CASSIUS VENTURES LTD.

Unaudited Interim Consolidated Financial Statements

Nine Months Ended July 31, 2012 and 2011

(Expressed in Canadian dollars)

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Nine Months Ended July 31, 2012

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

CASSIUS VENTURES LTD.
Consolidated Interim Statements of Financial Position (Unaudited)

		July 31, 2012		October 31, 2011 (Note 2)
Assets				
Current assets				
Cash and cash equivalents	**$**	**804,475**	$	1,420,752
Receivables		**74,606**		52,562
Prepaid expenses		**17,143**		48,744
		896,224		1,522,058
Restricted cash		**36,255**		17,250
Equipment		**38,569**		37,804
Mineral properties (Note 6)		**4,570,977**		2,674,409
TOTAL ASSETS	**$**	**5,542,025**	$	4,251,521
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**477,653**	$	71,800
Due to related parties (Note 10)		**90,975**		5,269
Total Current Liabilities		**568,628**		77,069
Deferred income tax payable		**504,511**		479,956
		1,073,139		557,025
Shareholders' equity				
Share capital (Note 7)		**5,668,005**		4,689,795
Contributed surplus (Note 7)		**255,927**		133,157
Deficit		**(1,455,046)**		(1,128,456)
Total Shareholders' Equity		**4,468,886**		3,694,496
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**5,542,025**	$	4,251,521

Nature of operations and continuation of business (Note 1)
Commitments (Note 11)
Subsequent event (Note 15)

Approved by the Board:

"Steven Dean" Director

"Robert Atkinson" Director

(The accompanying notes are an integral part of these unaudited interim consolidated financial statements)

CASSIUS VENTURES LTD.

Consolidated Interim Statements of Loss and Comprehensive Loss (Unaudited)

		Three months ended July 31,		Nine months ended July 31,
	2012	2011	**2012**	2011
Expenses				
Consulting	**$ 19,833**	$ 27,400	**$ 72,833**	$ 83,200
Foreign exchange loss/(gain)	**954**	26,223	**15,006**	26,223
Investor relations	**6,597**	-	**25,934**	-
Office and general	**24,141**	23,768	**87,682**	25,118
Professional fees	**4,861**	25,887	**25,308**	48,078
Share-based payments (Note 8)	**30,114**	12,014	**95,035**	12,014
Transfer agent and regulatory	**5,548**	18,606	**10,368**	30,713
Termination payments (Note 6)	**-**	-	**5,420**	-
Total operating expenses	**92,048**	133,898	**337,586**	225,346
Loss from operations	**(92,048)**	(133,898)	**(337,586)**	(225,346)
Other income				
Interest income	**257**	1,747	**10,996**	2,556
Net loss and comprehensive loss for the period	**$ (91,791)**	$ (132,151)	**$ (326,590)**	$ (222,790)
Loss per common share - basic and diluted	**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding	**35,033,263**	24,946,928	**32,580,597**	16,456,127

CASSIUS VENTURES LTD.
Consolidated Interim Statements of Changes in Equity
For the Nine Months Ended July 31, 2012 and 2011 (Unaudited)

	Share capital							
	Number of shares	Amount		Contributed Surplus		Deficit		Total equity
Balance - October 31, 2011	**31,248,480**	**$ 4,689,795**	**$**	**133,157**	**$**	**(1,128,456)**	**$**	**3,694,496**
Private placement - June 2012	9,700,000	970,000		-		-		970,000
Share issue costs	-	(11,790)		-		-		(11,790)
Share based compensation recognized	-	-		122,770		-		122,770
Warrants exercised	200,000	20,000		-		-		20,000
Net loss for the period	-	-		-		(326,590)		(326,590)
Balance - July 31, 2012	**41,148,480**	**$ 5,668,005**	**$**	**255,927**	**$**	**(1,455,046)**	**$**	**4,468,886**

	Share capital							
	Number of shares	Amount		Contributed Surplus		Deficit		Total equity
Balance - October 31, 2010	**9,666,880**	**$ 788,036**	**$**	**6,603**	**$**	**(221,592)**	**$**	**573,047**
Private placement - January 2011	4,000,000	300,000		-		-		300,000
Private placement - June 2011	10,000,000	2,500,000		-		-		2,500,000
Issuance for mineral property	100,000	17,000		-		-		17,000
Issued under share exchange agreement (Note 4)	6,500,000	1,040,000		-		-		1,040,000
Issued as finders fees	806,600	160,700		-		-		160,700
Share issue costs	-	(132,474)		-		-		(132,474)
Warrants exercised	175,000	17,500		-		-		17,500
Share based compensation recognized	-	-		16,657		-		16,657
Net loss for the period	-	-		-		(222,790)		(222,790)
Balance - July 31, 2011	**31,248,480**	**$ 4,690,762**	**$**	**23,260**	**$**	**(444,382)**	**$**	**4,269,640**

CASSIUS VENTURES LTD.
Consolidated Interim Statements of Cash Flows (Unaudited)

	Three months ended July 31, 2012	Three months ended July 31, 2011	Nine months ended July 31, 2012	Nine months ended July 31, 2011
Operating activities				
Net loss for the period	**$ (91,791)**	$ (132,151)	**$ (326,590)**	$ (222,790)
Items not involving cash:				
Share-based payments	**30,114**	12,014	**95,035**	12,014
Net changes in non-cash working capital balances:				
Prepaid expenses	**85,898**	53,948	**36,615**	(14,012)
Receivables	**(7,612)**	(8,266)	**(22,044)**	(15,426)
Accounts payable and accrued liabilities	**(38,026)**	(473,941)	**348,531**	(529,888)
Due to related parties	**64,482**	10,400	**85,706**	10,400
	43,064	(537,996)	**217,252**	(759,702)
Investing activities				
Acquisition costs	**-**	-	**(4,148)**	-
Restricted cash	**11,500**	-	**(19,845)**	-
Purchase of equipment	**(572)**	(18,307)	**(9,531)**	(18,307)
Mineral property expenditures	**(307,129)**	(194,485)	**(1,778,216)**	(375,939)
	(296,200)	(212,792)	**(1,811,740)**	(394,246)
Financing activities				
Private placement, net of share issue cost	**958,210**	2,461,598	**958,210**	2,755,427
Exercise of warrants (Note 9)	**-**	17,500	**20,000**	17,500
	958,210	2,479,098	**978,210**	2,772,927
Change in cash and cash equivalents during the period	**700,926**	1,728,310	**(616,277)**	1,618,979
Cash and cash equivalents, beginning of period	**103,549**	377,388	**1,420,752**	486,719
Cash and cash equivalents, end of period	**$ 804,475**	$ 2,105,698	**$ 804,475**	$2,105,698
Cash and cash equivalents are comprised of the following:				
Cash	**$ 804,475**	$ 1,105,698	**$ 804,475**	$ 1,105,698
Term deposits	**$ -**	$ 1,000,000	**$ -**	$ 1,000,000
	$ 804,475	$ 2,105,698	**$ 804,475**	$ 2,105,698
Supplemental cash flow information				
Interest paid	**$ -**	$ -	**$ -**	$ -
Income taxes paid	**-**	-	**-**	-
Non-cash investing and financing activities				
Fair value of options capitalized in mineral properties	**$ 27,735**	$ -	**$ 27,735**	$ -
Shares issued for mineral property	**-**	-	**-**	17,000
Deferred income taxes on acquisition costs	**-**	-	**-**	-
Fair value of warrants issued as finders' fees	**-**	160,700	**-**	160,700

(The accompanying notes are an integral part of these unaudited interim consolidated financial statements)

1. Nature of Operations and Continuance of Business

Cassius Ventures Ltd. (the “Company”) is an exploration stage company focused on the exploration of its flagship properties located in Nicaragua. The Company was incorporated under the Business Corporations Act (British Columbia) on February 23, 2007. The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, British Columbia. The Company’s registered and records office is located at 625 Howe Street, Suite 700, Vancouver, British Columbia. The Company was classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (the “TSXV”). On March 24, 2008, the Company obtained a listing on the TSXV.

The Company owns 100% of the issued and outstanding shares of Fortress de Nicaragua S.A. (“Fortress”), a private Nicaraguan company, which is the legal and beneficial owner of sixteen exploration concessions with a total area of approximately 137,000 hectares in Nicaragua. On January 30, 2012, the Company completed the acquisition, through Fortress, of the issued and outstanding shares of Nueva Segovia S.A., a private Nicaraguan Company which holds the El Zúngano concession in northern Nicaragua.

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

The Company has yet to generate any revenues from operations and as at July 31, 2012, had an accumulated deficit of $1,455,046 and a working capital balance of $327,596. These conditions, along with other factors indicate the existence of material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

The Company’s ability to continue operations in the normal course of business is dependent on several factors, including the ability to secure additional financing. In addition, the recoverability of the amounts shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production, all of which are uncertain.

Although management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

The consolidated financial statements do not include any additional adjustments to the recoverability and classification of certain recorded asset amounts, and changes to statements of comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

2. Basis of Presentation and Adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and required publicly accountable enterprise to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed interim financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

2. Basis of Presentation and Adoption of IFRS (continued)

These condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34") and IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The accounting policies followed in these condensed interim financial statements are the same as those applied in note 3 of the Company's condensed interim financial statements for the period ended January 31, 2012. The Company has consistently applied the same accounting policies in its opening IFRS consolidated statement of financial position at November 1, 2010 ("the transition date") and throughout all periods presented, as if these policies had always been in effect.

The policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ending October 31, 2012, as issued and outstanding as of October 1, 2012, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending October 31, 2012 could result in restatement of these condensed interim financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended October 31, 2011 and the Company's interim financial statements for the quarter ended January 31, 2012 prepared in accordance with IFRS applicable to interim financial statements.

Initial elections upon adoption

Set out below are the applicable IFRS 1 exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS:

Fair value as deemed cost

The Company may elect among two options when measuring the value of its assets under IFRS. It may elect, on an asset by asset basis, to use either historical cost as measured under retrospective application of IFRS or fair value of an asset at the opening balance sheet date. The Company has elected to use historical cost for its assets. There is no impact on the financial statements due to this election.

Reconciliations of Canadian GAAP to IFRS

For the statement of financial position as at October 31, 2011, the Company had the following reconciling items:

(i) - Deferred taxes

Under IFRS, deferred income taxes are not recognized on exploration costs capitalized based in Nicaragua as the difference is considered to be a permanent difference for tax purposes, whereas under Canadian GAAP, such differences were considered temporary. This change in accounting decreased mineral properties and deferred income tax liabilities at October 31, 2011 by $196,649 (November 1, 2010 - $Nil). This amendment did not have an effect on the statement of loss and comprehensive loss, or the statement of cash flows.

2. Basis of Presentation and Adoption of IFRS (continued)

(ii) – Share-based payments

Under IFRS, the fair value of options granted are accrued over the vesting period using the graded method of amortization, whereas under Canadian GAAP, the straight-line method of amortization is used. As a result of this change in accounting, as at October 31, 2011, contributed surplus increased by $60,905, share-based payment expense increased by $52,416 and mineral properties increased by $8,489. The amendment did not have an effect on the financial statements at November 1, 2010.

Statement of Financial Position							**October 31, 2011**
	Note		**Canadian GAAP**		**Effect of transition to IFRS**		**IFRS**
Assets							
Current assets							
Cash and cash equivalents		$	1,420,752	$	-	$	1,420,752
Receivables			52,562		-		52,562
Prepaid expenses and deposits			48,744		-		48,744
			1,522,058		-		1,522,058
Restricted cash			17,250		-		17,250
Equipment			37,804		-		37,804
Mineral properties	(i), (ii)		2,862,569		(188,160)		2,674,409
Total assets		$	4,439,681	$	(188,160)	$	4,251,521
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities		$	71,800	$	-	$	71,800
Due to related parties			5,269		-		5,269
Deferred taxes	(i)		676,605		(196,649)		479,956
Total liabilities			753,674		(196,649)		557,025
Equity attributable to shareholders							
Share capital			4,689,795		-		4,689,795
Contributed surplus	(ii)		72,252		60,905		133,157
Deficit	(ii)		(1,076,040)		(52,416)		(1,128,456)
			3,686,007		8,489		3,694,496
Total liabilities and equity		$	4,439,681	$	(188,160)	$	4,251,521

3. Accounting Standards Issued But Not Yet Applied

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, *Financial Instruments*, IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosure of Interests in Other Entities*, IFRS 13, *Fair Value Measurement*, amended IAS 28, *Investments in Associates and Joint Ventures, and IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 (with the exception of IFRS 9 which will be effective for annual periods beginning on or after January 1, 2015) with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9 - Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income.

IFRS 10 – Consolidated Financial Statements

IFRS 10 requires an entity to consolidate 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. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Venturers.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities.

3. Accounting Standards Issued But Not Yet Applied (continued)

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 28 – Investments in Associate and Joint Ventures

IAS 28 revises 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 associated joint ventures.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine.

4. Acquisition of Fortress de Nicaragua, S.A. ("Fortress")

On May 3, 2011, the Company acquired 100% of the issued and outstanding shares of Fortress, a private company incorporated in Nicaragua, which is the legal and beneficial owner of sixteen exploration concessions located in Nicaragua (the "Nicaraguan Gold Properties"). Concurrent with the closing of the acquisition, the Company completed a non-brokered private placement of 10,000,000 units at a price of $0.25 per unit for gross proceeds of $2,500,000 (refer to Note 7).

Under the terms of the acquisition, the Company acquired all of the issued and outstanding shares of Fortress in exchange for 6,500,000 common shares of the Company with a fair value of $1,040,000, plus reimbursement for certain expenses and assumption of certain property maintenance fees not to exceed US$650,000.

Pursuant to the transaction, the Company paid transaction costs of $28,143 in professional fees, which were expensed in the consolidated statement of loss, comprehensive loss and deficit for the year ended October 31, 2011. The Company also issued 455,000 common shares as finder's fees with a fair value of $72,800, which were expensed as consulting fees on the statement of loss, comprehensive loss and deficit for the year ended October 31, 2011.

The transaction has been accounted for as a business combination using the purchase method. The allocation of the purchase price to the assets acquired and liabilities assumed is as follows:

Prepaid expenses	$	911
Mineral properties		2,026,946
Accounts payable		(508,578)
Future income tax liability		(479,279)
	$	1,040,000

The consideration is determined as follows:

Share consideration	$	1,040,000

4. Acquisition of Fortress de Nicaragua, S.A. ("Fortress") (continued)

The Nicaraguan Gold Properties are subject to royalty agreements between Fortress and JAT Metconsult Ltd. ("JAT"), whose owner is an officer and director of the Company; as well as Sirocco Advisory Services Ltd. ("Sirocco"), whose owner is a director of the Company. Under the royalty agreements, JAT and Sirocco are each entitled to a 0.75% net smelter returns ("NSR") royalty, increasing to 1% in the event gold production exceeds 200,000 ounces.

There are also two other royalty agreements between Fortress and various other parties; entitling these parties up to 1% of NSR royalties should the Nicaraguan Gold Properties enter into production.

The Company is also required to pay concession rents to the Ministry of Mines and Energy in Nicaragua twice annually to keep claims in good standing.

5. Acquisition of Nueva Segovia Mining S.A. ("Nueva Segovia")

On January 30, 2012, Fortress completed an acquisition of the issued and outstanding shares of Nueva Segovia, a private company incorporated in Nicaragua, from Infinito International Holdings Corp ("Infinito"). Nueva Segovia is the legal and beneficial owner of a concession located in Nicaragua known as El Zúngano, of which the Company wishes to conduct exploration activities.

Under the terms of the agreement, Fortress acquired all the issued and outstanding shares of Nueva Segovia in exchange for $5,000.

Pursuant to the transaction, the Company paid transaction costs of $9,371 in professional fees, which have been expensed in the consolidated statement of loss, comprehensive loss and deficit.

The transaction has been accounted for as a business combination using the purchase method. The allocation of the purchase price fair value of the assets acquired and liabilities assumed is as follows:

Cash	$	852
Deposit		5,014
Mineral properties		81,851
Accounts payable		(58,162)
Future income tax liability		(24,555)
	$	5,000

The El Zúngano concession is subject to an agreement between Nueva Segovia and the owner of the concession, entitling the owner to payments of US $100,000 due on January 5, 2013 and US $495,000 due on January 5, 2014. The agreement also entitles the owner to a 1.5% royalty from sales of metals up to a maximum of US $10,000,000 should the concession enter into production. Nueva Segovia may terminate the agreement upon 30 days written notice providing concession rent payments are made up to the termination date.

The Company is also required to pay concession rents to the Ministry of Mines and Energy in Nicaragua twice annually to keep the El Zúngano concession in good standing.

6. Mineral Properties

		Carrot River Property		Head Bay Property		Nueva Segovia Mining S.A.		Fortress de Nicaragua S.A.		Total
Balance, October 31, 2010	$	142,514	$	-	$	-	$	-	**$**	**142,514**
Acquisition costs		-		29,000		-		2,026,946		2,055,946
Deferred exploration expenditures										
Drilling and fieldwork costs		253,372		5,000		-		79,465		337,837
Claims/permitting		-		-		-		146,585		146,585
Other		-		-		-		6,952		6,952
Total additions in the period		253,372		34,000		-		2,259,948		2,547,320
Balance July 31, 2011		**395,886**		**34,000**		**-**		**2,259,948**		**2,689,834**

		Carrot River Property		Head Bay Property		Nueva Segovia Mining S.A.		Fortress de Nicaragua S.A.		Total
Balance, October 31, 2011	$	-	$	-	$	-	$	2,674,409	**$**	**2,674,409**
Acquisition costs		-		-		86,851		-		**86,851**
Deferred exploration expenditures										
Drilling and fieldwork costs		-		-		-		1,290,779		**1,290,779**
Assays		-		-		-		235,180		**235,180**
Claims/permitting		-		-		-		228,811		**228,811**
Other		-		-		-		54,946		**54,946**
Total additions in the period		**-**		**-**		**86,851**		**1,809,716**		**1,896,567**
Balance July 31, 2012	**$**	**-**	**$**	**-**	**$**	**86,851**	**$**	**4,484,125**	**$**	**4,570,977**

Carrot River Property

On March 3, 2010, the Company entered into an option agreement with QMC Quantum Minerals Corp. ("QMC") pursuant to which the Company acquired an option to earn a 60% undivided interest in the Carrot River Property, located in northern Manitoba ("Carrot River Option Agreement"). The Property is comprised of 15 mining claims totalling 3,073 hectares and lies within the northern part of the Archean Superior Province and straddles the westerly extension of the Oxford-Knee Lakes greenstone belt. Under the terms of the Agreement, the Company was committed to the following terms:

	Cash Payment $	Common Shares	Exploration Expenditures $
Upon signing of agreement (issued and paid)	25,000	200,000	–
On or before March 3, 2011	50,000 (optional)	300,000 (optional)	250,000 (optional)
On or before March 3, 2012	75,000 (optional)	400,000 (optional)	300,000 (optional)
On or before March 3, 2013	100,000 (optional)	500,000 (optional)	350,000 (optional)
On or before March 3, 2014	150,000 (optional)	600,000 (optional)	450,000 (optional)
	400,000	2,000,000	1,350,000

6. Mineral Properties (continued)

Carrot River Property (continued)

On August 4, 2011, the Company delivered notice of termination under the terms of the Carrot River Option Agreement to QMC. The effective date of termination was September 3, 2011. As part of the termination provisions of the agreement, the Company paid $76,825 to keep the claims in good standing for a period of twelve months after the termination date, as acknowledged by QMC under the Carrot River Option Agreement. The Company has no further obligations in respect of the Carrot River property. As at the effective termination date, the Company impaired $370,850 of previously capitalized costs relating to Carrot River.

Head Bay Property

On February 25, 2011, the Company entered into an Option Agreement with Johan Thom Shearer to acquire an undivided 100% interest in the Head Bay Property which is situated in the Alberni Mining Division of British Columbia. Under the terms of the Option Agreement, the Company was committed to the following terms:

	Cash Payment $	Common Shares
Upon signing of agreement (paid)	12,000	
On or before February 25, 2012	15,000	
On or before February 25, 2013	20,000	
On or before February 25, 2014	25,000	
On or before February 25, 2015	50,000	
Issue within 5 business days of Exchange Approval of Agreement	Nil	100,000 (issued)
	$122,000	100,000

On January 16, 2012, the Company delivered notice of termination under the terms of the Head Bay Option Agreement to Mr. Shearer. As part of the termination, the Company paid $5,420 of termination costs in full satisfaction of further obligations as acknowledged by Mr. Shearer under the Head Bay Option Agreement. The Company has no further obligations in respect of the Head Bay property. As at October 31, 2011, the Company wrote-off costs previously capitalized to the Head Bay Property of $34,000.

7. Share Capital and Contributed Surplus

	Number of shares	Share Capital Amount	Contributed surplus
Balance, October 31, 2010	9,666,880	788,036	6,603
Private placement - January 2011	4,000,000	300,000	-
Private placement - June 2011	10,000,000	2,500,000	-
Issued for mineral property (Note 6)	100,000	17,000	-
Issued under share exchange agreement (Note 4)	6,500,000	1,040,000	-
Issued as finders fees (Note 4)	806,600	160,700	-
Share issue costs	-	(133,441)	-
Warrants exercised	175,000	17,500	-
Fair value of stock options	-	-	126,554
Balance, October 31, 2011	**31,248,480**	**4,689,795**	**133,157**
Private placement - June 2012	9,700,000	970,000	-
Share issue costs	-	(11,790)	-
Fair value of stock options	-	-	122,770
Warrants exercised	200,000	20,000	-
Balance, July 31, 2012	**41,148,480**	**5,668,005**	**255,927**

The Company has an unlimited number of common shares without par value authorized.

On January 10, 2011, the Company completed a non-brokered private placement of 4,000,000 units at a price of $0.075 per unit for proceeds of $300,000. Each unit consisted of one common share plus one share purchase warrant, with each whole share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of $0.10 per share for a period of two years.

On March 25, 2011, the Company issued 100,000 common shares with a fair value of $17,000 to acquire an interest in the Head Bay Property, as discussed in Note 6.

On June 3, 2011, the Company completed a non-brokered private placement comprising of 10,000,000 units, at a price of $0.25 per unit for gross proceeds of $2,500,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.45 per share for a period of 24 months. The warrants are subject to an “accelerated expiry provision” whereby, in the event that the volume weighted average closing price of the Company’s shares is equal to or exceeds $0.65 for a period of 15 consecutive trading days, the Company may give written notice to the warrant-holders that the warrants will expire on the 30th calendar day following the date of such notice. As part of the private placement, the Company issued 351,600 common shares with a fair value of $87,900 as finders’ fees.

On June 3, 2011, the Company issued 6,500,000 common shares with a fair value of $1,040,000 to acquire the issued and outstanding shares of Fortress, as discussed in note 4. In addition, the Company issued 455,000 common shares with a fair value of $72,800 as finders’ fees, which were expensed in the statement of loss and comprehensive loss.

On June 28, 2012, the Company completed a non-brokered private placement comprising 9,700,000 common shares, at a price of $0.10 per common share for gross proceeds of $970,000.

During the period ended July 31, 2012, a total of 200,000 common shares were issued upon the exercise of share purchase warrants (2011: 175,000) at an exercise price of $0.10 per share.

7. Share Capital and Contributed Surplus (continued)

During the period ended July 31, 2012, $11,790 (October 31, 2011: $45,541) of share issuance costs were incurred in conjunction with the above noted private placements.

Escrowed Shares

As at July 31, 2012, the Company had 600,000 (October 31, 2011 – 1,200,000) common shares held in escrow to be released over a period of three years from the date of acceptance of the Company's qualifying transaction on July 23, 2010.

8. Stock Options

The Company has established a stock option plan (the "Plan") for its directors, executive officers, employees and consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company exercisable for a period of up to 5 years from the date of grant.

Within any 12 month period, the maximum number of common shares reserved for issuance to any individual cannot exceed 5% of the issued common shares, and the maximum number of common shares reserved for issuance to any insider cannot exceed 10% of the issued common shares. The aggregate number of common shares reserved for issuance to insiders cannot exceed 10% of the issued common shares. Within any 12 month period, the maximum number of options granted to any one consultant cannot exceed 2% of the issued common shares and the maximum number of options granted to all employees and consultants conducting investor relations activities cannot exceed 2% of the issued common shares.

The exercise price of an option granted under this plan shall not be less than the discounted market price provided that:

(i) if options are granted within 90 days of a distribution by a prospectus, the minimum exercise price of those options will be the greater of the discounted market price and the per share price paid by the public investors for shares acquired under the distribution;

(ii) the 90 day period begins on the date a final receipt is issued for the prospectus;

(iii) for unit offerings, the minimum option exercise price will be the 'base' (or imputed) price of the shares included in the unit; and

(iv) for all other financings, the minimum exercise price will be the average price paid by the public investors.

Subject to the discretion of the Board, the options granted to an optionee under this Plan shall fully vest on the date of grant of such options. In accordance with the policies of the TSXV, and subject to their approval to the contrary, options issued to consultants providing investor relations services must vest (and not otherwise be exercisable) in stages over a minimum of 12 months with no more than 25% of the options vesting in any 3 month period.

8. Stock Options (continued)

A summary of the changes in stock options is as follows:

	Options	Weighted average exercise price
Options outstanding - October 31, 2010	-	$ -
Granted	1,435,000	0.21
Options outstanding - October 31, 2011	1,435,000	$ 0.21
Granted	350,000	0.19
Forfeited	(50,000)	0.21
Options outstanding - July 31, 2012	**1,735,000**	**$ 0.21**
Options exercisable - July 31, 2012	**1,472,500**	**$ 0.21**

The weighted average grant date fair value of the options granted in the nine months ended July 31, 2012 is $0.12.

The fair value of stock options vested during the period ended July 31, 2012 was $122,770 (2011 - $16,657), which was recorded in contributed surplus, of which $27,735 was capitalized to mineral properties and $95,035 was recorded as stock-based compensation.

The fair values for stock options granted during the nine month period ended July 31, 2012 have been estimated using the Black-Scholes option pricing model assuming no expected dividends, and the following weighted average assumptions:

	Nine months ended July 31, 2012	**Nine months ended July 31, 2011**
Risk-free interest rate	1.57% - 1.60%	2.12%
Expected life	5 years	5 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

The following table summarizes information about the stock options outstanding at July 31, 2012:

	Options Outstanding		**Options Exerciseable**
Weighted average exercise price	Number	Weighted average remaining life (years)	Number
$ 0.165	250,000	4.8	62,500
0.21	1,385,000	4.0	1,385,000
0.25	100,000	4.7	25,000
0.21	**1,735,000**	**4.1**	**1,472,500**

9. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number	Weighted average exercise price
Balance - October 31, 2010	1,500,000	$ 0.15
Issued	9,000,000	0.29
Exercised	(175,000)	0.10
Balance - October 31, 2011	**10,325,000**	**$ 0.28**
Exercised	(200,000)	0.10
Expired	(1,500,000)	0.15
Balance - July 31, 2012	**8,625,000**	**$ 0.30**

As at July 31, 2012, the following share purchase warrants were outstanding:

Outstanding	Weighted average exercise price	Expiry Date
3,625,000	0.10	January 10, 2013
5,000,000	0.45	June 3, 2013
8,625,000	0.30	

10. Related Party Transactions

a) Key Management Compensation

Key management includes the Company's directors, Chief Executive Officer, and Chief Financial Officer. Compensation awarded to key management is presented in the table below:

	Three months ended July 31, 2012	Three months ended July 31, 2011	**Nine months ended July 31, 2012**	Nine months ended July 31, 2011
Consulting fees	$ 18,000	$ 30,400	$ 54,000	$ 86,200
Share-based payments	7,302	9,971	59,562	9,971
	$ 25,302	$ 40,371	**$ 113,562**	$ 96,171

10. Related Party Transactions (continued)

b) Payments for services by related parties

As disclosed in note 11, the Company is charged shared lease and overhead, and service costs by an affiliated company, with a director and officer in common. The Company is also charged for accounting and administrative services by another affiliated company with a director and officer in common. Amounts incurred for these services are presented in the table below:

	Three months ended July 31, 2012	Three months ended July 31, 2011	**Nine months ended July 31, 2012**	Nine months ended July 31, 2011
Purchase of services:				
Accounting and administration fees paid to a company with common directorship and officership	$ 3,917	$ -	$ 19,692	$ 3,000
Equipment rental fees paid to a company with common directorship	1,000	-	1,000	-
Rent and shared services from an entity with common directorship and officership	13,346	-	42,573	-
	$ 18,263	$ -	**$ 63,265**	$ 3,000

The above transactions have been in the normal course of operations and have been recorded at their exchange amounts, which are the amounts agreed upon by the transacting parties.

Amounts due to related parties at July 31, 2012 amounted to $90,975 (October 31, 2011 - $5,269).

11. Commitments

Effective July 1, 2011, the Company entered into an agreement with an affiliated company in respect of shared lease, overhead and service costs (amended on January 1, 2012). Under the agreement, the Company is billed quarterly for office rental and other services relating to its head office in Vancouver, Canada. The agreement expires on September 29, 2015, but either party may terminate the agreement provided 90 days' notice. The Company is committed to the following future payments:

2012	5,441
2013	22,180
2014	22,687
2015	20,797
	$ 71,105

12. Financial Instruments and Risks

(a) Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable, accrued liabilities and due to related parties.

Cash and cash equivalents are designated as held-for-trading and carried at fair value. Receivables are designated as loans and receivables and are measured at amortized cost. Accounts payable, accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

12. Financial Instruments and Risks (continued)

(b) Fair Value Measurement

CICA HB 3862, "Financial Instruments Disclosures", requires disclosure of a three-level hierarchy for fair value measurements based upon the significance of inputs used in making fair value measurements as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

At July 31, 2012, cash and cash equivalents were categorized as level 1. The fair values of other financial instruments, which include receivables, accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

(c) Financial Instrument Risk Exposure

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

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate Risk

The Company's exploration expenditures are predominately in US dollars and Nicaraguan Cordobas and equity raised is primarily in Canadian dollars. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates.

The Company is exposed to fluctuations in foreign currency at the time payments are due on exploration costs in US dollars and Nicaraguan Cordobas. The Company manages this risk by monitoring fluctuations in foreign exchange rates and considers using derivative instruments to reduce its exposure to foreign currency risk.

Interest Rate Risk

The Company's cash contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs as disclosed in note 1.

12. Financial Instruments and Risks (continued)

(c) Financial Instrument Risk Exposure (continued)

Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

13. 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 continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders.

The Company is not exposed to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended October 31, 2011.

14. Segmented Information

The Company operates in one business segment, being the acquisition, exploration and development of mineral properties. The Company's assets are located in Canada and Nicaragua.

A comparison of total assets and mineral properties at July 31, 2012 compared to October 31, 2011 by geographic location is shown below:

			July 31, 2012
	Canada	**Nicaragua**	**Total**
Mineral Properties	$ -	$ 4,570,977	**$ 4,570,977**
Total Assets	835,967	4,706,058	**5,542,025**

			October 31, 2011
	Canada	**Nicaragua**	**Total**
Mineral Properties	$ -	$ 2,674,409	**$ 2,674,409**
Total Assets	1,331,087	2,920,434	**4,251,521**

14. Segmented Information (continued)

A comparison of net loss for the three and nine months ended July 31, 2012 compared to the same period in 2011 by geographic location is shown below:

	Three months ended July 31, 2012			Nine months ended July 31, 2012		
	Canada	**Nicaragua**	**Total**	**Canada**	**Nicaragua**	**Total**
Net income (loss)	(108,139)	16,348	**(91,791)**	(308,456)	(18,134)	**(326,590)**

	Three months ended July 31, 2011			Nine months ended July 31, 2011		
	Canada	**Nicaragua**	**Total**	**Canada**	**Nicaragua**	**Total**
Net loss	(92,680)	(39,471)	**(132,151)**	(183,319)	(39,471)	**(222,790)**

15. Subsequent Events

a) In August 2012, a total of 50,000 stock options with an exercise price of $0.21 were forfeited.