ODIN MINING AND EXPLORATION LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012

UNAUDITED – PREPARED BY MANAGEMENT

ODIN MINING AND EXPLORATION LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENED MARCH 31, 2012

Responsibility for financial statements

The accompanying condensed interim consolidated financial statements for Odin Mining and Exploration Ltd. (the “Company”) have been prepared by management in accordance with International Financial Reporting Standards consistently applied. The most significant of these accounting principles have been set out in Note 3 to the attached financial statement. These interim statements have been presented on the accrual basis of accounting. Therefore estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the interim financial statements, management is satisfied that these interim consolidated financial statements have been fairly presented.

Auditor involvement

The Company’s auditors, BDO Dunwoody LLP have not performed a review of the un-audited interim consolidated financial statements for the three month period ended March 31, 2012.

(signed) Stephen W.C. Stow
Director

ODIN MINING AND EXPLORTION LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2012
(Expressed in U.S. Dollars)
(Unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Current		
Cash and equivalents	**$ 685,510**	$ 120,261
Short-term deposits	**100,000**	1,430,012
Other receivables (Note 5)	**66,038**	38,519
Environmental deposit	**75,000**	75,000
Prepaid expenses	**32,611**	61,949
Total current assets	**956,159**	1,725,741
Non-current assets		
Property & Equipment (Note 6)	**299,814**	304,565
Exploration and evaluation assets (Note 7)	**1,700,112**	985,063
Total non-current assets	**1,999,926**	1,289,628,
TOTAL ASSETS	**$ 2,956,085**	$ 3,015,369
LIABILITIES		
Current liabilities		
Trade and other payables	**$ 190,737**	$ 126,203
Derivative liability	**410,167**	459,167
	600,904	585,370
SHAREHOLDERS' EQUITY		
Common shares (Note 8)	**13,415,127**	13,415,127
Share-based payment reserve (Note 8)	**393,169**	377,088
Accumulated deficit	**(11,453,115)**	(11,362,216)
Total shareholders' equity	**2,355,181**	2,429,999
TOTAL EQUITY AND LIABILITIES	**$ 2,956,084**	$ 3,015,369

Approved by the Board of Directors:

"*Stephen W.C. Stow*" — Stephen W.C. Stow, Director

"*Levi Giesbrecht*" — Levi Giesbrecht, Director

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

ODIN MINING AND EXPLORTION LTD.

CONDENSED INTERIM CONSOLIDATED
STATEMENT OF COMPREHENSIVE LOSS/INCOME
For the Three Months Ended March 31
(Expressed in U.S. Dollars)
(Unaudited)

	2012	2011 (Note 17)
Interest and other income (Note 10)	**$ 26,934**	$ 2,197
Expenses		
Depreciation (Note 6)	**194**	273
Employee costs (Note 12)	**39,165**	110,484
Management fees (Note 12)	**33,283**	-
Other expenses (Note 11)	**94,191**	39,002
Exploration expenditures (Note 7)	**-**	226,550
Total Expenses	**166,833**	376,309
Operating Loss	**(139,899)**	(377,112)
Fair value adjustment of derivative liabilities	**49,000**	(1,327,717)
Total comprehensive income (loss) for the period	**$ (90,899)**	$ (1,701,829)

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

ODIN MINING AND EXPLORTION LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Three Months Ended March 31
(Expressed in U.S. Dollars)
(Unaudited)

	Share Capital		Share-based Payment Reserve	Accumulated Deficit	TOTAL
	Number	Share Capital			
Balance, January 1, 2011	83,583,743	$13,325,524	$ 235,688	$ (11,609,985)	1,951,227
Stock-based compensation (Note 5c)	-	-	93,700	-	93,700
Comprehensive loss for the period	-	-	-	(1,701,829)	(1,701,829)
Balance, March 31, 2011	**83,583,743**	**$13,325,524**	**$ 329,388**	**$(13,311,814)**	**$ 343,098**
Balance, January 1, 2012	**84,021,243**	**$13,415,127**	**$ 377,088**	**$ (11,362,216)**	**$2,429,999**
Stock-based compensation (Note 5c)	-	-	16,081	-	16,081
Comprehensive income for the period	-	-	-	(90,899)	(90,899)
Balance, March 31, 2012	**84,021,243**	**$13,415,127**	**$ 393,169**	**$ (11,453,115)**	**$2,355,181**

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

ODIN MINING AND EXPLORTION LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Months Ended March 31
(Expressed in U.S. Dollars)
(Unaudited)

	2012	2011
Cash flows from operating activities		
Income (Loss) for the period	**$ (90,899)**	$ (1,701,829)
Adjustments for:		
Equity settled share-based compensation	**16,081**	93,700
Depreciation	**194**	2,873
Fair value adjustment of derivative liabilities	**(49,000)**	1,327,717
Foreign exchange impact on cash	**(7,601)**	73,984
	(131,225)	(203,555)
Change in working capital balances:		
Increase in trade and other receivables	**(27,519)**	11,329
Decrease in prepaid expenses	**29,338**	3,592
(Decrease) increase in trade and other payables	**59,767**	(12,813)
Net cash outflows from operating activities	**(69,639)**	(201,447)
Cash flows used by investing activities		
Mineral property acquisition and expenditures capitalized	**(705,725)**	-
	(705,725)	-
Foreign exchange impact on cash	**7,601**	(73,984)
Net decrease in cash during the period	**(767,763)**	(275,431)
Cash and cash equivalents, beginning of period	**1,550,273**	3,273,378
Cash and cash equivalents, end of period	**$ 782,510**	$ 2,997,947

Cash and cash equivalents represented by:		
Cash	**$ 682,510**	$ 114,905
Term deposit	**100,000**	2,883,042
	$ 782,510	$ 2,997,947

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

1. CORPORATE INFORMATION AND GOING CONCERN OF OPERATIONS

Odin Mining and Exploration Ltd's (the "Company") business activity is the exploration and evaluation of mineral properties in Ecuador. The Company was incorporated under the Business Corporation Company Act of British Columbia on March 22, 1988. The Company is listed on the TSX-Venture Exchange, having the symbol ODN.V and its primary business is the acquisition of exploration and evaluation of mineral properties in Ecuador.

The address of the Company's registered office and principal place of business is 1500 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9.

The Company has not generated revenue from operations. The Company has an operating loss of $781,737 for the year ended December 31, 2011, a history of prior year losses and, as of that date the Company's accumulated deficit was $11,362,216. The Company is considered to be in the exploration stage as it has not placed any of its mineral properties into production. These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of asset and liquidation of liabilities in the normal course of business. While these consolidated financial statements have been prepared on the assumption that the Company is a going concern and will be able to realize its assets and meet its obligations in the normal course of operations, there are conditions and events that cast significant doubt on the validity of that assumption. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings and the attainment of profitable operations. Management has taken steps to reduce cash expenditures to a level that will enable operations to continue and meeting its minimum mineral property commitments for a minimum of twelve months from the date of these financial statements. There can be no assurance that management's plans will be successful. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of Compliance

These consolidated financial statements of the Company for the year ending December 31, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements should be read in conjunction with the Company's 2011 annual consolidated financial statements.

The consolidated financial statements of the Company as at March 31, 2012 were authorised for issue by the Board of Directors on May 29, 2012.

Basis of measurement

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

The consolidated financial statements are presented in United States dollars, which is also the Company's functional currency, and all values are rounded to the nearest dollar, unless otherwise indicated. The Company operates in multiple jurisdictions and transacts in multiple currencies. Being an exploration stage company, the Company has no revenues from operations to date and therefore has based the determination of functional currency on expenditures, financial commitments and historical financing, the areas where the majority of the Company's transactions occur. Transactions related to all three of these criteria occur in more than one currency, however the US$ is the dominant currency for each of these criteria and therefore the currency of the primary economic environment to which the Company is the most significantly exposed. As such, management has determined the US$ to be the functional currency of the Company and all significant subsidiaries within the consolidated group.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statement are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared using accounting policies specified by those IFRSs that are in effect at the end of the reporting period, 31 March 2012.The standards that will be effective in the financial statements for the year ending December 31, 2012 are subject to change and may be affected by additional interpretations.

These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended 31 December 2011

Standards, Amendments and Interpretations Not Yet Effective

IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7")

IFRS 7 has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the balance sheet or that are subject to enforceable master netting or similar arrangements. The Company is currently evaluating the impact of adopting this amendment on its financial statements.

IFRS 9 *Financial Instruments: Classification and measurement* ("IFRS 9")

IFRS 9 amends the classification and measurement criteria for financial instruments included within the scope of IAS 39 ''Financial Instruments: Recognition and Measurements'' (''IAS 39''). IFRS 9 will be published in three phases, of which the first phase has been published. The first phase addresses the accounting for financial assets and financial liabilities. The second phase will address the impairment of financial instruments, and the third phase will address hedge accounting. For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities, although the classification criteria for financial liabilities will not change under IFRS 9, the approach to the fair value option for financial liabilities may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of adopting IFRS 9 on its financial statements.

International Financial Reporting Standard 11 - Joint Arrangements ("IFRS 11")

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.

International Financial Reporting Standard 12 - Disclosure of Interests in Other Entities ("IFRS 12")

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.

International Financial Reporting Standard 13 - Fair Value Measurement ("IFRS 13")

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Standards, Amendments and Interpretations Not Yet Effective

International Financial Reporting Standard 19 – Employee Benefits ("IFRS 19")

IAS 19, "Employee Benefits" ("IAS 19") was amended to eliminate the option to defer the recognition of actuarial gains and losses, commonly known as the corridor approach and requires an entity to recognize actuarial gains and losses in Other Comprehensive Income ("OCI") immediately. In addition, the net change in the defined benefit liability or asset must be disaggregated into three components: service cost, net interest and remeasurements. Service cost and net interest will continue to be recognized in net earnings while remeasurements, which include changes in estimates or the valuation of plan assets, will be recognized in OCI. Furthermore, entities will be required to calculate net interest on the net defined benefit liability or asset using the same discount rate used to measure the defined benefit obligation. The amendment also enhances financial statement disclosures. The adoption of this amendment will not have a material impact on the Company's financial statements.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including International Accounting Standard 27 - *Separate Financial Statements* ("IAS 27"), International Accounting Standard 28 - *Investments in Associates and Joint Ventures* ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS13 and International Accounting Standard 32 – *Financial Instruments: Presentation* ("IAS 32"). IAS 32 has been amended to clarify the requirements for offsetting financial assets and liabilities. The amendment clarifies that the right to offset must be available of the current date and cannot be contingent on a future event.

Each of the new standards is effective for annual periods beginning on or after January 1, 2013 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carry amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit (loss) in the year the new information becomes available.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(Expressed in U.S. Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS - Continued

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Share-based Payment and Warrant Valuation Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 9.

The Company measures the fair value of warrants determined to be financial instruments at the date they are granted. The fair value is calculated and recorded as a derivative liability as discussed above under derivative financial instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 8.

5. TRADE AND OTHER RECEIVABLES

	March 31, 2012	December 31, 2011
HST recoverable	**$ 4,989**	$ 8,220
Expense advances to employees	**61,049**	30,299
	$ 66,038	$ 38,519

6. PROPERTY AND EQUIPMENT

	Land	Computers and Equipment	Automotive	Total
Cost				
Balance at December 31, 2010	$ 250,000	$ 36,573	$ 50,521	$ 337,094
Additions	-	3,451	39,991	43,442
Balance at December 31, 2011 and March 31, 2012	250,000	40,024	90,512	380,536
Depreciation and impairment losses				
Balance at December 31, 2010	$ -	$ 26,615	$ 38,250	$ 65,265
Depreciation for the year	-	5,798	4,908	10,706
Balance at December 31, 2011	-	32,413	43,558	75,971
Depreciation for the period	-	1,321	3,430	4,751
Impairment loss	-			
Disposals	-			
Balance at March 31, 2011	**$ -**	**$ 33,734**	**$ 46,988**	**$ 80,722**
Carrying amounts				
At December 31, 2010	$ 250,000	$ 9,968	$ 11,871	$ 271,829
At December 31, 2011	$ 250,000	$ 7,611	$ 46,954	$ 304,565
At March 31, 2012	**$ 250,000**	**$ 6,290**	**$ 43,524**	**$ 299,814**

7. EXPLORATION AND EVALUATION ASSETS

The Company has entered into a number of agreements to acquire mining concessions or options to acquire mining concessions in Ecuador, as detailed below. To date, the Company has expended $3,604,488 on these mining concessions, for option payments, acquisition costs, property maintenance costs, environmental studies and preliminary geological work.

On April 18, 2008 the government of Ecuador passed a Mining Mandate to draft and implement a new mining law. This Mining Mandate superseded the existing mining law and international investment agreements under which mineral concessions were granted and investment were made. In addition, the government cancelled certain mining concessions due to non-payment of patent taxes and indicated potential cancellation of certain mining concessions for late payment of patent taxes, including certain of the Company's concessions.

In January 2009, a new Mining Law for Ecuador was published in the State's Official Register, thereby becoming law. Effective with the passing of the law the Mandate is no longer valid. Uncertainties in the Law were clarified with the enactment of the Regulations in November 2009, cancelling the Mining Mandate and reinstating mining activities.

Despite the enactment of the new Mining Law, in January 2009, the lack of accompanying Regulations and a formal notification to the Company of the termination of the suspension of the Company's mining activities continued the uncertainty regarding the mining industry in Ecuador. As a result, at December 31, 2008, 2009 and 2010 the Company wrote-off its investment in Ecuador mineral properties. The Company continues to evaluate the value of its investment in its Ecuador mineral properties at the end of each quarter.

At March 31, 2011 the Company has completed all necessary studies, has submitted application for drilling permits and subsequent to March 31, 2011 the permits have not been issued. Due to the ongoing delays in the issuing of the permits, the Company has determined uncertainty as to the future of the project remains as a significant indictor of impairment

The Company controls 11 separate mineral titles located near Machala South West Ecuador, known as the "Cangrejos Concessions". The mineral rights payments related to those concessions in 2011 amounted to $74,527 (2010 - $124,093).

In addition to the above mineral titles, on September 20, 2007, the Company entered into an option agreement to acquire a mining right in the contiguous properties known as the "Castro Concessions". The agreement, as amended December 23, 2009, calls for payments totalling $2,000,000 to complete the acquisition of the mineral rights, payable as follows: December 31, 2007 -$80,000 (paid); December 20, 2009 - $80,000 (paid); September 20, 2011 - $180,000; June 20, 2012 - $660,000; and June 20, 2013 - $1,000,000.

The agreement also calls for the Company to spend no less than $500,000 on the properties within 2 years from September 20, 2007. This date has been extended to September 20, 2011. To March 31, 2011 the Company has expended in excess of the required $500,000.

The Company has purchased various small local farm land (Note 3, Land) in the area of its Cangrejos properties of strategic value representing important surface rights over which it has mineral rights and access.

(Expressed in U.S. Dollars)

7. EXPLORATION AND EVALUATION ASSETS - Continued

2012 Expenditures

Balance at December 31, 2011	**$ 985,063**
Expenditures in the period ended March 31, 2012	
Mineral rights	82,968
Legal fees	4,723
Assays	44,604
Camp	46,515
Camp access and improvements	7,182
Drilling	298,287
General administrative	28,244
Geological consulting	48,312
Geological staff	139,176
Transportation	15,038
Expenditures capitalized for the period ended March 31, 2012	715,049
Balance at March 31, 2012	**$ 1,700,112**

2011 Expenditures

Balance at December 31, 2010	**$ 1**
Expenditures capitalized in 2011	
Mineral rights	74,527
Legal fees	4,785
Assays	13,075
Camp	25,724
Camp access and improvements	5,301
Environmental	2,290
General administrative	10,197
Geological consulting	13,854
Geological staff	72,935
Transportation	3,862
2011 expenditures expensed to comprehensive income	226,550
Allowance for impairment	(226,550)
Balance at March 31, 2011	**$ 1**

8. DERIVATIVE LIABILITY FOR WARRANTS

Derivative liabilities, consisting of the equity instruments such as options to non-employees and common share warrants with an exercise price in a different currency than the Company's functional currency, are accounted for as separate liabilities measured at their respective fair values as follows:

Balance, December 31, 2010	$ 1,488,673
Less: Fair value adjustment	(1,029,506)
Balance, December 31, 2011	459,167
Less: Fair value adjustment	(49,000)
Balance, March 31, 2012	$ 410,167

The fair value of derivative warrants is calculated using the Black-Scholes option pricing model.

Warrants expiring December 24, 2012

During 2010 the Company issued 14,056,875 share purchase warrants pursuant to an early exercise incentive program (Note 9b). The warrants entitle the holder to acquire one common share at a price of C$0.30 per share to December 24, 2012. The estimated fair value of these incentive warrants at the grant date was $1,676,001 using the following assumptions: Risk-free interest rate – 1.69%; Expected life – 2 years; Expected volatility – 131%; and Expected dividends - $NIL. The fair value was initially recorded as a share issue cost and derivative liability.

At December 31, 2010 the fair value of the warrants was revalued and estimated to be $1,264,417 using the following assumptions: Risk-free interest rate – 1.57%; Expected life – 1.6 years; Expected volatility – 134%; and Expected dividends - $NIL.

(Expressed in U.S. Dollars)

8. DERIVATIVE LIABILITY FOR WARRANTS - Continued

Warrants expiring December 24, 2012 - continued

At December 31, 2011 the fair value of the warrants was revalued and was estimated to be $459,167 using the following assumptions: Risk-free interest rate – 1.02%; Expected life – 0.9 years; Expected volatility – 125%; and Expected dividends - $NIL.

At March 31, 2012 the fair value of the warrants was revalued and was estimated to be $410,167 using the following assumptions: Risk-free interest rate – 1.19%; Expected life – 0.7 years; Expected volatility – 88%; and Expected dividends - $NIL..

9. SHARE CAPITAL AND RESERVES

a) Authorized

The Company's authorized capital consists of 200,000,000 (December 31, 2011 – 200,000,000) common shares without par value.

The holders of common shares are entitled to receive dividends, which may be declared from time to time, and are entitle to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

b) Issued

Period ended March 31, 2012

There were no shares issued during the period.

Year ended December 31, 2011

(i) On June 21, 2011 the Company issued 437,500 common shares on the exercise of warrants for proceeds of $89,603.

c) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants at March 31, 2012 and December 31, 2011 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted Average Exercise price (Canadian $)
Warrants outstanding, December 31, 2010	18,750,000	C$0.27
Warrants expired	(4,255,625)	C$0.20
Warrants exercised	(437,500)	C$0.20
Warrants outstanding, December 31, 2011 and March 31, 2012	14,056,875	C$0.30

The following table summarizes information relating to share purchase warrants outstanding and exercisable at March 31, 2012:

Exercise Price per share (Canadian $)	Number Outstanding	Expiry	Weighted Average Remaining Contractual Life (Years)
C$0.30	14,056,075	December 24, 2012	0.73

d) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's balance sheet include 'Warrant Reserve', 'Share-based Payment Reserve', and 'Accumulated Deficit'.

- 'Warrant Reserve' is used to recognize the value of share warrants prior to exercise.
- 'Share-based Payment Reserve' is used to recognize the value of stock option grants prior to exercise.
- 'Accumulated Deficit' is used to record the Company's change in deficit from earnings from period to period.

(Expressed in U.S. Dollars)

10. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has established an Incentive Share Option Plan for directors, officers, employees and consultants, enabling them to purchase common shares. The total number of options outstanding at any time cannot exceed 10% of the total number of outstanding common shares. The number of options granted to any individual shall not exceed 5% of the issued and outstanding shares of the Company from time to time. The number of options granted to consultants or investor relations consultants shall not exceed 2% of the issued and outstanding shares of the Company from time to time. The number of options granted to insiders shall not exceed 10% of the issued and outstanding shares of the Company from time to time. Each option granted under the plan is for a maximum term of five years. The exercise price of the options granted under the plan is established by the Board of Directors of the Company and cannot be less than the Discounted Market Price as calculated and defined in accordance with the policies of the TSX Venture Exchange. The options vest 25% on the date of grant and 25% every three months thereafter, except for options issued to employees or consultants conducting investor relations vest in stages over 12 months with no more than one-quarter of the Options vesting in any three month period.

The following table summarizes stock option activity for the periods ending March 31, 2012 and December 31, 2011:

	Number	Weighted Average Exercise Price
Balance, December 31, 2010, December 31, 2011 and March 31, 2012	4,815,000	C$0.25
Stock options issued	145,000	C$0.19
Balance March 31, 2012	4,960,000	C$0.25

b) Fair value of Options Issued

The following table summarizes information relating to stock options outstanding and exercisable at March 31, 2012:

Exercise Price per share	Number Outstanding	Expiry	Weighted Average Remaining Contractual Life (Years)	Number unvested - not exercisable	Number Vested - exercisable
C$0.30	25,000	April 26, 2012	0.07	-	25,000
C$0.25	650,000	October 29, 2012	0.58	-	650,000
C$0.20	50,000	December 10, 2012	0.70	-	50,000
C$0.20	15,000	March 14, 2013	0.95	-	15,000
C$0.25	4,075,000	October 26, 2015	3.57	-	4,075,000
C$0.17	40,000	October 16, 2016	4.55	20,000	20,000
C$0.25	105,000	December 20, 2016	4.73	52,500	52,500
	4,960,000		3.14	72,500	4,877,500

Unvested options vest 10,000 on each of April 6, 2012 and July 6, 2011 and 26,250 on each of June 20, 2012 and September 20, 2012.

25,000 options expired unexercised on April 26, 2012.

c) Expenses Arising from Share-based Payment Transactions

Based on the estimated fair value of options at their grant dates and graded vesting, during of the period ended March 31, 2012 the Company recorded stock-based compensation expense totaling $16,081 ($14,908 as geological expenditures and $4,183 as general and administration) in the statement of operations. and during the period ended March 31, 2011 the Company recorded stock-based compensation expense totaling $93,701 ($87,952 as director's fees, $3,449 as wages and benefits and $2,300 as general and administration) in the statement of operations.

(Expressed in U.S. Dollars)

11. OTHER INCOME AND EXPENSES

		March 31, 2012		March 31, 2011
Interest and other income include:				
Interest income	$	2,195	$	769
Foreign exchange gain		24,749		1,428
	$	26,943	$	2,197
Other expenses include:				
General and administration	**$**	**18,203**	$	9,635
Insurance		**5,045**		3,592
Professional fees		**70,943**		33,563
	$	**94,191**	$	41,792

12. RELATED PARTY TRANSACTIONS AND BALANCES

Key management includes directors (executive and non-executive) and senior management (CEO and acting CFO). The compensation paid or payable to key management for employee services is disclosed in the table below.

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following general and administrative costs with related parties during 2012 and 2011:

	Periods ended March 31				Net Balance receivable (payable) at			
		2012		2011		March 31, 2012		December 31, 2011
Short-term employee benefits								
Executive salaries and remuneration (1)	$	32,984	$	-	$	-	$	-
Directors' fees (2)		24,293		-		24,293		48,586
		57,277		-		24,293		48,586
Share-based payments		-		87,942		-		-
	$	57,277	$	87,942	$	24,293	$	48,586

(1) Management fees were paid $16,654 to a Company 100% owned by the President and a director of the Company and $16,330 to a director of the Company.

(2) Directors' fees are paid in advance. Therefore, at December 31 there are prepaid directors' fees amounts that relate to the period January 1 to June 30 of the following year.

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

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair Value of Financial Instruments

The Company's financial instruments include cash and equivalents, short-term deposits, other receivables, environmental deposit, trade and other payables and derivatives (comprised of share purchase warrants).

The fair values of cash and equivalents, short-term deposits, other receivables, trade and other payables approximate carrying value because of the short term nature and high liquidity of these instruments.

Fair value of environmental deposit approximates their carrying value based on current interest rates and high liquidity.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

IFRS 7, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - Continued

a) Fair Value of Financial Instruments - continued

As at December 31, 2011 and December 31, 2010, the fair value hierarchy of financial instruments measured at fair value is as follows:

	March 31, 2012		December 31, 2011	
	Level 1	Level 2	Level 1	Level 2
Financial Assets				
Short-term deposits	$ 100,000	$ -	$ 1,430,012	$ -
Other receivables	61,049	-	30,299	-
Environmental deposit	-	75,000	-	75,000
	$ 161,049	$ 75,000	$ 1,460,311	$ 75,000

	March 31, 2012		December 31, 2011	
	Level 1	Level 2	Level 1	Level 2
Financial Liabilities				
Derivative liability for warrants	$ -	$ 410,167	$ -	$ 459,167

The Company uses valuation models to determine the fair value of its derivative instruments. The inputs to these models are primarily external observable inputs such as quoted price for the Company's shares and risk free interest rate measured as the price for Government of Canada bonds.

The Company does not have Level 3 inputs as described in the Company's accounting policies.

b) Financial Instrument Risk Exposure and Risk Management

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is present throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies, and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive monthly reports from the Company's Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

i) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk as follows:

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the US dollar and the Canadian dollar or other foreign currencies will affect the Company's operations and financial results. The Company could have exposure to foreign currency risk. The Company's functional currency is US dollars but raises some of its capital in Canadian dollars. The Company has not hedged its exposure to currency fluctuations.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - Continued

b) Financial Instrument Risk Exposure and Risk Management - continued

General Objectives, Policies and Processes - continued

i) Market Risk - continued

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash, cash equivalents and short-term deposits held with Canadian financial institutions. The Company consider this risk to be immaterial.

Commodity Price risk

The Company's ability to raise capital to fund exploration or development activities may be subject to risks associated with fluctuations in the market prices of gold and silver. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

ii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and equivalents, short-term deposits, other receivables and environmental deposit. Cash and equivalents and short-term deposits are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at December 31, 2011 and December 31, 2010 relating to cash and equivalents and short-term deposits of $1,550,273 and $3,273,378 respectively. All cash, cash equivalents and short-term deposits are held at HSBC Canada. The Company considers this risk to be minimal for all cash and cash equivalent assets.

iii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that is will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that is has sufficient cash on demand to meet expected operational expenses for a period of 180 days. To achieve this objective, the Company prepares annual operating and capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on explorations projects to further manage expenditures.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable. The Company has sufficient cash and equivalents and short-term deposits on hand to meet its current obligations, due within the next 12 months, together with financial commitments for the next 12 months.

14. CAPITAL MANAGEMENT

The Company monitors its cash, common shares, warrants and stock options as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business.

The Company is not exposed to any externally imposed capital requirements.

15. SEGMENTAL REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities in Ecuador.

16. LOSS PER SHARE

Income (loss) per Share

Basic loss per share amounts are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

		2012		2011
Loss attributable to ordinary shareholders	**$**	**(90,899)**	$	(1,701,829)
Weighted average number of common shares		**84,021,243** (1)		83,583,743 (1)
Basic income (loss) per share	**$**	**$0.00**	$	($0.02)
Fully diluted number of common shares		**84,021,243** (1)		83,583,743 (1)
Basic income (loss) per share	**$**	**$0.00**	$	($0.01)

(1) The basic and diluted number of common shares are the same as there are no instruments that have a dilutive effect on the basic loss per share.

Weighted Average Number of Common Shares

	2012	2011
Issued common shares, December 31,	**84,021,243**	83,583,743
Effect of shares issued (none issued in either period)	**-**	-
Weighted average issued common shares	**84,021,243**	83,583,743
Outstanding vested stock options	**4,887,500**	2,777,500
Outstanding share purchase warrants	**14,056,875**	18,750,000
Weighted average issued common shares	**102,965,618**	105,111,243

17. PRIOR PERIOD BALANCES

The comparative figures have been amended to reflect December 31, 2011 adjustments made as follows:

	Note	As Reported in March 31, 2011 Financial Statements	Adjustments	As Reported in these Financial Statements
Other income		$ 2,197	$ -	$ 2,197
Expenses				
Depreciation		273	-	273
Employee costs	17(a)	221,344	(110,860)	110,484
Other expenses	17(a)	41,792	(2,790)	39,002
Exploration expenditures		226,550	-	226,550
		489,959	(113,650)	376,309
Loss before other item		(487,762)	113,650	(374,112)
Fair value adjustment of derivative liabilities	17(b)	-	(271,110)	(1,327,717)
	17(c)		(1,056,607)	
Total comprehensive loss for the year		**$ (487,762)**	**1,214,067**	**(1,701,829)**

a) Amend the calculation of fair value of options granted to directors, employees and consultants on October 26, 2010 and to recalculate the income inclusion rate as calculated for Canadian GAAP (expense recorded using straight-line vesting) to IFRS (expense recorded using graded vesting)

b) Recording of change in derivative liability related to share purchase warrants - At December 31, 2011 437,500 non-brokers warrants were outstanding and exercisable at an exercise price of CAD$0.20. As the exercise price of the warrants is fixed in Canadian dollars and the functional currency of the Company is the US dollar, the conversion option is considered a derivative as the Company will receive a variable amount of cash when the warrants are exercised. Accordingly, the warrants are recorded as a financial liability and stated at fair value at the end of each period. Under Canadian GAAP, these instruments were considered equity instruments and changes in fair value subsequent to initial recognition were not recognized. This resulted in a $271,110 increase to derivative liability as at March 31, 2011.

c) Recording of change in derivative liability related to share purchase warrants - At December 31, 2011 14,056,875 non-brokers warrants were outstanding and exercisable at an exercise price of CAD$0.30. As the exercise price of the warrants is fixed in Canadian dollars and the functional currency of the Company is the US dollar, the conversion option is considered a derivative as the Company will receive a variable amount of cash when the warrants are exercised. Accordingly, the warrants are recorded as a financial liability and stated at fair value at the end of each period. Under Canadian GAAP, these instruments were considered equity instruments and changes in fair value subsequent to initial recognition were not recognized. This resulted in a $1,056,607 increase to derivative liability as at March 31, 2011.