in future periods will be clearer. This amendment is effective for annual periods beginning on or after July 1, 2012 and requires full retrospective application. The Company does not expect IAS 1 to have a material impact on the financial statements.

NOTE 4 – RECEIVABLES

	April 30, 2012	April 30, 2011	May 1, 2010
	$	$	$
Share subscription receipts in transit	-	1,599	218,290
HST recoverable	128,021	42,253	10,439
Interest receivable	3,603	450	-
Other receivable	2,697	-	-
	134,321	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 year ended April 30, 2012.

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	Furniture	Total
	$	**$**	**$**
Costs:			
Balance, May 1, 2010	-	-	-
Additions	2,731	-	2,731
Balance, April 30, 2011	2,731	-	2,731
Additions	12,134	8,381	20,515
Balance, April 30, 2012	14,865	8,381	23,246

NOTE 5 – EQUIPMENT - continued

	Computer	Furniture	Total
	$	**$**	**$**
Accumulated Depreciation:			
Balance, May 1, 2010	-	-	-
Depreciation	410	-	410
Balance, April 30, 2011	410	-	410
Depreciation	1,981	1,257	3,238
Balance, April 30, 2012	2,391	1,257	3,648
Net Book Value:			
May 1, 2010	-	-	-
April 30, 2011	2,321	-	2,321
April 30, 2012	12,474	7,124	19,598

NOTE 6 – EXPLORATION AND EVALUATION ASSETS

	Las Huaquillas project Peru (a)	Thorburn Lake property Canada (b)	Total
	$	$	$
Balance, May 1, 2010	-	-	-
Acquisition costs:			
Option payments - cash	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:			
Option payments and finder's fee - cash	334,452	-	334,452
Option payments and finder's fee- common shares	110,512	-	110,512
Staking	49,381	-	49,381
Others (professional and regulatory fees)	61,660	-	61,660
	556,005	-	556,005

NOTE 6 – EXPLORATION AND EVALUATION ASSETS - continued

	Las Huaquillas project Peru (a)	Thorburn Lake property Canada (b)	Total
	$	$	$
Exploration costs:			
Field costs	85,479	-	85,479
Geology	42,216	-	42,216
Office and administration	25,795	-	25,795
Mineral concession fees	21,211	-	21,211
Professional fees	125,988	-	125,988
Rent, utilities and maintenance	14,567	-	14,567
Travel and accommodation	51,716	-	51,716
Value added tax [1]	23,000	-	23,000
Wages and contract labor	290,998	-	290,998
	680,970	-	680,970
Balance, April 30, 2012	1,395,072	-	1,395,072

[1] Expenses incurred by the Company in Peru, including exploration expenses, are subject to Peruvian Value Added Tax ("VAT"). The VAT is not currently refundable to the Company but the amounts may be used in the future to offset amounts due to the Peruvian tax administration by the Company resulting from VAT charged to clients on future sales.

(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 was 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:

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	Paid	200,000	Issued
Concurrently with the execution of the public deed formalizing the mining assignment agreement ("dated July 26, 2011")	50,000	Paid	-	
On or before January 26, 2012	125,000	Paid	125,000	Issued
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 July 26, 2012 [1]	375,000		375,000	
On or before July 26, 2013 [1]	1,500,000		1,500,000	
On or before July 26, 2014 [1]	1,500,000		1,550,000	
On or before July 26, 2015 [1]	1,125,000		1,125,000	
Total	5,000,000		5,000,000	

(1) Subject to the Amended Agreement dated January 18, 2012.

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. As at April 30, 2012, the Company advanced $84,204 under the loan agreement and the balance was eliminated on consolidation.

NOTE 6 – EXPLORATION AND EVALUATION ASSETS - continued

(a) Las Huaquillas project - continued

On January 18, 2012, the Company signed an amended agreement with the Optionors ("Amended Agreement") whereby if by June 27, 2012, Minera has not received the permits required to carry out exploration activities in the Project ("drill permits"), all options payments due starting from July 26, 2012 shall be deferred until the drill permits have been obtained. [(1)]

As consideration for the acquisition, the Company entered into a finder's fee agreement dated July 31, 2011, to 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	Paid	-	
Within 5 days of Exchange approval	12,500	Paid	10,000	Issued
Concurrently with the execution of the public deed formalizing the Mining Assignment Agreement ("dated July 26, 2011")	5,000	Paid	-	
On or before January 26, 2012	10,625	Paid	6,250	Issued
Within 5 days from the date in which the Supreme Decree is granted and published in the Official Gazette "EI Peruano"	9,375		6,250	
On or before July 26, 2012 [(1)]	28,125		18,750	
On or before July 26, 2013 [(1)]	78,125		75,000	
On or before July 26, 2014 [(1)]	75,000		77,500	
On or before July 26, 2015 [(1)]	56,250		56,250	
Within 15 days as of the date in which the Second Option is exercised by the Company [(1)]	-		150,000	
Total	282,500		400,000	

[(1)] Pursuant to a letter agreement with the finder dated January 19, 2012, the payment of finder's fees will be deferred and will resume upon resumption of the Company's option payments to the Optionors.

NOTE 6 – EXPLORATION AND EVALUATION ASSETS - continued

(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.

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 exploration and evaluation costs were 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 had a term of one year which matured August 31, 2011 and bore interest at 12% per annum. $60,000 of the $120,000 loan was payable to a company controlled by an officer of the Company. During the year ended April 30, 2012, the loans were fully repaid, and the Company paid $1,105 (2011 - $10,145) 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 April 30, 2012, there were 22,772,374 issued and fully paid common shares (April 30, 2011 – 16,471,707; May 1, 2010 – 9,619,039).

NOTE 8 – SHARE CAPITAL AND RESERVES – continued

(c) Share issuances

During the year ended April 30, 2012, 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 issuance costs with respect to the private placement totaled $183,582, which included finders' fees of $136,790, 87,750 common shares at a value of $35,100 and regulatory expenses of $11,692.

During the year ended April 30, 2012, 751,667 common shares were issued for proceeds of $93,958 on the exercise of 751,667 warrants at $0.125 per share. A reclassification of $25,000 from warrant reserve to share capital was recorded on exercise of certain of these warrants.

During the year ended April 30, 2012, 120,000 stock options at $0.125 per share were exercised for total proceeds of $15,000. A reclassification of $11,360 from stock option reserve to share capital was recorded on the exercise of these options.

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 issuance costs with respect to this private placement totaled $19,147, which included 80,500 common shares at a 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 stock option reserve to share capital was recorded on the exercise of these options.

(d) Escrow securities

As of April 30, 2012, the Company had 1,004,800 (April 30, 2011 – 1,674,666; May 1, 2010 - 109,246) common shares, 117,000 (April 30, 2011 – 195,000; May 1, 2010 - nil) stock options and nil (April 30, 2011 – nil; May 1, 2010 - nil) share purchase warrants 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 7, 2015) and share purchase warrants to purchase up to 1,036,444 common shares of the Company at $0.125 expiring April 28, 2011, were 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.

NOTE 8 – SHARE CAPITAL AND RESERVES - continued

(d) Escrow securities - continued

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 nine months thereafter over a period of 36 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 securities outstanding follows:

	Shares	Stock Options	Warrants
	#	#	#
Balance, May 1, 2010	109,246	-	-
Cancelled	(109,246)	-	-
Deposited	1,196,444	260,000	1,036,444
Warrants exercised	777,333	-	(777,333)
Released	(299,111)	(65,000)	(259,111)
Balance, April 30, 2011	1,674,666	195,000	-
Released	(669,866)	(78,000)	-
Balance, April 30, 2012	1,004,800	117,000	-

(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 30 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.

NOTE 8 – SHARE CAPITAL AND RESERVES - continued

(e) Stock options - continued

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	1,346,000	0.429
Exercised	(120,000)	(0.125)
Balance, April 30, 2012	2,261,000	0.313

The following table summarizes the options outstanding and exercisable as at April 30, 2012:

Options	Exercise Price	Expiry Date	Options Exercisable
#	$		#
311,000 [(1)]	0.135	February 18, 2015	311,000
480,000 [(1)]	0.125	April 7, 2015	480,000
124,000	0.220	September 23, 2020	124,000
376,000	0.500	May 13, 2021	235,000
820,000	0.430	July 11, 2021	568,750
150,000	0.250	February 9, 2017	150,000
2,261,000	0.313		1,868,750

[(1)] Of these options, 54,000 and 63,000 are held in escrow respectively (Note 8(d)).

During the year ended April 30, 2012, the Company recognized share-based payments of $424,871 (2011 - $27,739) for stock options granted and vested during the period, of which $40,834 (2011 - $nil) was included under wages and contract labor in exploration and evaluation assets.

NOTE 8 – SHARE CAPITAL AND RESERVES - continued

(e) Stock options - continued

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

	2012	2011
Risk-free annual interest rate	1.92%	1.44%
Expected annual dividend yield	0%	0%
Expected stock price volatility	192.51%	225%
Average expected life of options	5.37 years	3 years

The weighted average fair value of stock options granted during the year ended April 30, 2012 was $0.37 (2011- $0.20) per option.

(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
Expired	(125,000)	2.000
Exercised	(751,667)	0.125
Balance, April 30, 2012	3,760,352	0.956

NOTE 8 – SHARE CAPITAL AND RESERVES - continued

(f) Warrants - continued

The following table summarizes the share purchase warrants outstanding at April 30, 2012:

Warrants	Exercise Price	Expiry Date
#	$	
916,666 [1]	1.500	May 9, 2012
343,686	1.000	December 12, 2012
2,500,000	0.750	June 30, 2013
3,760,352	0.956	

[1] These warrants expired unexercised.

NOTE 9 – RELATED PARTY TRANSACTIONS

(a) Related party transactions

	2012	2011
	$	$
Office, rent and administration paid or accrued to companies having a director and an officer in common [1]	92,800	33,000
Legal fees and share issuance costs paid or accrued to a company controlled by an officer of the Company	21,432	47,457
Interest paid to a company controlled by an officer of the Company	493	5,073
	114,725	85,530

[1] Of these fees, $30,000 was allocated to the CFO of the Company (Note 9(b)(i)).

(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.

	2012	2011
	$	$
Short-term benefits – management fees [i]	120,000	33,500
Share-based payments [ii]	192,010	20,396
	312,010	53,896

NOTE 9 – RELATED PARTY TRANSACTIONS – continued

(b) Compensation of key management personnel - continued

(i) Short-term benefits include consulting and management fees.
(ii) Share-based payments are the fair value of options granted and vested to key management personnel under the Company's stock option plan (note 8(e)).

(c) Related party balances

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

	April 30, 2012	April 30, 2011	May 1, 2010
	$	$	$
Director and officer of the Company *(i)*	13,264	-	-
Companies controlled by a director and an officer of the Company *(i)*	-	13,630	9,800
Company having an officer in common *(ii)*	1,200	1,200	-

NOTE 10 – SEGMENTED INFORMATION

The Company operated in the following geographic segments at April 30, 2012, April 30, 2011 and May 1, 2010:

April 30, 2012	Canada	Peru	Total
	$	$	$
Current assets	579,059	134,466	713,525
Equipment	2,836	16,762	19,598
Exploration and evaluation assets	-	1,395,072	1,395,072
	581,895	1,546,300	2,128,195

April 30, 2011	Canada	Peru	Total
	$	$	$
Current assets	746,355	-	746,355
Equipment	2,321	-	2,321
Exploration and evaluation assets	-	158,097	158,097
	748,676	158,097	906,773

May 1, 2010	Canada	Peru	Total
	$	$	$
Current assets	392,212	-	392,212

NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value of financial instruments

As at April 30, 2012, the Company's financial instruments consist of cash and cash equivalents, other receivables and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values because of their short term nature and/or the existence of market related interest rates on the instruments.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The Company has no financial instrument assets or liabilities recorded in the statements of financial position at fair value.

The following table summarizes the classification, carrying values and fair value hierarchy of the Company's financial instruments:

	Carrying value	Fair value hierarchy	April 30, 2012	April 30, 2011	May 1, 2010
			$	$	$
Financial assets					
Loans and receivables					
Cash and cash equivalents	Amortized cost	N/A	543,030	700,853	163,483
Other receivables	Amortized cost	N/A	134,321	44,302	228,729
			677,351	745,155	392,212
Financial liabilities					
Other financial liabilities					
Accounts payable and accrued liabilities	Amortized cost	N/A	96,980	71,658	54,830
Loans payable	Amortized cost	N/A	-	120,000	-
			96,980	191,658	54,830

NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

(b) Financial instruments risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

(i) Credit risk

Credit risk primarily arises from the Company's cash and cash equivalents and receivables. The risk exposure is limited to their carrying amounts at the balance sheet date. Cash and cash equivalents are held as cash deposits or investments in guaranteed investment certificates at banks within Canada. Other receivables consist primarily of interest receivable of $3,603 (2011 - $450) and other receivables of $2,697 (2011 - $1,599).

(ii) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure, as outlined in note 12 of these financial statements.

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. The Company achieves this by maintaining sufficient cash and seeking equity financing as required. As at April 30, 2012, the Company had cash and cash equivalents of $543,030 to settle current liabilities of $96,980 which mainly consist of accounts payable that are considered short term and settled within 30 days. See Note 1.

(iii) Market risk

a. 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 invests cash in guaranteed investment certificates at fixed or floating interest rates in order to maintain liquidity while achieving a satisfactory return for shareholders. A change of 100 basis points in the interest rates would not be material to the financial statements.

b. 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. The Company's main risk is associated with the fluctuations in the US dollar and the Peruvian New Sol ("Sol") and assets and liabilities are translated based on the foreign currency translation policy described in note 2(d) to these consolidated financial statements.

NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

(b) Financial instruments risk – continued

(iii) Market risk - continued

b. Foreign currency risk – continued

The Company's net exposure to the US dollar and Sol on financial instruments is as follows:

	April 30, 2012	April 30, 2011	May 1, 2010
	$	$	$
US dollar:			
Cash and cash equivalents	108,492	-	-
Sol:			
Cash and cash equivalents	18,701	-	-
Receivables	2,697	-	-
Accounts payable and accrued liabilities	(53,231)	-	-
Net Sol	(31,833)	-	-

The Company has determined that an effect of a 10% increase or decrease in the US dollar and Sol against the Canadian dollar on financial assets and liabilities as at April 30, 2012, including cash and cash equivalents denominated in US dollars and Sol, would result in an insignificant change to the net loss and comprehensive loss for the year ended April 30, 2012. At April 30, 2012, the Company had no hedging agreements in place with respect to foreign exchange rates.

c. 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 exploration and evaluation assets described in Note 6 to these consolidated financial statements from which production is not expected in the near future.

NOTE 12 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders.

The Company has no debt and is not subject to externally imposed capital requirements.

NOTE 12 – CAPITAL MANAGEMENT - continued

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

There were no changes in the Company's management of capital during the year ended April 30, 2012.

NOTE 13 – INCOME TAXES

The recovery of income taxes differs from the amounts computed by applying local tax rates to the loss before tax due to the following:

	2012	2011
	$	$
Net loss for the year	(1,179,539)	(471,246)
Income tax recovery at applicable rate	(307,000)	(131,000)
Permanent differences	106,000	16,000
Effect of share issuance costs	(48,000)	(5,000)
Effect of change in tax rate	8,000	12,000
Change in unrecognized deductible temporary differences	241,000	108,000
Income tax recovery	-	-

As at April 30, the significant components of unrecognized temporary differences are as follows:

	2012	2011
	$	$
Non-capital losses	4,619,000	3,789,000
Share issuance costs	187,000	58,000
Mineral properties	47,000	47,000
Other	47,000	43,000

NOTE 13 – INCOME TAXES - continued

The Company has non-capital losses available to reduce taxes in future years of approximately $4,619,000 (2011 - 3,789,000). The Company may use the tax benefit of these losses in the following periods:

	2012
	$
2026	18,000
2027	579,000
2028	1,247,000
2029	1,392,000
2030	158,000
2031	395,000
2032	830,000
	4,619,000

The balance of expenditure on research and development available to reduce taxes in future years is approximately $36,500 (2011 - $36,500). The Company may use the tax benefit of deferral of these expenses indefinitely.

The balance of tax credits for investments that would reduce taxes in future years is approximately $16,000 (2011 - $16,000). The Company may use the tax benefit of deferral of these funds until 2027.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

NOTE 14 – CONVERSION TO IFRS

The Company adopted IFRS on May 1, 2011, with a transition date of May 1, 2010, representing the date of the Company's opening IFRS balance sheet. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with GAAP. The accounting policies set out in note 2 have been consistently applied in preparing the financial statements for the years ended April 30, 2012 and 2011 and in the preparation of the opening IFRS balance sheet as at May 1, 2010.

The Company applied IFRS 1, First-time Adoption of IFRS, in preparing these first IFRS financial statements. In preparing the opening IFRS statement of financial position, the Company adjusted amounts previously reported in the financial statements prepared in accordance with GAAP. This note explains the principal adjustments made by the Company in restating its GAAP balance sheet as at May 1, 2010 and its previously published GAAP financial statements for the year ended April 30, 2011.

<u>Elected exemptions from full retrospective application:</u>

IFRS generally requires first-time adopters to retrospectively apply all IFRS standards and interpretations currently in effect. However, IFRS 1 provides certain exceptions and exemptions to this general principle. On adoption of IFRS 1, the Company elected to apply the following transition exemptions to full retrospective application of IFRS:

NOTE 14 – CONVERSION TO IFRS – continued

IFRS 2 - Share-based Payment

IFRS 1 provides an exemption that allows first-time adopters to not apply standards for share-based payments under IFRS for equity instruments that were granted prior to November 7, 2002 and to equity instruments that were granted after November 7, 2002 that have vested prior to transition to IFRS. The Company has elected to utilize this exemption and did not apply IFRS 2 to awards that vested prior to May 1, 2010, which have been accounted for in accordance with GAAP.

Mandatory exception to retrospective application:

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 statement of financial position 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 were consistent with its previous estimates under GAAP for the same date.

Reconciliation between GAAP and IFRS:

IFRS 1 requires reconciliation disclosures that explain how the transition from GAAP to IFRS has affected the Company's previously reported financial statements prepared in accordance with previous GAAP for the year ended April 30, 2011. An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position is set out in the following notes and accompanying table:

(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 were 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.

NOTE 14 – CONVERSION TO IFRS – continued

(c) Forfeited or expired options and warrants

Under GAAP, the Company's policy was to leave the value recorded for forfeited or expired unexercised stock options and warrants in contributed surplus.

On transition to IFRS, the Company elected to change its accounting policy for the treatment of forfeited or expired unexercised options and warrants whereby amounts recorded for forfeited or expired unexercised stock options and warrants are transferred to deficit or share capital, respectively.

Accordingly, upon conversion to IFRS, the value assigned to forfeited options of $131,460 had been reclassified from reserves to deficit as at April 30, 2011 and May 1, 2010.

NOTE 14 – CONVERSION TO IFRS - Continued

IFRS Reconciliation of Statements of Financial Position

		As at May 1, 2010			As at April 30, 2011		
	Note	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**
		$	$	**$**	$	$	**$**
Assets							
Current:							
Cash and cash equivalents		163,483	-	**163,483**	700,853	-	**700,853**
Receivables		228,729	-	**228,729**	44,302	-	**44,302**
Prepaid expenses and deposits		-	-	**-**	1,200	-	**1,200**
		392,212	-	**392,212**	746,355	-	**746,355**
Equipment		-	-	**-**	2,321	-	**2,321**
Exploration and evaluation assets		-	-	**-**	158,097	-	**158,097**
		-	-	**-**	160,418	-	**160,418**
		392,212	-	**392,212**	906,773	**-**	**906,773**
Liabilities							
Current:							
Accounts payable and accrued liabilities		54,830	-	**54,830**	71,658	-	**71,658**
Loans payable		-	-	**-**	120,000	-	**120,000**
		54,830	-	**54,830**	191,658	-	**191,658**
Shareholders' Equity							
Share capital		4,067,480	-	**4,067,480**	4,848,237	-	**4,848,237**
Reserves	(a)	-	448,745	**448,745**	-	516,967	**516,967**
Contributed surplus	(a)(c)	580,205	(580,205)	**-**	648,427	(648,427)	**-**
Deficit	(c)	(4,310,303)	131,460	**(4,178,843)**	(4,781,549)	131,460	**(4,650,089)**
		337,382	-	**337,382**	715,115	-	**715,115**
		392,212	-	**392,212**	906,773	**-**	**906,773**

NOTE 14 – CONVERSION TO IFRS - continued

The transition from GAAP to IFRS had no impact on the Company's previously reported statements of comprehensive loss and statements of cash flows for the year ended April 30, 2011.