MAYEN MINERALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR YEARS ENDED

APRIL 30, 2012 AND 2011

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Mayen Minerals Ltd.

We have audited the accompanying consolidated financial statements of Mayen Minerals Ltd., 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 loss and comprehensive loss, changes in shareholders' equity (deficiency) 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 auditors consider 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.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Mayen Minerals Ltd. 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 the ability of Mayen Minerals Ltd. to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

August 27, 2012

MAYEN MINERALS LTD.
Consolidated Statements of Financial Position
As at
(Expressed in Canadian Dollars)

	Notes	April 30, 2012 $	April 30, 2011 $	May 1, 2010 $
			Note 10	Note 10
ASSETS				
Current assets				
Cash and cash equivalents		17,400	55,897	360,389
Accounts receivable		2,597	17,570	13,458
Total current assets		19,997	73,467	373,847
Non-current assets				
Exploration and evaluation assets	4	-	-	373,909
Total non-current assets		-	-	373,909
Total assets		19,997	73,467	747,756
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
Current liabilities				
Accounts payable and accrued liabilities		213,585	178,080	62,134
Loans payable	5	35,000	33,499	-
Total current liabilities		248,585	211,579	62,134
Shareholders' equity (deficiency)				
Share capital	6	1,241,683	1,241,683	1,209,247
Contributed surplus	6	358,297	358,297	281,047
Deficit		(1,828,568)	(1,738,092)	(804,672)
Total shareholders' equity (deficiency)		(228,588)	(138,112)	685,622
Total liabilities and shareholders' equity		19,997	73,467	747,756

Nature and continuance of operations (Note 1)
Subsequent event (Note 11)

Signed

"Wayne Koshman"

Director

Signed

"Robert van Santen"

Director

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

MAYEN MINERALS LTD.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended April 30
(Expressed in Canadian Dollars)

	Notes	2012 $	2011 $ Note 10
General and administrative expenses			
Advertising and promotion		-	11,941
Office and miscellaneous		9,005	11,402
Interest and bank charges		3,095	3,474
Professional fees		61,952	144,026
Stock-based compensation	6	-	77,250
Travel		5,995	61,031
Transfer agent and filing fees		11,761	22,184
Loss before other items		(91,808)	(331,308)
Other items			
Loss on disposal of subsidiary	1	(26,638)	-
Write-down of accounts payable		27,970	-
Write-off of exploration and evaluation assets	4	-	(602,112)
Total loss and comprehensive loss for the year		(90,476)	(933,420)
Basic and diluted loss per share		(0.01)	(0.09)
Weighted average number of shares outstanding		10,901,600	10,895,787

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

MAYEN MINERALS LTD.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

	Share Capital		Contributed		
	Number	Amount	Surplus	Deficit	Total
		$	$	$	$
Balance, May 1, 2010	10,820,000	1,209,247	281,047	(804,672)	685,622
Loss for the year	-	-	-	(933,420)	(933,420)
Shares issued for exploration and evaluation asset acquisition	81,600	32,436	-	-	32,436
Stock-based compensation	-	-	77,250	-	77,250
Balance, April 30, 2011	10,901,600	1,241,683	358,297	(1,738,092)	(138,112)
Loss for the year	-	-	-	(90,476)	(90,476)
Balance, April 30, 2012	10,901,600	1,241,683	358,297	(1,828,568)	(228,588)

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

MAYEN MINERALS LTD.
Consolidated Statements of Cash Flows
For the Years Ended April 30
(Expressed in Canadian Dollars)

	2012	2011
	$	$
		Note 10
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(90,476)	(933,420)
Adjustment to add (deduct) non-cash items:		
Stock-based compensation	-	77,250
Write-down of accounts payable	(27,970)	-
Write-off of exploration and evaluation assets	-	602,112
Working capital adjustments		
Decrease (increase) in accounts receivable	14,973	(4,112)
Increase in accounts payable and accrued liabilities	63,475	38,620
Net cash used in operating activities	(39,998)	(219,550)
CASH FLOWS FROM FINANCING ACTIVITY		
Loan payable	1,501	33,499
Net cash provided by financing activities	1,501	33,499
CASH FLOWS FROM INVESTING ACTIVITY		
Exploration and evaluation expenditures	-	(118,441)
Net cash used in investing activity	-	(118,441)
Increase/(decrease) in cash and cash equivalents	(38,497)	(304,492)
Cash and cash equivalents, beginning of year	55,897	360,389
Cash and cash equivalents, end of year	17,400	55,897
Cash paid for interest	-	-
Cash paid for income taxes	-	-
Cash and cash equivalents consist of:		
Cash	17,400	44,410
Term deposit	-	11,487
	17,400	55,897
Supplemental schedule of non-cash investing and financing activities:		
Shares issued for exploration and evaluation asset acquisition	-	32,436
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	-	77,326

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Mayen Minerals Ltd. (the "Company") was incorporated under the laws of British Columbia on January 14, 1981. The Company is an exploration stage enterprise engaged in acquiring and exploring resource properties. The Company is listed on the TSX Venture Exchange, having the symbol MYM.V.

The address of the Company's registered and record office and principal place of business is 6975 Balaclava Street, Vancouver, British Columbia, Canada V6N 1M4.

During the year ended April 30, 2012, the Company disposed of its Mexican subsidiary, Minmay S.A. de C.V., to a director of the Company, resulting in a loss on disposition of $26,638.

The consolidated financial statements were prepared on a going concern basis in accordance with International Financial Accounting Standards ("IFRS"), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. The Company has incurred losses since its inception and had an accumulated deficit of $1,828,568 at April 30, 2012. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. Management of the Company does not expect that cash flows for the Company's operations will be sufficient to cover all of its operating requirements, financial commitments and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The consolidated financial statements of the Company for the year ended April 30, 2012 were authorized for issue by the Board of Directors on August 27, 2012.

2. BASIS OF PREPARATION

<u>Statement of compliance</u>

These consolidated financial statements, including comparatives, were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretation issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles ("GAAP"). The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements. They also have been applied in preparing an opening IFRS statement of financial position at May 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 10.

<u>Basis of presentation</u>

These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information, and on a historical cost basis except for certain financial assets measured at fair value.

2. BASIS OF PREPARATION, continued

Critical accounting estimates

The preparation of these consolidated financial statements requires management to make certain judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the consolidated statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

ii) The inputs used in calculating the fair value for stock-based compensation expense included in profit or loss and stock-based share issuance costs included in shareholders' equity. The stock-based compensation expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

iii) The valuation of shares issued in non-cash transactions, including the settlement of debt. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Mayen Holding Corp and Minmay Corp. (incorporated in Barbados) and Minmay S.A de C.V. (incorporated in Mexico) up to the date of disposition on December 21, 2011. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Functional and Presentation Currency

The functional currency of the Company and all its subsidiaries is the Canadian dollar as this is the principal currency of the economic environment in which they operate. The Canadian dollar is also the Company's presentation currency.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position are comprised of cash and short-term deposits held at major financial institutions, which are readily convertible into known amounts of cash. The Company's cash and cash equivalents are invested in business and savings accounts which are available on demand by the Company for its operations.

Financial Instruments

i. Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Financial Instruments, continued

ii. Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents as fair value through profit and loss, its accounts receivable as loans and receivables and its accounts payable and accrued liabilities and loans payable as other financial liabilities.

Exploration and Evaluation Assets

The Company's exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and evaluation expenditure capitalized in respect of projects that are at the exploration/pre-development stage.

Pre-exploration costs prior to obtaining title to exploration and evaluation assets are expenses as incurred.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development assets in property, plant and equipment upon the commencement of mine development.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Exploration and evaluation expenditure related to an area of interest where the Company has tenure are capitalized as intangible assets and are initially recorded at cost less impairment.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

All capitalized exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that impairment may exist. In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Impairment of Non-Financial 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 pre-tax 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 the 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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of 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 for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

i. Environmental rehabilitation provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation 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 the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement 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 rehabilitation costs). 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 future benefit is discernible are charged to the profit and loss statement. The Company had no rehabilitation obligations as at April 30, 2012, April 30, 2011 or May 1, 2010.

ii. Other 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 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 are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Stock-based Compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees 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.

The fair value of the options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. The fair value is recognized as an expense with a corresponding increase in contributed surplus. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of stock-based compensation previously recorded in contributed surplus. Consideration paid for the shares on the exercise of stock options is credited to share capital.

When vested options are forfeited or not exercised at the expiry date, the amount previously recognized in stock-based compensation is revised from contributed surplus to deficit. Amounts recorded for forfeited or expired unexercised warrants are transferred to share capital.

Stock-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. 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 tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries, and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Loss Per Share

The Company presents basic and diluted loss per share data for its 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 weight average number of common shares outstanding when the effect is anti-dilutive.

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. Parties are also considered to be related if they are subject to common control, 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.

New Standards Not Yet Adopted

IFRS 9 – Financial Instruments, as issued in November 2009 and revised in October 2010 is required to be adopted by 2013, subject to confirmation by the International Accounting Standards Board. The standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 and divides all financial assets that are currently in the scope of IAS 39 into two classifications; amortized cost and those measured at fair value.

IFRS 10 – Consolidated Financial Statements builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Corporation.

IFRS 11 – Joint Arrangements establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled.

IFRS 12 – Disclosure of Interest in Other Entities provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities.

IFRS 13 – Fair Value Measurement defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

IAS 28 – Investments in Associate and Joint Ventures revised the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Each of the new standards or amendments is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, except for IFRS 9, Financial Instruments, which is effective for annual periods beginning on or after January 1, 2015. The Corporation has not yet completed its evaluation of the effect of adopting these standards on its consolidated financial statements.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

	El Gochico Property	Ensenada Property	Total
Balance, May 1, 2010	$ 373,909	$ -	$ 373,909
Exploration costs	88,028	117,329	205,357
Acquisition of property	2,436	20,410	22,846
Write-off of exploration expenditures	(464,373)	(137,739)	(602,112)
Balance, April 30, 2011	-	-	-
Additions	-	-	-
Balance , April 30, 2012	$ -	$ -	$ -

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

El Gochico Property, Sonora, Mexico

On September 29, 2009, the Company entered into an option agreement with Canadian Mining Company Inc. (“Canadian Mining”), pursuant to which the Company was granted an option to earn up to an undivided 60% interest in and to Canadian Mining’s “Raquel 3” and “Raquel 3B” projects (the “Sonora Property”) located in Sonora, Mexico. The Company also entered into a finder’s fee agreement with an arm’s length party. During the year ended April 30, 2011, the Company issued 81,600 common shares, valued at $32,436, in connection with the El Gochico Property finder’s fee agreement.

On April 30, 2011, the Company terminated the option agreement and the finder’s fee agreement and, therefore, all cost relating to the El Gochico property were written off.

Baja Property – Baja California Mexico

On July 9, 2010, the Company entered into a definitive agreement among Ivonne Boileve Romero (“ Romero”), Navial Holdings S.A. de C.V. and Navial Mineria S.A. de C.V., pursuant to which the Company was granted an option to earn an undivided 56% interest in six claim blocks located in Baja California, Mexico (the “Baja Property”).

On April 30, 2011, the Company terminated the agreement and all cost was written off.

5. LOAN PAYABLE

The loan payable of $33,499 as at April 30, 2011 (May 1, 2010 - $Nil) was due to the president and director of the Company. The loan was fully repaid during the year ended April 30, 2012. During the year ended April 30, 2012, the Company received a loan in the amount of $35,000 from a company controlled by a former officer of the Company. These loans bear no interest and are unsecured with no fixed repayment terms.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized share capital

Unlimited common shares, without par value
Unlimited preferred shares, without par value

Share issuances

During the year ended April 30, 2011, the Company issued 81,600 common shares, valued at $32,436, in connection with the El Gochico Property finder's fee agreement (Note 4).

Escrow shares

As at April 30, 2012, 793,800 issued and outstanding common shares of the Company were held in escrow, subject to release upon terms of escrow agreements and approvals of regulatory authorities.

Stock options

The Company has a stock option plan which permits the Board of Directors of the Company to grant options to directors, employees and non-employees to acquire common shares of the Company at the fair market value on the date of approval by the Board of Directors. A portion of the stock options vests immediately on the grant date and the balance vests over a period of up to five years from grant date.

The stock options have a life of up to five years from grant date. The fair market value of the exercise price is the weighted average price of the common shares for the five days on which they were traded immediately preceding the date of approval by the Board of Directors. The Board of Directors makes recommendations as to the recipients of, and nature and size of, share compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements. The Company is authorized to issue options to a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan.

The following is a summary of option transactions under the Company's stock option plan for the relevant periods:

	Number of Options		Weighted Average Exercise Price
Balance, May 1, 2010	775,000	$	0.45
Options granted	175,000		0.80
Balance, April 30, 2011	950,000		0.51
Options cancelled	(950,000)		0.51
Balance, April 30, 2012	-	$	-
Number of options currently exercisable and outstanding	-	$	-

(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS, continued

Stock-based compensation

During the year ended April 30, 2011, the Company granted 175,000 stock options resulting in a fair value, using the Black-Scholes option-pricing model of $77,250. The weighted average fair value of these stock options was $0.44 per option.

There were no stock options granted during the year ended April 30, 2012.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2012	2011
Risk-free interest rate	-	2.23%
Expected life of options	-	4.67 years
Annualized volatility	-	125%
Dividend rate	-	0.00%

7. INCOME TAXES

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

	2012	2011
Loss for the year	$ (90,476)	$ (933,420)
Combined statutory tax rate	26.0%	29.2%
Expected income tax recovery at statutory tax rates	(24,000)	(273,000)
Impact of future income tax rates applied versus current statutory rate	1,000	7,000
Change in unrecognized deductible temporary difference	13,000	63,000
Non-deductible expenditures and other	10,000	203,000
Income tax recovery	$ -	$ -

The Company has the following deferred tax assets for which no benefit has been recognized as they may not be used to offset table profits elsewhere in the group and they have arisen in companies that have a history of losses.

The significant components of the Company's deferred tax assets are as follows:

	2012	2011
Share issue costs	$ 2,000	$ 6,000
Allowable capital losses	3,000	-
Non-capital losses	185,000	165,000
Unrecognized deferred tax assets	(190,000)	(171,000)
Net deferred tax assets	$ -	$ -

(Expressed in Canadian Dollars)

7. INCOME TAXES, continued

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

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	2012	Expiry dates	2011
Share issue costs	$ 7,000	2022 to 2026	$ 22,000
Allowable capital losses	13,000	No expiry	-
Non-capital losses	741,000	2014 to 2032	662,000
	$ 761,000		$ 684,000

8. CAPITAL RISK MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders' equity (deficiency).

The Company has historically relied on the equity markets to fund its activities. Current financial markets are very difficult and there is no certainty with respect to the Company's ability to raise capital. The Company will continue to assess new properties and seek to acquire an interest in mineral properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in to the Company's approach to capital management.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value 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 that are not based on observable market data.

The fair values of the Company's accounts receivable, accounts payable and accrued liabilities and loans payable approximate their carry amounts, due to their short-term nature. Cash and cash equivalents are measured at fair value using Level 1 inputs.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, continued

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its contractual obligations. The Company believes it has no significant credit risk. The Company's cash and cash equivalents are held at large Canadian financial institutions in interest bearing accounts. Accounts receivable consist of HST receivable obligations due from the government of Canada.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at April 30, 2012, the Company had a cash and cash equivalents balance of $17,400 (April 30, 2011 - $55,897; May 1, 2010 - $360,389) to settle current liabilities of $248,585 (April 30, 2011 - $211,579; May 1, 2010 - $62,134). To maintain liquidity, the Company is currently investigating financing opportunities and new exploration projects. Current market conditions make the present environment for raising additional equity financing unfavourable and there can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. Interest rate risk

   The Company has cash balances held with financial institutions. The Company believes it has no significant interest rate risk.

ii. Foreign currency risk

   The Company does not have any significant balances denominated in a foreign currency and believes it has no significant foreign currency risk.

iii. Price risk

   The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of raw materials, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

10. FIRST-TIME ADOPTION OF IFRS

As stated in Note 2, these consolidated financial statements are the Company's first annual financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the consolidated financial statements for the years ended April 30, 2012 and April 30, 2011, and the opening IFRS consolidated statement of financial position as May 1, 2010 (the "Transition Date").

In preparing the opening IFRS consolidated statement of financial position and the consolidated financial statements for the year ended April 30, 2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position is set out below. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS.

Business combinations

The Company elected not to retrospectively apply IFRS 3 Business Combinations to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

Stock-based compensation

The Company elected not to retrospectively apply IFRS 2 Share-based Payment 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 outstanding equity instruments that are unvested as at the Transition Date. The Company did not have any unvested equity instruments as of the Transition Date.

Estimates

The estimates previously made by the Company under GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not use hindsight to revise estimates. The Company's IFRS estimates as at May 1, 2010 are consistent with its GAAP estimates for the same date.

<u>Reconciliations of GAAP to IFRS</u>

Management has determined that adoption of IFRS has not resulted in changes to the Company's consolidated statement of financial position as at April 30, 2011 or May 1, 2010, or the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity (deficiency), and consolidated statement of cash flows for the year ended April 30, 2011. Therefore, reconciliation adjustment schedules to transition GAAP to IFRS are not required.

11. SUBSEQUENT EVENT

On August 27, 2012, the Company completed a non-brokered private placement of 9,715,000 units at the price of $0.10 per unit, for net proceeds of $971,500. Each unit consists of one common share and one share purchase warrant, entitling the holder to purchase another common share of the Company for $0.20 per share for a period of two years from closing, subject to acceleration conditions.