

## **CASSIUS VENTURES LTD.**

### **Management Discussion and Analysis For the Six Months Ended April 30, 2012**

The MD&A of Cassius Ventures Ltd. (the "Company") has been prepared by management in respect of the six months ended April 30, 2012, and should be read in conjunction with the unaudited condensed interim consolidated financial statements as of April 30, 2012 and related notes thereto of the Company. The Company reports its financial statements in accordance with International Financial Reporting Standards ("IFRS"). Previously the Company reported its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The Company's prior year comparatives in this MD&A have been presented in accordance with IFRS, as the Company's IFRS transition date was November 1, 2010. All figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The effective date of this report is June 29, 2012.

#### **Description of Business**

The Company was incorporated on February 23, 2007 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act of British Columbia under the name "Cassius Ventures Ltd.". The Company currently trades on the TSX Venture Exchange under the trading symbol "CZ".

The Company is focused on the exploration and development of its Nicaraguan gold properties (the "Properties"), which comprise 17 concessions over 160,000 hectares over three main project areas in Nicaragua: Nueva Segovia, León, and Chontales.

The Properties have been explored historically with sampling work being done over all areas, as well as prospecting and trenching work in the Nueva Segovia project area. In July 2011, the Company commenced its 2011/2012 exploration program and in February 2012, the Company commenced its 2012 drill program, both of which are described in more detail below.

#### **Progress to Date and Next Steps**

The Company's 2011/2012 exploration program, which commenced in July 2011, has consisted of:

- Stream sediment, soil, rock chip, and trench channel sampling on concessions not previously sampled as well as concessions worked on historically
- Soil geochemistry surveys on prospective areas
- Trenching on four historic targets in addition to other targets identified as part of the exploration program
- 1,270 metres of drilling over 10 holes focused on targets in the Nueva Segovia project area
- The identification in the León project area of several gold anomalies and an extensive trend of gold anomalies over 15km, in addition to an Au-Mo mineralization porphyry system

Over the past few months, the Company has compiled an extensive amount of information through its explorations efforts. In the coming months, focus will be placed on compiling these results and interpreting the data to re-define the exploration program and refocus the trenching and drilling.

## Summary Financial Performance

At April 30, 2012, the Company's total assets increased to \$4,557,197 from \$4,328,784 at January 31, 2012. The most significant assets at April 30, 2012 were mineral properties of \$4,200,056 (January 31, 2012: \$3,329,903 and cash and cash equivalents of \$103,549 (January 31, 2012: \$686,275).

The increase in mineral properties of \$870,153 resulted entirely from costs incurred as ongoing expenditures from the 2011/2012 exploration program which consisted of sampling, trenching, drilling field work and related assay costs, which is further detailed below.

The decrease in cash and cash equivalents of \$582,726 resulted from \$4,046 from the purchase of equipment, \$916,821 in mineral property expenditures to support the Company's 2011/2012 exploration program, partially offset by \$20,000 received from the exercise of share purchase warrants and an inflow of \$318,141 from operating activities.

## 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"). The transaction closed on June 3, 2011. The agreement to acquire the outstanding shares of Fortress and a technical report entitled "Nicaraguan Gold Properties Property of Merit Report" both dated May 3, 2011, are disclosed and available for viewing on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).

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. This transaction valued the shares issued to the Fortress Shareholders at \$1,040,000.

Pursuant to the transaction, the Company paid transaction costs of \$28,143 in professional fees, which have been 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 been expensed as consulting fees on the statement of loss, comprehensive loss and deficit for the year ended October 31, 2011.

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.

Concurrently with the closing of the Share Exchange Agreement, 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 consists 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.

### **Acquisition of Nueva Segovia Mining S.A.**

On January 30, 2012, Fortress completed an acquisition of the issued and outstanding shares of Nueva Segovia Mining S.A. ("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 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 claims in good standing.

### **Description of the Properties**

Including the El Zúngano concession acquired in January 2012, the Company owns 17 concessions situated across three main project areas (Nueva Segovia, León, and Chontales) over 160,000 ha in Nicaragua. The 16 concessions acquired as part of the acquisition of Fortress are the subject of a National Instrument 43-101 technical report prepared by Moose Mountain Technical Services of Cranbrook, British Columbia entitled "Nicaraguan Gold Properties Property of Merit Report", which is available for review the Company's website ([www.cassisventures.com](http://www.cassisventures.com)) and on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)). This report focuses on the historic work conducted on the Properties by Fortress.

**Figure 1 - Concessions held by Cassius Ventures Ltd., Nicaragua**



**Nueva Segovia Project Area (formerly the Murra Mining District concession area)**

The Nueva Segovia project area consists of a contiguous land package with a total area of approximately 60,000 hectares over 9 concessions acquired as part of both the acquisition of Fortress and the acquisition by Fortress of Nueva Segovia S.A. (outlined above). The Nueva Segovia project area is located 16 km Northeast of Jicaro and 6 km North of Murra in the sector of Alto el Picaho, La Quebra village, on the main route that leads from Ocotol to the North.

<b>Name</b>	<b>Area (Ha)</b>	<b>Date of approval</b>	<b>Issued Years</b>
<b>La Union</b>	824	March 13, 2008	25
<b>El Carmen</b>	1,600	February 2, 2006	25
<b>La Jalepena</b>	4,862	July 20, 2006	25
<b>Los Angeles</b>	16,051	July 20, 2006	25
<b>Murra</b>	8,674	May 23, 2006	25
<b>Bana</b>	1,300	December 13, 2006	25
<b>Mina America</b>	163	January 8, 2007	25
<b>Mina America II</b>	3,576	March 13, 2008	25
<b>Nueva Segovia</b>	23,814	April 7, 2010	25
<b>Total</b>	<b>60,864</b>		

The deposits in these areas are mesothermal quartz vein deposits and mineralization includes arsenopyrite, pyrite and free gold.

#### León Project Area (formerly the CWN concession area)

The León project area consists of a contiguous land package with a total area of approximately 63,000 hectares. Cerro Santa Barbara, which is in the northern part of the La Leonesa concession is 5.7 km west of El Sauce, a small community 35 km Southwest of Esteli. The Armenia concession is approximately 4 km South of Cerro Santa Barbara.

<b>Name</b>	<b>Area (Ha)</b>	<b>Date of approval</b>	<b>Issued Years</b>
<b>La Leonesa</b>	47,190	March 13, 2008	25
<b>Paso Real</b>	634	February 2, 2006	25
<b>La Raya II</b>	13,445	March 13, 2008	25
<b>Armenia</b>	1,500	February 19, 2009	25
<b>Total</b>	<b>62,769</b>		

The León project area is located between El Limon, operated by B2 Gold (TSX - BTO) and the La India mine, which is closed at present. The deposits in these areas comprise disseminated low sulphidation epithermal systems, in addition to an Au-Mo mineralization porphyry system.

#### Chontales Project Area (formerly the CEN concession area)

The Chontales project area covers a total area of approximately 38,000 hectares. The Chontales project consists of four individual concessions. The Muhan concession is centered around the village of Muhan in the province of Chontales. The Las Parras concession is centered around the village of La Bates in the province of Region Autonoma Atlantico Sur. The Francia Norte and La Argentina concessions are centered around the village of Presillatas in the province of Region Autonoma Atlantico Sur. The main centres in the area are villa Sandino and Muelle De Los Bueyes.

<b>Name</b>	<b>Area (Ha)</b>	<b>Date of approval</b>	<b>Issued Years</b>
<b>La Argentina</b>	1,020	March 13, 2008	25
<b>Muhan</b>	25,610	February 2, 2006	25
<b>Las Parras</b>	9,378	March 13, 2008	25
<b>Francia Norte</b>	1,955	February 19, 2009	25
<b>Total</b>	<b>37,963</b>		

The Chontales project comprises deposits which are disseminated low sulphidation epithermal systems.

#### **2011/12 Exploration Program**

Fieldwork in respect of the 2011 / 2012 exploration program commenced in July 2011 and was initially focused on the Nueva Segovia and León project areas, in particular:

- Stream sediment, soil, rock chip, and trench channel sampling on concessions not previously sampled as well as concessions worked on historically
- Soil geochemistry surveys on prospective areas
- Trenching on four historic targets in addition to other targets identified as part of exploration program
- Identification of reconnaissance drill targets based on sampling and trenching results
- 1,270 metres of drilling across targets in the Nueva Segovia area

Permitting applications have been submitted for the Chontales project areas. A summary of results from the initial program is set out below by project area.

### **Nueva Segovia Project Area**

The Company completed a total of 1,221 trench samples, 1,657 soil samples and 1,051 metres of trenching at Nueva Segovia, with work focused on the Manto de la Corona, La Lampara, Deagueda, El Olingo, El Escandolo and Cobano targets.

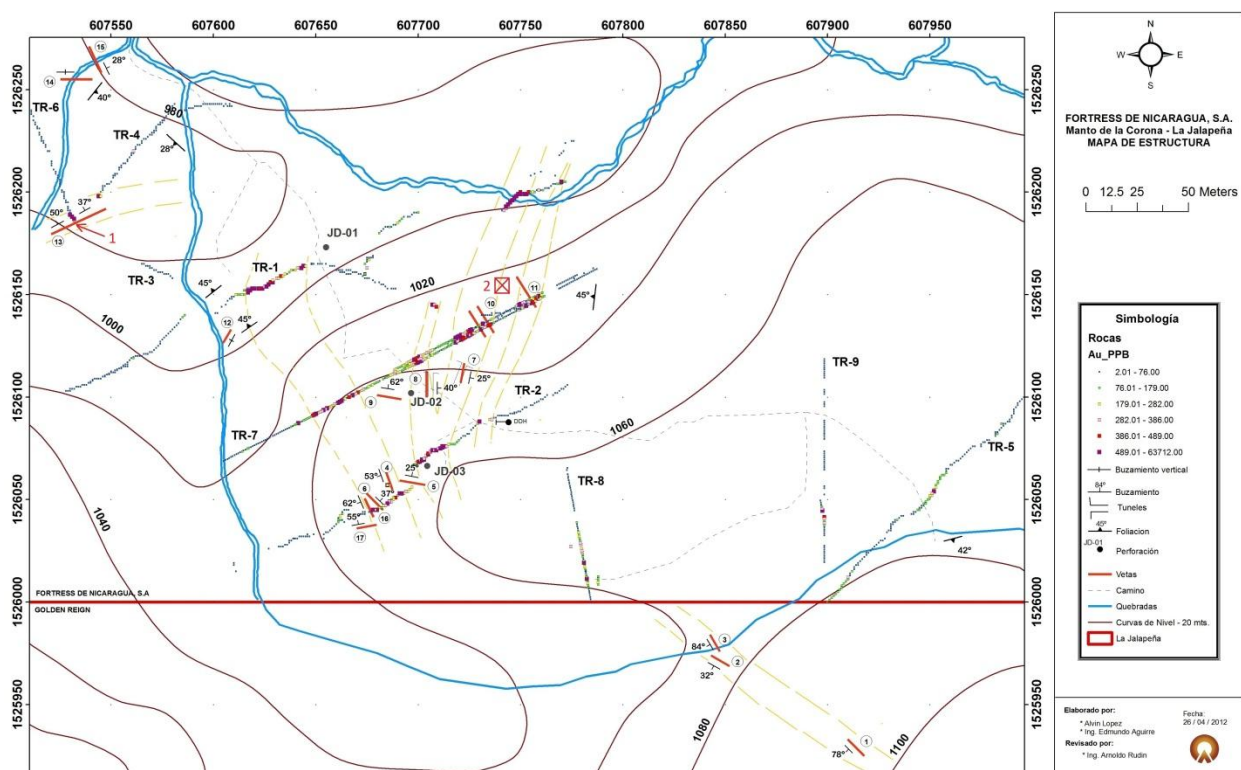
#### *Manto de la Corona*

At Manto de la Corona, located in the northern part of Nueva Segovia, between June 2011 and February 2012, a total of 383 soil samples were taken with results ranging between 233 and 847 ppb Au. Furthermore, a significant amount of trenching activity in the area yielded assay values mostly between 0.3 g/t Au and 0.4 g/t with one assay yielding a result of 62.0 g/t Au. In one of the trenches, 222 samples were collected and returned an average grade of 0.5 g/t Au.

The Company has completed three drill holes over 800 metres at Manto de La Corona (see Figure 2 below). Highlights from these holes include:

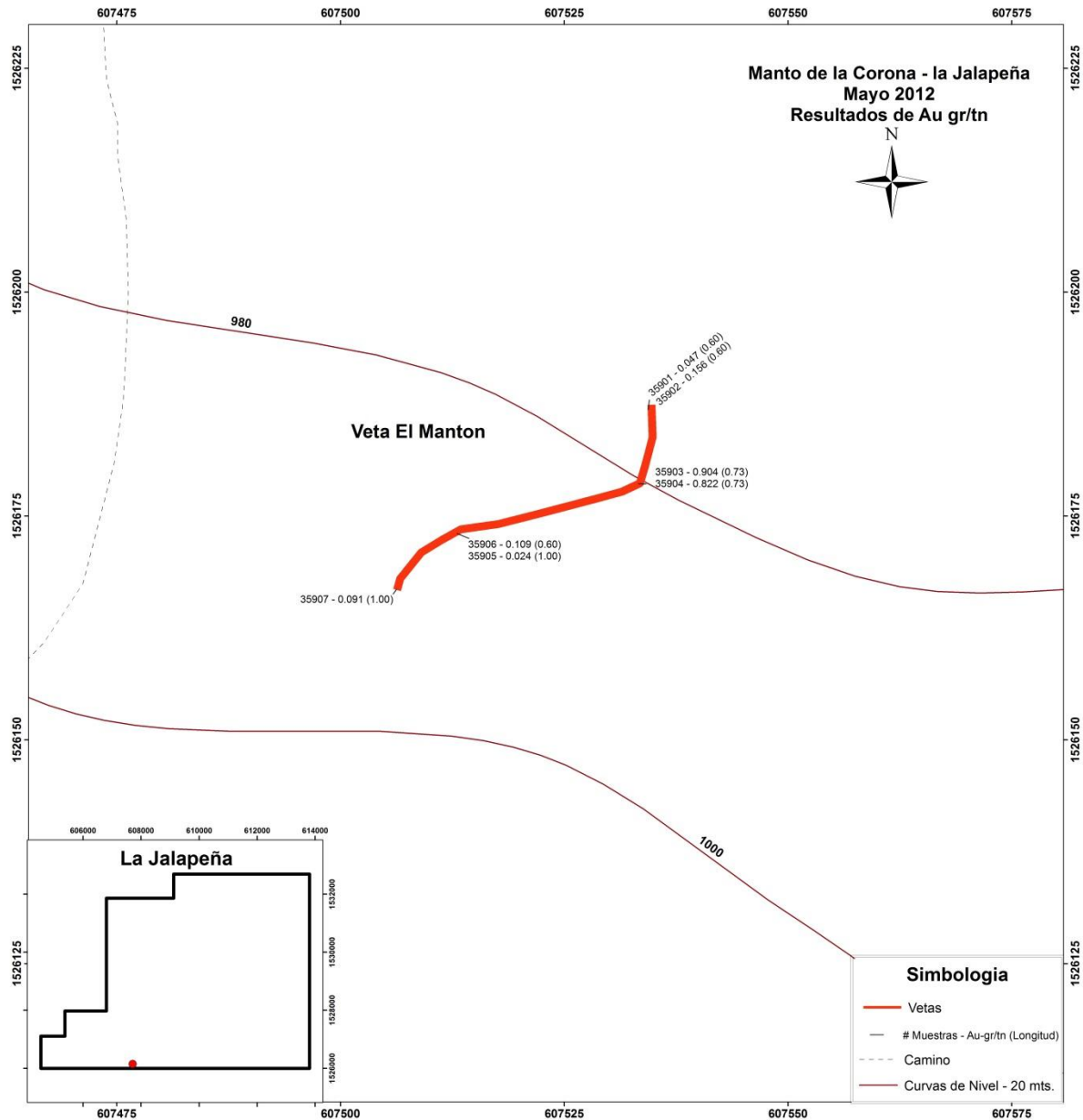
- Anomalous Au values in drill hole JD-01 at 38 m grading 0.12 g/t Au over 1.52 m
- Nine Au values in drill hole JD-02 assaying greater than 0.20 g/t Au with a maximum at 44.08 m assaying 0.81 g/t Au over 0.92 m
- Three Au intersections in drill hole JD-03 of 0.91 g/t Au over 9.92 m at 33.5 m depth, 0.33 g/t Au over 3 m at 174.15 m depth and 0.21 g/t Au over 4.3 m at 210.0 m depth

**Figure 2 - Veins, Trenches and Drill Holes at Manto De La Corona, Neuva Segovia, Nicaragua**



In addition to drilling, two gold mineralized quartz veins with surface exposure have been sampled. The first quartz vein (El Manton) is 200 m west of drill hole JD-01 with exposure measuring 60 meters in length and 3 to 4 meters in width. Assay results from four channels sampled on this vein returned seven anomalous gold assays between 0.09 g/t Au and 0.90 g/t Au with one channel assaying 0.86 g/t Au over 1.72 m (See Figure 3 below).

**Figure 3 - El Manton Vein, Neuva Segovia, Nicaragua**

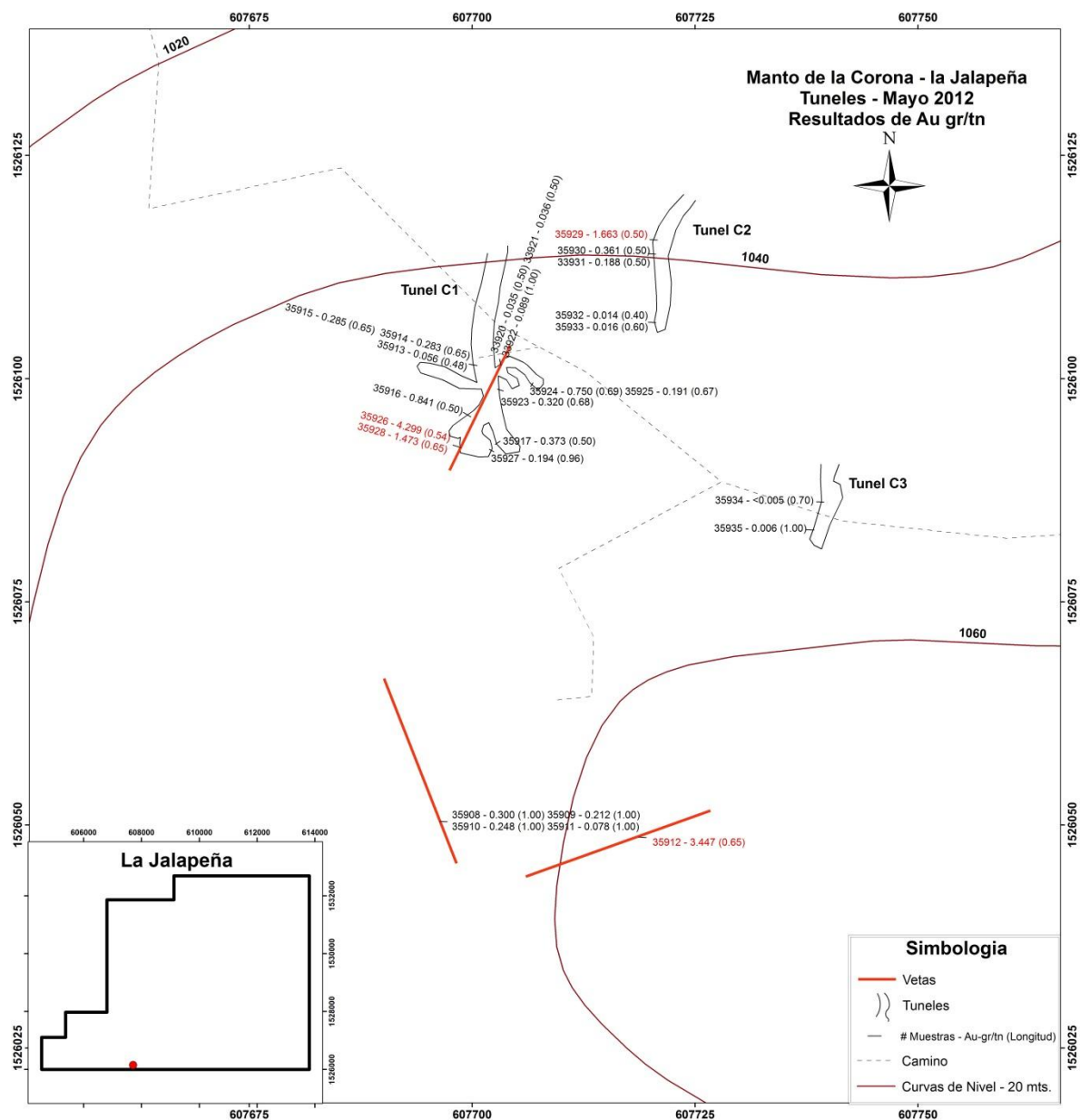


A second quartz vein, 70 m east of drill hole JD-01, has been observed underground in tunnels and has widths of 0.3 m to 0.5 m dipping at a shallow angle to the east. Channel samples collected from Tunnel C1 included assay results from 0.19 g/t Au to 4.30 g/t Au, with three samples assaying 4.30 g/t Au over 0.54 m, 1.47 g/t Au over 0.65 m and 0.84 g/t Au over 0.50 m (See Figure 4 below). In Tunnel C2, four samples returned anomalous assays ranging between 0.19 g/t Au to 1.66 g/t Au and one channel returned an intersection of 1.66 g/t Au over 0.50 m. Two quartz veins 50 m south of Tunnel C1 were

channel sampled and returned values between 0.21 g/t Au and 3.45 g/t Au, with one channel sample returning an assay of 3.45 g/t Au over 0.65 m.

Veins continue down dip and are expected to be explored further in due course.

**Figure 4 – Manto de La Corona: Additional Veins and Tunnels, Neuva Segovia, Nicaragua**



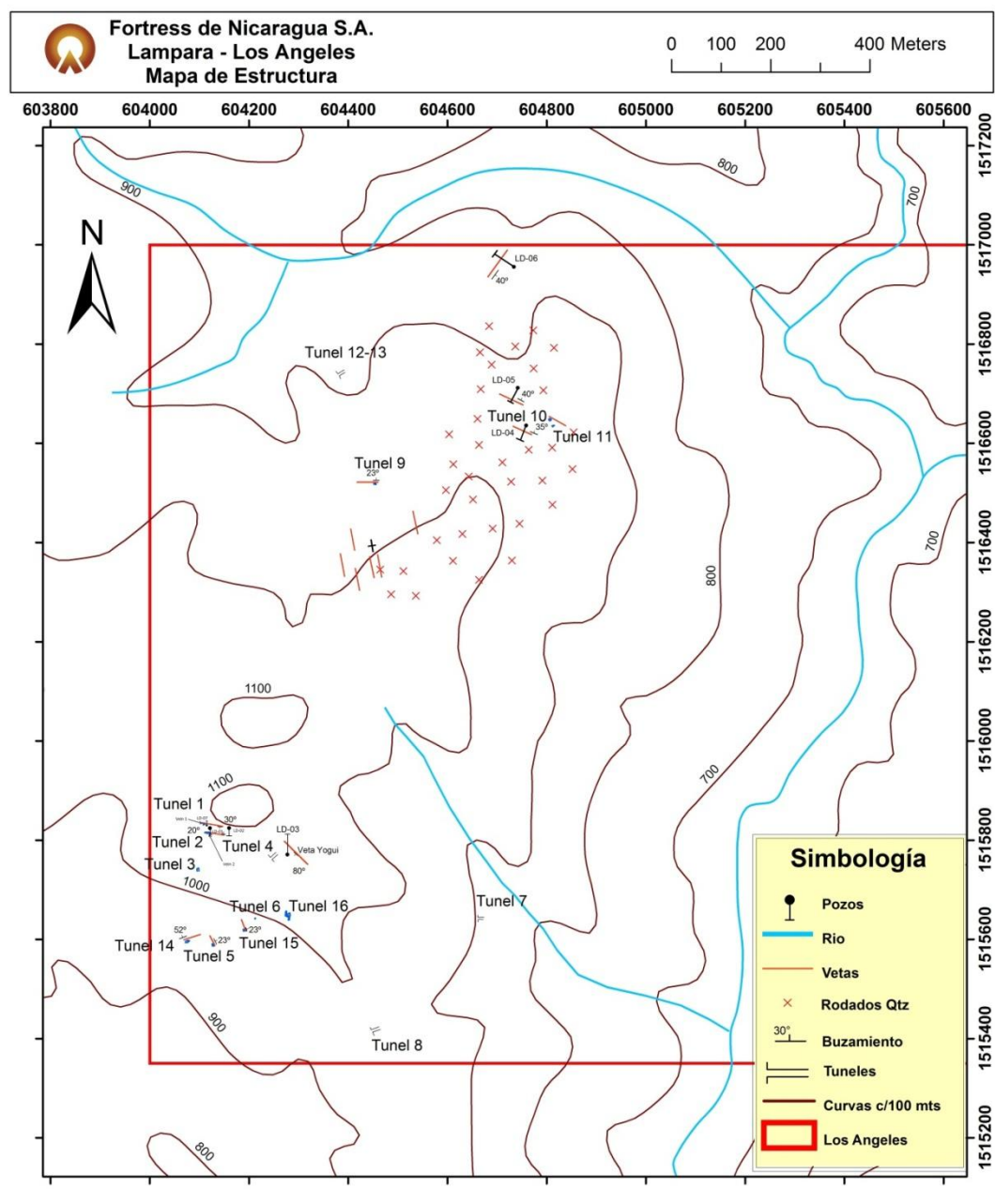


## La Lampara

At La Lampara, just south of Manto de la Corona, sixteen historic tunnels have been reopened and channel sampled (see Figure 5 below). Results are pending from testing on twelve of the tunnels, however, highlights from results received to date include:

- Five channel samples from Tunnel 1 assaying between 1.15 g/t Au and 11.05 g/t Au
- Four channel samples from Tunnel 2 assaying between 1.20g/t Au and 4.85 g/t Au
- Channel sampling at Tunnel 6 grading 1.57 g/t Au over 1.0 m, 5.25 g/t Au over 0.75 m and 12.97 g/t Au over 1.00 m and
- Channel sampling at tunnel 14 graded 1.30 g/t Au over 0.50 m and 1.58 g/t Au over 0.81 m.

**Figure 5 - Tunnels and Drill Holes at La Lampara, Neuva Segovia, Nicaragua**



The Company has completed seven drill holes over 470 m at La Lampara.

Drill hole LD-01 intersected 0.70 g/t Au over 1.04 m while results from drill hole LD-02 indicate anomalous gold values for four samples, with values ranging between 34 ppb Au to 175 ppb Au testing the veins of Tunnels 1 and 2.

Drill hole LD-03, testing the extension of veins from Tunnels 1 and 2 intersected 0.61 g/t Au over 3.0 m at a depth of 61.4 m including one assay which graded 1.04 g/t Au over 1.5 m.

Drill hole LD-04 and LD-05 tested veins in Tunnels 10 and 11. Six anomalous gold values were intersected grading 0.15 to 0.54 g/t Au in drill hole LD-04.

Drill hole LD-05 returned an interval of 1.50 m at 53.06 g/t Au (uncut) at 30.63 m depth.

Drill hole LD-06 testing a vein north of Tunnels 10 and 11 had five anomalous Au values with the highest being 140 ppb Au and drill hole LD-07 testing Tunnel 1 had three values ranging between 0.14 g/t Au to 0.29 g/t Au with one intersection at 1.23 m grading 0.22 g/t Au over 1.81 m.

#### *Deagueda, El Olingo, El Escandalo and Cobano*

At Deagueda, over 300 metres of trenching has been cut, identifying a possible series of sub-parallel, sub-horizontal stockworks, each of which are 20-30 metres thick. A total of 252 soil samples were taken in this area with assay results ranging between 85 and 1,070 ppb Au and an average result of 300 ppb Au.

In the El Olingo anomaly, a total of 97 soil samples were collected in the area with assay results returning gold values ranging from 100 to 1,075 ppb with an average value of 266 ppb Au, some of which are samples taken from fairly oxidized rock.

At El Escandalo, located in the southern part of Nueva Segovia, gently dipping quartz vein structures have been observed in underground old tunnel workings. The tunnels had 44 channel samples collected with assays grading between 1.03 g/t Au and 14.30 g/t Au. The gold mineralization in the quartz vein at El Escandalo occurs at three sites along a strike length distance of 565 m. An exposed occurrence of wide quartz veins measuring 3.0 m to 6.0 m in width by 50 m along its southeast trend has been uncovered at Cobano. Three grab samples collected along the quartz vein trend produced assay results of 3.8 g/t Au, 5.96 g/t Au and 19.59 g/t Au. Several additional samples have been collected on the vein and assays are pending.

All four areas noted above have gold bearing quartz veins occurring along prominent structural trends. The areas warrant further mapping, prospecting, sampling and trenching.

## **León Project Area**

At León, work has concentrated on stream sediment sampling with some soil sampling in areas of flat relief. A table showing the work carried out so far is shown below:

<b>Concession</b>	<b>Rock Chip Samples</b>	<b>Soil Samples</b>	<b>Stream Sediment Samples</b>
<b>La Leonesa</b>	559	1,479	469
<b>La Raya II</b>	125	452	204
<b>Armenia</b>	28	168	16
<b>Total</b>	<b>712</b>	<b>2,099</b>	<b>689</b>

At León, four areas are being developed with encouraging gold assay results: Cerro Rojo, Las Mercedes, Paso Real and Santa Barbara. All four areas have been the subject of extensive soil, rock sampling, prospecting and mapping, with particular focus on the Cerro Rojo porphyry target.

### *Cerro Rojo*

In the last quarter at Cerro Rojo, 1,058 soil samples were collected with maximum values of 125 ppb Au, 150 ppm Mo, and 297 ppm Cu. Furthermore, 148 rock samples were collected with maximum values of 14,011 ppb Au, 81.4 ppm Ag, and 653 ppm Mo.

Cerro Rojo, located in the northwest part of León and west of El Sauce, contains an occurrence of intermediate quartz-feldspar porphyry that is oxidized and argillitized. Geological mapping, prospecting and rock sampling demonstrate the coarse nature of the porphyry, potassic alteration – argillitization weathered, friable, and oxidation of the sulphides (pyrite). The sulphides are weathered, meteorized, rarely visible and only visible in the lower elevation areas (1% to 4% pyrite), and with quartz veining and brecciation. This brecciation is visible on the northern part of the porphyry and with meteorized, altered and weathered feldspars. The porphyry may cover an area of approximately 6 km<sup>2</sup>.

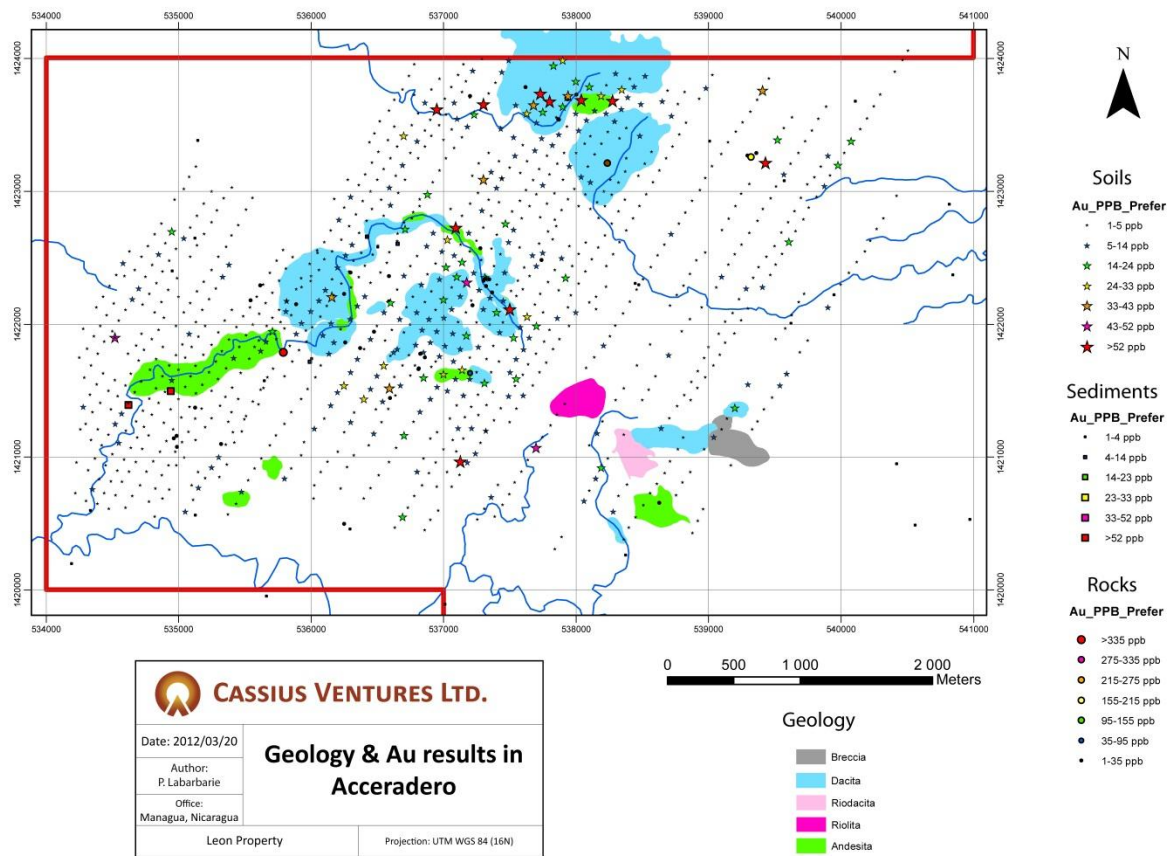
Soil sampling returned 17 anomalous Au values ranging from 40 ppb Au to 125 ppb Au (Figure 6). A correlation exists between Au and Mo with values reaching 58 ppm Mo.

Rock sampling resulted in the discovery of 9 anomalous gold values, most of which range from 51 ppb to 7,791 ppb Au, with one sample returning a value of 14,001 ppb Au. Geochemistry maps of this zone (see Figures 6 and 7 below) demonstrate a very strong gold anomaly associated with this pyrite rich quartz-feldspar porphyry also in addition to an association with Mo and Ag, with one sample returning values of 14.01 g/t Au, 0.065% Mo and 40.7 g/t Ag. This demonstrates the potential for gold – molybdenum mineralization in a porphyry mineralized with pyrite.

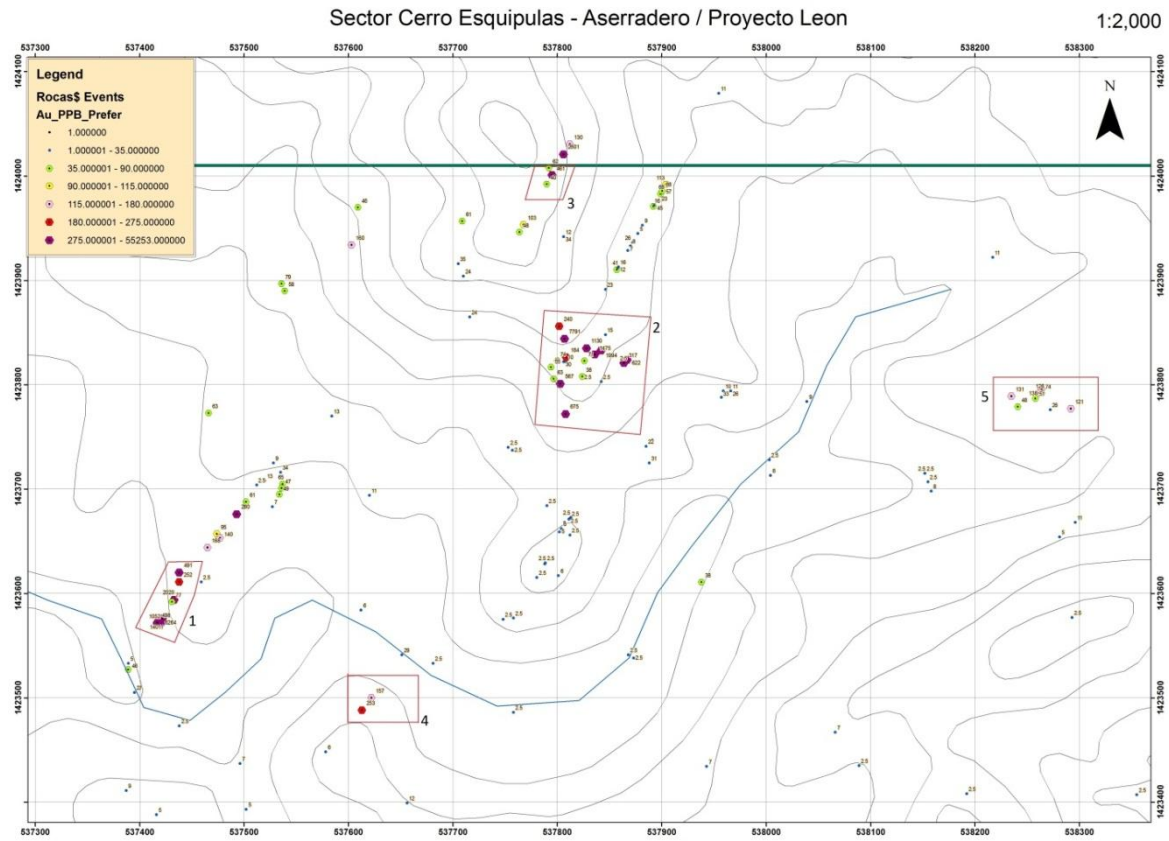
Where the porphyry is brecciation, quartz veined, quartz flooded and silicified, samples returned nine values greater than 1.00 g/t Au. The porphyry over one area is brecciated and silicified over a distance of 15 to 20 m and with fine quartz veinlets. Surface grab rock samples in this area returned values of 14.01 g/t Au, 7.79 g/t Au, 6.26 g/t Au, 2.60 g/t Au, 2.02 g/t Au, 1.99 g/t Au, 1.48 g/t Au, 1.13 g/t Au and 1.05 g/t Au (see Figure 7 below).

Further work in this area will be focused on helping to identify the mineralized areas in the porphyry.

Figure 6. Cerro Rojo Geology and Geochemistry, León, Nicaragua



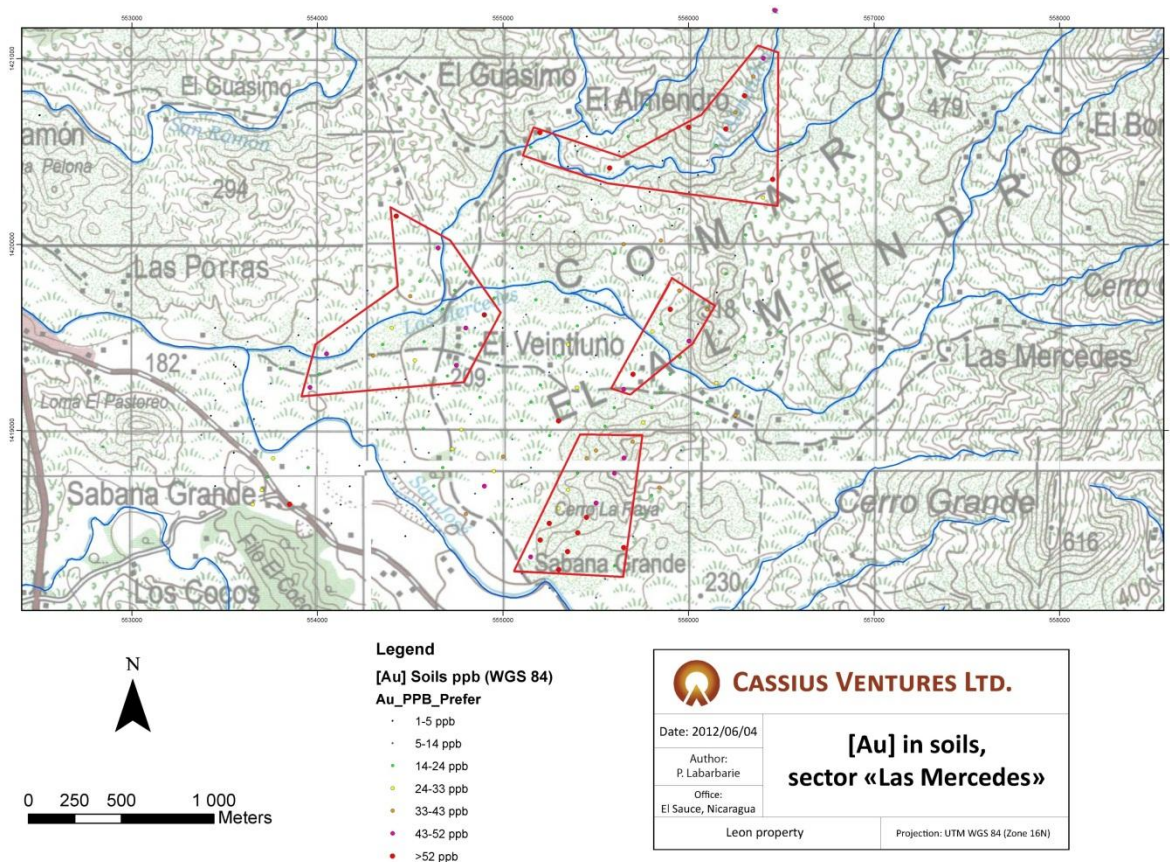
**Figure 7 - Cerro Rojo Rock Sample Analysis Results, León Property, Nicaragua**



## Las Mercedes

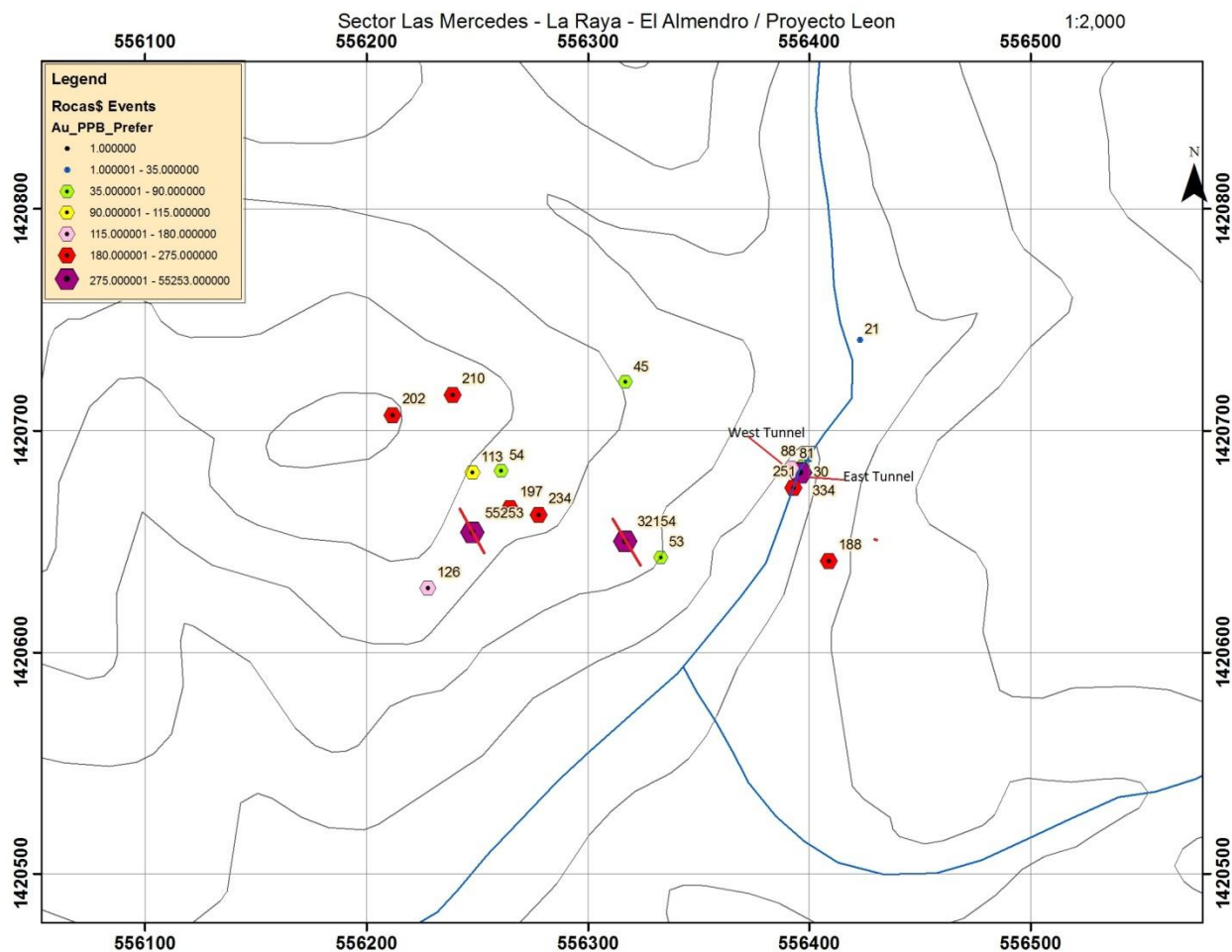
At Las Mercedes, on the east side of León, several soil geochemical gold anomalies have been outlined with values greater than 43 ppb Au. Follow up of the soil geochemical anomalies has resulted in the discovery of two mineralized quartz veins in silicified dacites grading 32.15 g/t Au and 55.25 g/t Au from grab samples. In addition, 500 m to the north, a third mineralized quartz vein has been discovered in silicified dacites assaying 28.23 g/t and occurring along the same gold soil geochem anomaly trend.

**Figure 8 - Las Mercedes Gold Soils Anomalies**





**Figure 9 - Gold Rock Anomalies Las Mercedes, León, Nicaragua**



#### *Santa Barbara and Paso Real*

At Santa Barbara, six rock samples returned Au assays greater than 0.275 g/t Au. The blocks are quartz blocks occurring on the edge of a dome that may appear to have intermediate porphyritic sub-intrusives in contact with andesites.

At Paso Real, 85 rock samples have been collected with 11 samples resulting in anomalous gold values ranging from 0.44 g/t Au to 19.73 g/t Au. Two samples demonstrate high silver and copper values of 443 g/t Ag and >1% Cu respectively.

Note: The drilling referred to in the sections above is of HQ diameter with core samples being collected up to a maximum length of 1.0 metre. Core samples collected are sent to Inspectorate Laboratories in Managua, Nicaragua for sample preparation and assaying is performed by Inspectorate Laboratories in Reno, Nevada.

#### **Summary and Next Steps**

As noted above, over the past few months, the Company has compiled an extensive amount of information through its explorations efforts. In the coming months, focus will be placed on compiling

these results and interpreting the data to re-define the exploration program and refocus the trenching and drilling.

Eddy Canova, a Qualified Person as defined by NI 43-101, has reviewed and is responsible for the technical information contained in the MD&A.

### **Other Properties**

#### **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 totaling 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 is 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

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.

#### **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 is 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 Johan Thom Shearer. The Company made a payment in the amount of \$5,420 to Mr. Shearer in full satisfaction of any 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.

## **Overall Performance**

The following discussion of the Company's financial performance is based on the unaudited interim consolidated financial statements for the six months ended April 30, 2012.

At April 30, 2012, the Company reported total assets of \$4,557,197 (October 31, 2011 - \$4,251,521), including cash and cash equivalents of \$103,549 (October 31, 2011 - \$1,420,752), and Mineral Properties of \$4,200,056 (October 31, 2011 - \$2,674,409).

The decrease in cash and cash equivalents of \$1,317,203 resulted from \$8,959 from the purchase of equipment, \$31,345 of cash held as a guarantee for a refundable customs charge for the use of a drill at the exploration site, and \$1,471,087 in mineral property expenditures, partially offset by \$20,000 received from the exercise of share purchase warrants and an inflow of \$174,188 from operating activities.

The increase in mineral properties of \$1,525,647 resulted from \$1,438,796 incurred as ongoing expenditures from the 2011/2012 exploration program which consisted of sampling, trenching and drilling field work and related assay costs in support of our 2011/2012 exploration program, and \$86,851 of acquisition costs associated with the purchase of Nueva Segovia Mining.

Shareholders' equity comprises share capital of \$4,709,795 (October 31, 2011 - \$4,689,795), contributed surplus of \$222,413 (October 31, 2011 - \$133,157) and a deficit of \$1,363,255 (October 31, 2011 - \$1,128,456) for a net amount of \$3,568,953 (October 31, 2011 - \$3,694,496). The decrease in shareholders' equity of \$125,543 results from the net loss in the six months ended April 30, 2012 (\$234,799), partially offset by share-based compensation recognized under the graded amortization method from the granting of stock options (\$89,256) and proceeds received from the exercise of share purchase warrants (\$20,000).

The Company has a working capital deficiency of \$215,163 at April 30, 2012 compared to a working capital balance of \$1,444,989 at October 31, 2011.

### **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. For further information regarding financial position and results based on geographical location, please refer to Note 14 of the unaudited condensed interim consolidated financial statements for the six month period ended April 30, 2012.

## **Results of Operations**

### **Three Months Ended April 30, 2012**

During the three months ended April 30, 2012, the Company reported a net loss of \$110,136 (April 30, 2011: \$55,825). The loss of \$110,136 was mainly due to \$23,538 (April 30, 2011: \$Nil) of share-based compensation recognized under the graded amortization method from the granting of stock options; office and general expenses of \$16,470 (April 30, 2011: \$218) consisting of insurance, website maintenance, bank fees, and other office expenditures; investor relations costs of \$19,337 (April 30, 2011: \$Nil); and consulting fees of \$27,917 (April 30, 2011 - \$30,000) related to strategic corporate advisory and technical services provided by various consultants of the Company.

### **Six Months Ended April 30, 2012**

During the six months ended April 30, 2012, the Company reported a net loss of \$234,799 (April 30, 2011: \$90,639). The loss of \$234,799 was mainly due to \$64,921 (April 30, 2011: \$Nil) of share-based compensation recognized under the graded amortization method from the granting of stock options; office

and general expenses of \$45,189 (April 30, 2011: \$1,350) consisting of insurance, website maintenance, bank fees, and other office expenditures; Professional fees of \$20,447 (April 30, 2011: \$22,191) comprising various accounting, audit, tax and legal expenditures of the Company; and consulting fees of \$53,000 (April 30, 2011 - \$55,800) related to strategic corporate advisory and technical services provided by various consultants of the Company.

As at April 30, 2012, the Company has incurred \$2,077,770 in exploration expenditures related to the Nicaraguan gold properties. The exploration program is expected to continue through the coming months concurrently with the 2012 drill program

Since incorporation the Company has no operating revenues as it is still in the acquisition and exploration stage.

Due to the Company being in its early stage of development, management foresees further increases in the Company's expenses during the coming year resulting from its exploration activities. These expenses are contingent upon the Company's ability to fund these projects through private placements and other forms of financing. In the event that the Company does not receive the required funding, management will review all on-going expenditures and take appropriate actions to remedy any potential funding shortage.

### Summary of Quarterly Results

The following table sets forth selected unaudited quarterly financial information for the last eight completed quarters. The data in the table has been presented in conformity with IFRS and is presented in Canadian dollars:

	Q2 2012		Q1 2012		Q4 2011		Q3 2011	
Total Revenue (Note 1)	4,156	\$	6,583	\$	73	\$	1,747	
Net loss for the period	\$ (110,136)	\$	(124,663)	\$	(600,061)	\$	(216,165)	
Basic and diluted loss per share	\$ (0.00)	\$	(0.00)	\$	(0.02)	\$	(0.01)	

	Q2 2011		Q1 2011		Q4 2010		Q3 2010	
Total Revenue (Note 1)	\$ 809	\$	-	\$	-	\$	-	
Net loss for the period	\$ (55,825)	\$	(34,813)	\$	(38,713)	\$	(44,939)	
Basic and diluted loss per share	\$ (0.01)	\$	(0.00)	\$	(0.01)	\$	(0.01)	

**Note 1** – Revenue consists of interest income on GIC investments.

From the second quarter of 2010 to the second quarter of 2011, net loss remained fairly consistent given the limited level of activity of the business at the time. The net loss of the Company increased significantly in Q3 2011 as the Company incurred expenditures in the acquisition of the Nicaraguan Gold Properties and advanced its exploration program in respect of the Properties. In Q4 2011, the net loss further increased due to the write off of expenditures which resulted from the termination of the Carrot River Option Agreement and the Head Bay Agreement. The net losses in Q1 and Q2 2012 reflected expenditures incurred in advancing its exploration program in respect of the properties. The decrease in Q1 and Q2 2012 over Q4 2011 reflected the fact that the expenses attributable to termination of the properties written off in the prior year were reduced significantly in the first half of the current year.

## **Critical Accounting Policies**

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the unaudited condensed interim financial statements for the period ended January 31, 2012.

### Mineral Properties

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition costs are capitalized and deferred until such time as the property is put into production or the property is disposed of, either through sale or abandonment or becomes impaired. If a property is put into production the cost of acquisition will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property. If a property is abandoned, the acquisition costs will be written off to operations.

Recorded costs of mineral properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amounts.

Although the Company has taken steps that it considers adequate to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Title to mineral properties in foreign jurisdictions is subject to uncertainty and consequently, such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

### Mineral Property Expenditures

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation and classified as a component of mineral properties. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

### Impairment of Mineral Properties

The Company regularly reviews the recoverability of the carrying value of each mineral property. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### Translation of Foreign Currencies

Functional and presentation currency - Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These condensed interim consolidated financial statements are presented in Canadian dollars which is the functional currency of Cassius Ventures Ltd, along with its wholly owned subsidiaries Fortress de Nicaragua S.A. and Nueva Segovia Mining S.A.

Transactions and balances - Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-

end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recorded in the consolidated statement of loss and comprehensive loss.

#### Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the 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 amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are transferred from share-based payment reserve to share capital.

#### Current and Deferred Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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 realized.

#### **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.

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 June 29, 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.

#### Adoption of IFRS

The adoption of IFRS had no impact on the financial position, statements of loss and comprehensive loss or net cash flows of the Company as at the transition date of November 1, 2010. Furthermore, the adoption of IFRS had no impact on the consolidated statements of changes in equity, consolidated statements of loss and comprehensive loss and consolidated statements of cash flows for the three and six months ended April 30, 2011. For the year ended 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

##### (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.

#### Recent Accounting Standards Not Yet Effective

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.

The following is a brief summary of the new standards:

##### 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.

### 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.

## **Critical Accounting Estimates**

The preparation of the condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of commitments and contingencies at the date of the consolidated financial statements as well as the reported amount of revenues and expenses during the period. The Company evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Significant areas requiring the use of management estimates include assumptions and estimates relating to but not limited to, the determining of mineral resources, fair values for purposes of impairment analysis, reclamation obligations, share based payments, valuation allowances for deferred income tax assets, and deferred income tax liabilities.

## Liquidity & Capital Resources

The 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 June 29, 2012, has an accumulated deficit of \$1,387,655 and working capital balance of \$391,012. The working capital balance limits the Company's ability to fund significant capital expenditures and operations. 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.

The continuation of the Company as a going concern is dependent on securing additional funding through equity financing to complete its exploration and drilling program in Nicaragua and support corporate overhead. Although management is of the opinion that sufficient working capital will be obtained from external sources 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 as market conditions have limited the availability of funds. In the event the Company is unable to arrange necessary financing, the Company may be forced to cease operations.

## Off Balance Sheet Transactions

There are currently no off balance sheet arrangements which could have a material effect on current or future results of operations, or the financial condition of the Company.

## Commitments

Effective July 1, 2011, the Company entered into an agreement with a related 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	10,836
2013	22,180
2014	22,687
2015	20,797
	<u>\$ 76,500</u>

## Escrow

As at April 30, 2012, the Company has 900,000 (October 31, 2011 – 1,200,000) common shares held in escrow.

## Outstanding Share Data

As at the date of this report, the Company has 41,148,480 common shares issued and outstanding.

As at the date of this report, there were 1,785,000 stock options and 10,125,000 common share purchase warrants outstanding.



## 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:

	<b>Three months ended</b>	Three months ended	<b>Six months ended</b>	Six months ended
	<b>April 30, 2012</b>	April 30, 2011	<b>April 30, 2012</b>	April 30, 2011
Consulting fees	\$ 18,000	\$ 35,800	\$ 36,000	\$ 55,800
Share-based payments	17,914	-	52,260	-
	<b>\$ 35,914</b>	<b>\$ 35,800</b>	<b>\$ 88,260</b>	<b>\$ 55,800</b>

### b) Payments for services by related parties

As disclosed in the section above entitled "Commitments", 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:

	<b>Three months ended</b>	Three months ended	<b>Six months ended</b>	Six months ended
	<b>April 30, 2012</b>	April 30, 2011	<b>April 30, 2012</b>	April 30, 2011
Purchase of services:				
Accounting and administration fees paid to a company with common directorship and officership	\$ 3,917	\$ 3,000	\$ 15,484	\$ 3,000
Rent and shared services from an entity with common directorship and officership	13,346	-	28,334	-
	<b>\$ 17,263</b>	<b>\$ 3,000</b>	<b>\$ 43,818</b>	<b>\$ 3,000</b>

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 April 30, 2012 amounted to \$26,493 (October 31, 2011 - \$5,269).

## Market Trends

The price of the common shares of the Company and the financial results of the Company bears the risk of being affected by declines in commodity prices such as gold and other metals. The viability of the Company's Nicaraguan gold projects is directly affected by fluctuations in the price of gold. Although the price of gold on average has increased over the last 5 years, there continues to be a risk that gold prices may decline and directly correlating to the economic feasibility of any future development.

Furthermore, the Company incurs costs in Canadian dollars, US dollars and Nicaraguan Cordobas. Unfavorable movements in exchange rates between any of the three currencies may result in additional operating costs to the Company. Although the Canadian dollar has appreciated against both the US dollar and Nicaraguan Cordoba over the previous few years, there continues to be a risk that exchange rates to the Canadian dollar may deteriorate in the future, which may significantly impact future operating costs.

## Financial Instruments and Risks

### 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.

### 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 April 30, 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.

### 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.

### *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.

### **Subsequent Events**

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.

### **Legal Proceedings**

The Company is not involved in any legal proceedings.

### **Risks and Uncertainties**

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties in Central America. Due to the nature of the Company's proposed business and the present stage of exploration of its mineral properties (which are primarily early stage exploration with no known resources or reserves), the following risk factors, among others, will apply

#### Going Concern

The 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 June 29, 2012, has an accumulated deficit of approximately \$1,387,655 and working capital balance of approximately \$391,012. The working capital balance limits the Company's ability to fund significant capital expenditures and operations. 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.

The continuation of the Company as a going concern is dependent on securing additional funding through equity financing to complete its exploration and drilling program in Nicaragua and support corporate overhead. Although management is of the opinion that sufficient working capital will be obtained from external sources 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 as market conditions have limited the availability of funds. In the event the Company is unable to arrange necessary financing, the Company may be forced to cease operations.

#### *Exploration, Development and Operating Risks*

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of the minerals and proximity to infrastructure; mineral prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon the Company's operations.

Mining operations generally involve a high degree of risk. The operations of the Company are subject to all the hazards and risks normally encountered in the exploration, development and production of precious metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

There is no certainty that the expenditures made by the Company toward the search and evaluation of precious metals and other minerals will result in discoveries of mineral resources, Mineral Reserves or any other mineral occurrences.

#### *Political Stability and Government Regulation Risks*

The operations of the Company are currently conducted in Nicaragua and Canada. As such, the operations of the Company are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to: terrorism; extreme fluctuations in currency exchange rates; and changing political conditions, currency controls and governmental regulations. Changes, if any, in mining or investment policies or shifts in political attitudes in any of these countries may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

### *Fluctuations in Metal Prices*

The price of the common shares, and the consolidated financial results and exploration, development and mining activities of the Company, may in the future be significantly and adversely affected by declines in the prices of gold and other metals or minerals. The prices of gold and other metals or minerals fluctuate widely and are affected by numerous factors beyond the control of the Company such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the United States dollar and other foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major mineral-producing countries throughout the world, the cost of substitutes, inventory levels and carrying charges. Future serious price declines in the market prices of gold or other metals or minerals could cause continued development of and commercial production from the properties in which the Company holds an interest to be impracticable. Depending on the prices of gold and other metals and minerals, cash flow from mining operations could not be sufficient and the Company may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's properties is dependent upon the prices of gold and other metals and minerals being adequate to make these properties economically viable.

In addition to adversely affecting the resource estimates of the Company and its financial condition, declining commodity prices can affect operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or interrupt operations until the reassessment can be completed.

### *Exchange Rate Fluctuations*

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Precious metals and other minerals are generally priced in U.S. dollars and the costs of the Company are incurred in Canadian dollars, Nicaraguan Cordoba, or U.S. dollars. The appreciation of non-U.S. dollar currencies against the U.S. dollar can increase the cost of exploration and production in U.S. dollar terms, which could materially and adversely affect the Company's profitability, results of operations and financial condition.

### *Key Personnel*

The Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

### *Share Price Volatility and Liquidity*

Publicly quoted securities are subject to a relatively high degree of price volatility. It may be anticipated that the quoted market for our shares will be subject to market trends generally, notwithstanding any potential success of us in creating sales and revenues. In addition, our shareholders may be unable to sell significant quantities of shares into the public trading markets without a significant reduction in the price of their shares, if at all.

### **Management's Report on Internal Control over Financial Reporting**

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward-Looking Statements**

This MD&A contains forward-looking information (within the meaning of Canadian securities laws) about the Company and its future plans. Forward-looking information reflects management's expectations or beliefs regarding future events rather than historical facts, and in this MD&A include, without limitation, statements regarding potential mineralization and resources, exploration results, and future plans and objectives of the Company. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "scheduled", "believes", or variations of such words and phrases or statements that certain actions, events or results "potentially", "may", "could", "would", "might" or "will" be taken, occur or be achieved. There can be no assurance that forward-looking statements will prove to be accurate, and actual results could differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements are based on certain assumptions that management believes are reasonable at the time they are made. In making the forward-looking statements in this MD&A, the Company has applied several material assumptions, including, but not limited to, the assumption that: (1) the Company's ability to discover minerals in commercially feasible quantities in Nicaragua, (2) the Company's ability to raise the necessary financing for ongoing operations and to complete any acquisitions or pursue any planned exploration programs, (3) there being no significant disruptions affecting operations, whether due to labour/supply disruptions, damage to equipment or otherwise; (4) permitting, development, expansion and power supply proceeding on a basis consistent with the Company's current expectations; (5) certain price assumptions for gold; (6) prices for availability of natural gas, fuel oil, electricity, parts and equipment and other key supplies remaining consistent with current levels; (7) the accuracy of current mineral resource work and studies on the Company's property; and (8) labour and material costs increasing on a basis consistent with the Company's current expectations. Important factors that could cause actual results to differ materially from the Company's expectations include, among others, risks related to the ability of the Company to obtain necessary financing and adequate insurance; the economy generally; fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities (e.g., diesel fuel and electricity); changes in interest rates; disruption to the credit markets and delays in obtaining financing; the possibility of cost overruns or unanticipated expenses; employee relations. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. Reference to the section entitled "Risks and Uncertainties" immediately preceding this section.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).