YALE RESOURCES LTD.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

(Expressed in Canadian Dollars)

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF YALE RESOURCES LTD.

We have audited the accompanying consolidated financial statements of Yale Resources Ltd., which comprise the consolidated statements of financial position as at October 31, 2012, October 31, 2011 and November 1, 2010, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years ended October 31, 2012 and October 31, 2011, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Yale Resources Ltd. as at October 31, 2012, October 31, 2011 and November 1, 2010, and its financial performance and its cash flows for the years ended October 31, 2012 and October 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP
Chartered Accountants

Vancouver, British Columbia
February 26, 2013

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YALE RESOURCES LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	October 31, 2012	October 31, 2011 (Note 3)	November 1, 2010 (Note 3)
ASSETS			
Current			
Cash	**$ 16,916**	$ 103,640	$ 171,318
Amounts receivable (Note 5)	**21,327**	38,791	83,748
Marketable securities (Note 6)	**117,130**	200,750	247,467
Prepaid expenses and advances	**-**	3,099	4,500
	155,373	346,280	507,033
Non-current			
Amounts receivable (Note 5)	**40,967**	40,967	58,762
Prepaid expenses	**19,050**	19,050	19,050
Oil and gas interest (Note 7)	**33,611**	33,611	33,611
Property, plant and equipment (Note 8)	**27,116**	33,759	14,644
Mineral property interests (Note 9)	**1,051,656**	1,206,588	1,891,762
	1,172,400	1,333,975	2,017,829
TOTAL ASSETS	**$ 1,327,773**	$ 1,680,255	$ 2,524,862
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 10)	**$ 217,063**	$ 113,877	$ 317,527
Exploration advances	**-**	107,547	31,628
	217,063	221,424	349,155
SHAREHOLDERS' EQUITY			
Share capital (Note 11)	**14,069,203**	14,066,703	13,142,253
Reserves	**1,319,401**	1,319,401	1,125,551
Accumulated deficit	**(14,328,871)**	(13,714,547)	(12,025,476)
Accumulated other comprehensive income (loss)	**50,977**	(212,726)	(66,621)
	1,110,710	1,458,831	2,175,707
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 1,327,773**	$ 1,680,255	$ 2,524,862

Approved by the Board:

"Ian Foreman" (signed)
……………………………………...… Director

"David Hall" (signed)
…………………………………...…… Director

See notes to consolidated financial statements.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Operations and Comprehensive Loss
Years Ended October 31
(Expressed in Canadian Dollars)

	2012	2011 (Note 3)
Revenues		
Interest and miscellaneous	$ 52,544	$ 25,907
Oil and gas, net	10,559	17,504
	63,103	43,411
Operating Expenses		
Exploration costs, net of recoveries (Note 9)	144,983	291,117
Consultants' fees (Note 12)	101,987	103,000
Management fees (Note 12)	84,000	78,000
Accounting, audit and legal	42,125	84,047
Rent	38,240	37,086
Office and miscellaneous (Note 12)	34,575	40,902
Property examination costs	-	20,092
Investor relations and promotion	14,654	31,191
Depreciation	11,641	8,468
Regulatory fees	8,367	17,700
Transfer agent and listing fees	6,201	8,813
Telephone	3,010	5,056
Travel	2,935	6,370
Share-based compensation (Note 11(e))	-	193,850
	492,718	925,692
Loss Before Other Items	429,615	882,281
Other Items		
Write-down of mineral property interests (Note 9)	54,808	790,273
Gain on sale of mineral property interests (Note 9)	(136,810)	(78,284)
Exploration advances recovered	(115,441)	-
Foreign exchange loss	7,592	16,185
Loss (gain) on sale of marketable securities	95,914	(38,408)
Impairment loss on marketable securities (Note 6)	278,646	117,024
Net Loss for Year	614,324	1,689,071
Items of Comprehensive Loss (Income)		
Unrealized loss on marketable securities	63,190	184,024
Transfer on sale of marketable securities	(48,247)	(10,080)
Transfer on impairment of marketable securities	(278,646)	(27,839)
Other Comprehensive Loss (Income)	(263,703)	146,105
Comprehensive Loss for Year	$ 350,621	$ 1,835,176
Loss Per Share, Basic and Diluted	$ 0.01	$ 0.02
Weighted Average Number of Common Shares Outstanding	80,939,156	80,939,156

See notes to consolidated financial statements.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

			Reserves					
	Number of Shares	**Share Capital**	**Equity Settled Share-based Payments**	**Warrants**	**Total**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income**	**Total Shareholders' Equity**
Balance – October 31, 2011	**80,839,156**	**$ 14,066,703**	**$ 1,033,902**	**$ 285,499**	**$ 1,319,401**	**$ (13,714,547)**	**$ (212,726)**	**$ 1,458,831**
Net loss for the year	-	-	-	-	-	(614,324)	-	(614,324)
Items of other comprehensive loss	-	-	-	-	-	-	263,703	263,703
Common shares issued for mineral property interests (Note 11b(i))	100,000	2,500	-	-	-	-	-	2,500
Balance – October 31, 2012	**80,939,156**	**$ 14,069,203**	**$ 1,033,902**	**$ 285,499**	**$ 1,319,401**	**$ (14,328,871)**	**$ 50,977**	**$ 1,110,710**

Balance – November 1, 2010 (Note 3)	**71,414,656**	**$ 13,142,253**	**$ 840,052**	**$ 285,499**	**$ 1,125,551**	**$ (12,025,476)**	**$ (66,621)**	**$ 2,175,707**
Net loss for the period	-	-	-	-	-	(1,689,071)	-	(1,689,071)
Items of other comprehensive loss	-	-	-	-	-	-	(146,105)	(146,105)
Common shares issued on exercise of warrants	6,024,500	602,450	-	-	-	-	-	602,450
Common shares issued for mineral property interests	3,400,000	322,000	-	-	-	-	-	322,000
Share-based compensation	-	-	193,850	-	193,850	-	-	193,850
Balance – October 31, 2011 (Note 3)	**80,839,156**	**$ 14,066,703**	**$ 1,033,902**	**$ 285,499**	**$ 1,319,401**	**$ (13,714,547)**	**$ (212,726)**	**$ 1,458,831**

See notes to consolidated financial statements.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
Years Ended October 31
(Expressed in Canadian Dollars)

	2012	2011
Operating Activities		
Net loss	$ (614,324)	$ (1,689,071)
Items not affecting cash		
Depreciation	11,641	8,468
Share-based compensation	-	193,850
Marketable securities included in exploration recoveries	-	(45,933)
Unrealized foreign exchange loss	88	7,456
Loss (gain) on sale of mineral property interests	(136,810)	-
Loss (gain) on sale of marketable securities	95,914	(38,408)
Write down of mineral property interests	54,808	790,273
Impairment loss on marketable securities	278,646	117,024
	(310,037)	(656,341)
Changes in non-cash working capital		
Amounts receivable	18,112	55,436
Prepaid expenses	3,099	1,401
Exploration advances recovered	(115,441)	-
Accounts payable and accrued liabilities	58,953	(22,224)
	(35,277)	34,613
Cash Used in Operating Activities	(345,314)	(621,728)
Investing Activities		
Purchase of property, plant and equipment	(21,171)	(27,583)
Proceeds on sale of property, plant and equipment	16,173	-
Recoveries of (expenditures on) mineral property interests	78,714	(169,527)
Proceeds on sale of mineral property interests	90,000	-
Proceeds on sale of marketable securities	96,441	76,368
Cash Provided by (Used in) Investing Activities	260,157	(120,742)
Financing Activities		
Exploration advances	-	78,159
Proceeds from issuance of common shares, net of share issue costs	-	602,450
Cash Provided by Financing Activities	-	680,609
Foreign Exchange Effect on Cash	(1,567)	(5,817)
Decrease in Cash	(86,724)	(67,678)
Cash, Beginning of Year	103,640	171,318
Cash, End of Year	$ 16,916	$ 103,640
Supplemental Cash Flow Information, Non-Cash Transactions		
Common shares issued for mineral property interests	$ 2,500	$ 322,000
Marketable securities received for mineral property interests	$ 123,678	$ 208,400
Marketable securities included in exploration recoveries	$ -	$ 45,933
Expenditures on mineral property interests included in accounts payable	$ 101,083	$ 56,087
Exploration advances included in mineral property interests	$ 7,962	$ -

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Yale Resources Ltd. (the "Company") is an exploration stage company incorporated under the laws of British Columbia. The Company and its subsidiary are engaged in the acquisition and exploration of mineral properties located in Mexico.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral property interests. The recoverability of amounts shown for mineral property interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their development and future profitable operations, or the sale or optioning of the properties.

The Company has sustained recurring losses and negative cash flows from operations. As at October 31, 2012, the Company had cash of $16,916 (October 31, 2011 - $103,640; November 1, 2010 - $171,318); working capital deficiency of $61,690 (October 31, 2011 - $124,856 working capital; November 1, 2010 - $157,878 working capital) and an accumulated deficit of $14,328,871 (October 31, 2011 - $13,714,547; November 1, 2010 - $12,025,476). The Company has sustained losses from operations, and has ongoing requirements for capital investment for its mineral property interests. The Company will need to raise substantial additional capital to accomplish its business plan over the next several years. The Company expects to seek additional funding through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available.

These consolidated financial statements do not include any adjustments for 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.

2. BASIS OF PRESENTATION

a) Statement of compliance and conversion to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board announced that January 1, 2011 is the changeover date for publicly listed companies to use IFRS replacing Canadian generally accepted accounting principles ("GAAP").

These consolidated financial statements have been prepared and presented in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards*, as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee ("IFRIC").

These are the Company's first annual IFRS consolidated financial statements for the year ended October 31, 2012. Previously, the Company prepared its annual consolidated financial statements in accordance with Canadian GAAP. Canadian GAAP differs in some areas from IFRS. In preparing these consolidated financial statements, management has amended certain accounting policies previously applied in the Canadian GAAP consolidated financial statements to comply with IFRS. Note 3 contains reconciliations and descriptions of the effects of the transition from Canadian GAAP to IFRS on equity, operations and comprehensive loss along with reconciliations of the consolidated statements of financial position as at November 1, 2010 and October 31, 2011 and the consolidated statements of operations and comprehensive loss and cash flows for the year ended October 31, 2011.

The consolidated financial statements were authorized for issue by the Board of Directors on February 26, 2013.

2. BASIS OF PRESENTATION (CONTINUED)

b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as at fair value through profit and loss (“FVTPL”) or available-for-sale (“AFS”), which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Foreign currencies

(i) Presentation and functional currency

The presentation and functional currency of the Company and its subsidiary is the Canadian dollar.

(ii) Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Gains and losses arising on foreign currency translations are included in net loss for the year.

d) Significant accounting judgments and estimates

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

Impairment of assets
When there are indications that an asset may be impaired, the Company is required to estimate the asset’s recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

Useful life of property, plant and equipment
Property, plant and equipment is amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the year and the carrying value of property, plant and equipment. Total carrying value of property, plant and equipment at October 31, 2012 was $27,116 (October 31, 2011 - $33,759; November 1, 2010 - $14,644).

2. BASIS OF PRESENTATION (CONTINUED)

d) Significant accounting judgments and estimates (continued)

Share-based compensation
Management is required to make certain estimates when determining the fair value of share option awards and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated statement of operations and comprehensive loss. For the year ended October 31, 2012, the Company recognized share-based compensation of $nil (2011 - $193,850).

Critical judgments used in applying accounting policies
In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

Income taxes
The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

3. FIRST-TIME ADOPTION OF IFRS

a) Overview

As disclosed in note 2, these are the Company’s first annual consolidated financial statements reported in accordance with IFRS.

The accounting policies in note 4 have been applied in preparing the consolidated financial statements as at and for the years ended October 31, 2012 and 2011 and the preparation of an opening IFRS consolidated statement of financial position on the transition date, November 1, 2010.

b) First-time adoption

The guidance for the first time adoption of IFRS is set out in IFRS 1. Under IFRS 1 changes in accounting policies resulting from the adoption of IFRS are applied retrospectively at the transition date with all adjustments taken to retained earnings unless certain optional and mandatory exemptions are applied. The Company has applied the following optional exemptions to its opening consolidated statement of financial position dated November 1, 2010 (the “transition date”):

Business combinations
IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after November 1, 2010.

Share-based payments
IFRS 1 does not require first-time adopters to apply IFRS 2 *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to November 1, 2010.

3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

b) First-time adoption (continued)

Borrowing costs
IFRS 1 allows first-time adopters to apply IAS 23 *Borrowing Costs* prospectively from the date of transition to IFRS. The Company has elected to apply IAS 23 prospectively from November 1, 2010. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

Deemed cost
IFRS 1 allows first-time adopters to elect to measure oil and gas interests at the date of transition to IFRS at the amount as determined under the adopter's previous GAAP. The Company has therefore elected to measure its oil and gas interest at the amount as determined under Canadian GAAP at November 1, 2010.

The Company has applied the following mandatory exemption:

Estimates
In accordance with IFRS 1, an entity's estimates under IFRS for the comparative periods must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates for the comparative periods are consistent with its Canadian GAAP estimates for the same date.

c) Changes in accounting policies

The Company has changed certain accounting policies to be consistent with IFRS. The changes to accounting policies as required by IFRS have not resulted in any significant changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its consolidated financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS:

Impairment of (non-financial) assets
IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Canadian GAAP required a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS also requires the reversal of any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced. Canadian GAAP prohibits the reversal of impairment losses.

The Company has changed its accounting policies related to impairment of assets to be consistent with the requirements under IFRS. The changes in accounting policies related to impairment did not have an impact on the consolidated financial statements.

Share-based payments
In certain circumstances, IFRS requires a different measurement of share-based compensation than Canadian GAAP. In particular, IFRS requires that each tranche (that vests separately) must be treated as a separate grant and that an estimate of forfeitures be included in the determination of the expense associated with share option grants.

Due to the terms of the Company's share options, these changes in accounting policy did not have an impact on the consolidated financial statements.

3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

c) Changes in accounting policies (continued)

Functional currency
IFRS requires that the functional currency of each company within the consolidated group be assessed individually, while under Canadian GAAP the functional currency of an integrated operation was the same as the reporting company. Under IFRS, where a company's functional currency differs from the presentation currency of the consolidated financial statements, all foreign exchange gains and losses arising on translation to the presentation currency are recognized in the consolidated statement of operations and comprehensive loss as other comprehensive income.

As the functional currency of the Company and its subsidiary has been assessed as the Canadian dollar, this change in policy has no impact on the Company's consolidated financial statements.

Mineral property assets
IFRS allows a company to develop an accounting policy for the recognition of exploration and evaluation assets, including mineral properties.

The Company has elected to change its accounting policy for mineral property interests, whereby only acquisition costs are capitalized and all other exploration expenditures are recognized in the consolidated statement of operations and comprehensive loss in the year in which it is incurred. This change in policy had a significant impact on the consolidated financial statements.

Investment in oil and gas interest
IFRS requires that an investor in a joint venture that does not have joint control shall account for that investment as a financial instrument, while under Canadian GAAP the Company followed the full cost method of accounting for oil and gas interests. The change in accounting policy did not have a significant impact on the consolidated financial statements.

d) Reconciliation of Canadian GAAP to IFRS

The following provides reconciliations of the consolidated statements of financial position at the transition date of November 1, 2010 and at October 31, 2011, and the consolidated statements of operations and comprehensive loss and cash flows for the year ended October 31, 2011.

A discussion of the adjustments arising from changes in accounting policies and presentation follows these reconciliations.

(Expressed in Canadian Dollars)

3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

Reconciliation of the Consolidated Statements of Financial Position

	November 1, 2010			October 31, 2011		
	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS						
Current						
Cash	$ 171,318	$ -	$ 171,318	$ 103,640	$ -	$ 103,640
Amounts receivable	83,748	-	83,748	38,791	-	38,791
Marketable securities (Note 3(d)(iii))	247,467	-	247,467	230,505	(29,755)	200,750
Prepaid expenses and advances	4,500	-	4,500	3,099	-	3,099
	507,033	-	507,033	376,035	(29,755)	346,280
Non-current						
Amounts receivable	58,762	-	58,762	40,967	-	40,967
Prepaid expenses	19,050	-	19,050	19,050	-	19,050
Oil and gas interest (Note 3(d)(ii))	33,611	-	33,611	23,611	10,000	33,611
Property, plant and equipment	14,644	-	14,644	33,759	-	33,759
Mineral property interests (Note 3(d)(i))	2,966,099	(1,074,337)	1,891,762	1,971,772	(765,184)	1,206,588
	3,092,166	(1,074,337)	2,017,829	2,089,159	(755,184)	1,333,975
TOTAL ASSETS	**$ 3,599,199**	$ (1,074,337)	**$ 2,524,862**	**$ 2,465,194**	**$ (784,939)**	**$ 1,680,255**
LIABILITIES						
Current						
Accounts payable and accrued liabilities	$ 317,527	**$** -	$ 317,527	$ 113,877	$ -	$ 113,877
Exploration advances	31,628	-	31,628	107,547	-	107,547
	349,155	-	349,155	221,424	-	221,424
SHAREHOLDERS' EQUITY						
Share capital	13,142,253	-	13,142,253	14,066,703	-	14,066,703
Reserves (previously contributed surplus) (Note 3(d)(iv))	1,125,551	-	1,125,551	1,319,401	-	1,319,401
Accumulated deficit	(10,951,139)	(1,074,337)	(12,025,476)	(12,959,363)	(755,184)	(13,714,547)
Accumulated other comprehensive loss	(66,621)	-	(66,621)	(182,971)	(29,755)	(212,726)
	3,250,044	(1,074,337)	2,175,707	2,243,770	(784,939)	1,458,831
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 3,599,199**	**$ (1,074,337)**	**$ 2,524,862**	**$ 2,465,194**	**$ (784,939)**	**$ 1,680,255**

(Expressed in Canadian Dollars)

3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

Reconciliation of the Consolidated Statement of Operations and Comprehensive Loss

	Year ended October 31, 2011		
	Canadian GAAP	**Effects of Transition to IFRS**	**IFRS**
Revenues			
Interest and miscellaneous	$ 25,907	$ -	$ 25,907
Oil and gas, net	17,504	-	17,504
	43,411	-	43,411
Operating Expenses			
Exploration costs, net of recoveries (Note 3(d)(i))	-	291,117	291,117
Consultants' fees	103,000	-	103,000
Management fees	78,000	-	78,000
Accounting, audit and legal	84,047	-	84,047
Rent	37,086	-	37,086
Office and miscellaneous	40,902	-	40,902
Property examination costs	20,092	-	20,092
Investor relations and promotion	31,191	-	31,191
Depreciation (Note 3(d)(ii))	18,468	(10,000)	8,468
Regulatory fees	17,700	-	17,700
Transfer agent and listing fees	8,813	-	8,813
Telephone	5,056	-	5,056
Travel	6,370	-	6,370
Share-based compensation	193,850	-	193,850
	644,575	281,117	925,692
Loss before Other Items	601,164	281,117	882,281
Other Items			
Foreign exchange loss	16,185	-	16,185
Gain on sale of mineral property interests	(78,284)	-	(78,284)
Gain on sale of marketable securities	(38,408)	-	(38,408)
Impairment loss on marketable securities	117,024	-	117,024
Write-down of mineral property interests (Note 3(d)(i))	1,390,543	(600,270)	790,273
Net Loss for Year	2,008,224	(319,153)	1,689,071
Items of Comprehensive Loss			
Unrealized loss on marketable securities	154,269	29,755	184,024
Transfer on sale of marketable securities	(10,080)	-	(10,080)
Transfer on impairment of marketable securities	(27,839)	-	(27,839)
Other Comprehensive Loss	116,350	29,755	146,105
Comprehensive Loss for Year	$ 2,124,574	$ (289,398)	$ 1,835,176

(Expressed in Canadian Dollars)

3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

Reconciliation of the Consolidated Statement of Cash Flows

	Year ended October 31, 2011		
	Canadian GAAP	**Effect of Transition to IFRS**	**IFRS**
Operating Activities			
Net loss	$ (2,008,224)	$ 319,153	$ (1,689,071)
Items not affecting cash			
Depreciation	18,468	(10,000)	8,468
Gain on sale of marketable securities (Note 3(d)(iii))	(38,408)	-	(38,408)
Share-based compensation	193,850	-	193,850
Write-down of mineral property interests (Note 3(d)(i))	1,390,543	(600,270)	790,273
Impairment loss on marketable securities	117,024	-	117,024
Marketable securities included in exploration recoveries	(45,933)	-	(45,933)
Unrealized foreign exchange loss	7,456	-	7,456
	(365,224)	(291,117)	(656,341)
Changes in non-cash working capital			
Amounts receivable	55,436	-	55,436
Prepaid expenses	1,401	-	1,401
Accounts payable and accrued liabilities	(22,224)	-	(22,224)
	34,613	-	34,613
Cash Used in Operating Activities	(330,611)	(291,117)	(621,728)
Investing Activities			
Purchase of property, plant and equipment	(27,583)	-	(27,583)
Expenditure on mineral property interests (Note 3(d)(i))	(460,644)	291,117	(169,527)
Proceeds on sale of marketable securities	76,368	-	76,368
Cash Used in Investing Activities	(411,859)	291,117	(120,742)
Financing Activities			
Exploration advances	78,159	-	78,159
Proceeds from issuance of common shares, net of share issue costs	602,450	-	602,450
Cash Provided by Financing Activities	680,609	-	680,609
Foreign Exchange Effect on Cash	(5,817)	-	(5,817)
Increase in Cash	(67,678)	-	(67,678)
Cash, Beginning of Year	171,318	-	171,318
Cash, End of Year	**$ 103,640**	**$ -**	**$ 103,640**

3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

d) Reconciliation of Canadian GAAP to IFRS (continued)

(i) On transition to IFRS, the Company elected to change its accounting policy for the treatment of exploration expenditures from a policy whereby such costs were previously capitalized to mineral property interests, to a policy of now expensing such expenditures, so as to align itself with policies applied by other comparable companies at a similar stage in the mining industry. Consequently, exploration expenditures, which had previously been capitalized to mineral property interests, are expensed, at transition through accumulated deficit and for the year ended October 31, 2011 through net loss for the year.

(ii) As permitted by IFRS 1, the Company's investment in oil and gas interest is accounted for at a deemed cost equivalent to the value of the interest as calculated under Canadian GAAP on November 1, 2010. Thereafter the interest is required to be accounted for as a financial asset; therefore, amortization of the oil and gas interest previously recognized under Canadian GAAP is no longer recognized under IFRS.

(iii) Under IFRS, AFS securities, including securities that are restricted from trading, must be carried at fair value, unless the fair value of such security cannot be reliably measured, in which case it may be carried at cost. This differs from Canadian GAAP, in that AFS securities that were restricted from trading were carried at cost, less any write-down for impairment. The recording of AFS securities that were restricted from trading under Canadian GAAP resulted in a fair value adjustment on transition to IFRS.

(iv) IAS 1 requires an entity to present, for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company examined its previously reported contributed surplus and concluded that it was comprised of the fair value of options issued as share-based awards and warrants issued under private placements. Therefore, at November 1, 2010 the fair value attributable to options and warrants outstanding at that date was transferred from contributed surplus to an "Equity settled share-based payment reserve" and a "Reserve for warrants", respectively, as detailed in the Company's consolidated statements of changes in shareholders' equity.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Minera AltaVista, S.A. de C.V. ("MAV"), a company incorporated under the laws of Mexico, hereinafter, collectively, referred to as the Company.

All material intercompany transactions and balances, including unrealized income and expenses arising from intercompany transactions have been eliminated on consolidation.

b) Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets
The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Financial instruments (continued)

Financial assets (continued)

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss for the period.

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

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets, other than those at FVTPL, are subject to review for impairment at each reporting date. Financial assets are considered impaired when there is objective evidence that a financial asset or a group of financial assets may not be recoverable. Different criteria to determine impairment are applied for each category of financial assets, which are disclosed above.

Financial liabilities
The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

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

Other financial liabilities - This category includes accounts payable and accrued liabilities and exploration advances. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method.

c) Property, plant and equipment

Property, plant and equipment is carried at cost, less accumulated depreciation.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Material residual value estimates and estimates of useful life are updated annually.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Property, plant and equipment (continued)

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of operations and comprehensive loss.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is recorded on a declining basis at the following annual rates:

Vehicles	30%
Office equipment	10%
Computer software and equipment	45%

d) Mineral property interests

Acquisition costs for mineral properties, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral properties, pursuant to the terms of the agreement. Exploration and evaluation expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be technically feasible and commercially viable, capitalized costs for the property will be transferred to mining property and development assets. Prior to transfer the asset will be tested for impairment. The costs related to a property from which there is production will be depleted on a unit-of-production basis, using estimated proven and probable recoverable reserves as the depletion base.

Mineral properties acquired under an option agreement where payments are made at the sole discretion of the Company are capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral property until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee and, accordingly, are accounted for when receipt is reasonably assured.

Capitalized acquisition costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management’s estimate of their net recoverable amount.

The recoverability of the carrying amount of mineral property interests is dependent on successful development and commercial exploitation or, alternatively, the sale of the respective areas of interest.

e) Impairment of assets

At each financial position reporting date, the carrying amounts of the Company’s assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Impairment of assets (continued)

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of operations and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of operations and comprehensive loss.

f) Share capital

Common shares
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity.

Equity units
Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated on the residual value method; proceeds are allocated to the common shares up to their fair value, as determined by the current quoted trading price, and the balance, if any, to the reserve for warrants.

g) Share-based compensation

The Company sometimes grants share-based awards to directors, officers, employees and consultants. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of employee options is measured at the option's grant date, and the fair value of non-employee options is measured at the date or over the period during which goods or services are received. Options granted to non-employees are recorded at the fair value of goods or services received in the consolidated statement of operations and comprehensive loss. The fair value of the options granted to employees is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The fair value of each tranche of options granted, which do not vest immediately on grant, is recognized using the graded vesting method over the period during which the options vest. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. If those options expire or are forfeited after vesting, the recorded value is transferred to deficit.

Share-based compensation expense is credited to the equity settled share-based payment reserve. Their fair value is transferred from the reserve to share capital when the options are later exercised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares; the effect of any anti-dilutive potential common shares are not taken into account in this calculation.

i) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for on the initial recognition of assets or liabilities that affect neither accounting nor taxable loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

j) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to the passage of time is recognized as a finance cost.

k) Provision for asset retirement obligation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, or as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against profits as extraction progresses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) New accounting standards and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, the IASB has issued a number of new and revised standards and interpretations, which are not yet effective for the relevant reporting periods.

IFRS 9 Financial Instruments
In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 as a first phase in its ongoing project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing 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. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's consolidated financial statements.

IFRS 10 Consolidated Financial Statements
In May 2011, the IASB issued IFRS 10, which is to be applied retrospectively, and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 10 replaces Standing Interpretations Committee ("SIC") 12 *Consolidation – Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements*. IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights. Management has not yet determined the potential impact that the adoption of IFRS 10 will have on the Company's consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities
In May 2011, the IASB issued IFRS 12, which is to be applied retrospectively, and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. Management has not yet determined the potential impact that the adoption of IFRS 12 will have on the Company's consolidated financial statements.

IFRS 13 Fair Value Measurement
In May 2011, the IASB issued IFRS 13, which is to be applied prospectively, and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) New accounting standards and interpretations not yet adopted (continued)

Other
In June 2011, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to revise the way in which other comprehensive income is presented. The Company does not believe the changes resulting from the amended standard will have an impact on its consolidated financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

In June 2011, the IASB issued amendments to IAS 19 *Employee Benefits* with revised requirements for pensions and other post-retirement benefits, termination benefits and other changes. The Company does not believe the changes resulting from these amendments are relevant to its consolidated financial statements. The amended standard is effective for annual periods beginning on or after January 1, 2013.

In June 2011, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures*. The Company does not believe the changes resulting from these amendments are relevant to its consolidated financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2011.

In May 2011, the IASB issued IFRS 11 *Joint Arrangements*, in addition to IFRS 10 and IFRS 12 discussed above. The Company does not believe the changes resulting from this new standard are relevant to its consolidated financial statements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

In October 2011, the IASB issued IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*. The Company does not believe the changes resulting from this new standard are relevant to its consolidated financial statements. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

5. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	October 31, 2012	October 31, 2011	November 1, 2010
Current			
Sales tax receivable	**$ 7,658**	$ 34,693	$ 83,094
Other amounts receivable	**13,669**	4,098	654
	21,327	38,791	83,748
Non-Current			
Sales tax receivable	**40,967**	40,967	58,762
Total amounts receivable	**$ 62,294**	**$ 79,758**	**$ 142,510**

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES

The Company holds marketable securities that are restricted, held in escrow and free-trading. All marketable securities subject to restriction and with escrow terms of less than one year from the statement of financial position dates are included in current assets.

	October 31, 2012		**October 31, 2011**		**November 1, 2010**	
	Number of Shares	**Fair Value**	Number of Shares	Fair Value	Number of Shares	Fair Value
Silver Sun Capital Corp.	**30,000**	**$ 4,500**	60,000	$ 23,100	400,000	$ 19,962
Del Toro Silver Corp.	**1,000,000**	**69,972**	600,000	23,024	350,000	64,273
Gold American Mining Corp.	**253,250**	**5,063**	300,000	19,075	200,000	163,232
Sonora Resources Corp.	**315,764**	**22,095**	400,000	135,551	-	-
Mammoth Capital Inc.	**100,000**	**10,000**	-	-	-	-
Overlord Capital Ltd.	**50,000**	**5,500**	-	-	-	-
	1,749,014	**$ 117,130**	1,360,000	$ 200,750	950,000	$ 247,467

Certain AFS securities at fair value have incurred a decline that is considered “other-than-temporary”. Accordingly, the impairment of $278,646 (2011 - $117,024) has been removed from accumulated other comprehensive loss and recognized in the consolidated statement of operations.

7. INVESTMENT IN OIL AND GAS INTEREST

During the year ended October 31, 2006, the Company acquired, for investment purposes, a 2.78% (one-half unit) interest in an oil and gas joint venture for cash consideration of $52,598. The joint venture has an interest in two producing oil and gas wells located in Texas and Louisiana, United States. Subsequent to the Company’s original investment, the interest was written down to $33,611.

(Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Office Equipment	Computer Software and Equipment	Total
COST				
Balance, November 1, 2010	$ -	$ 30,216	$ 8,897	$ 39,113
Additions	14,472	1,713	11,398	27,583
Balance, October 31, 2011	14,472	31,929	20,295	66,696
Additions	12,782	3,187	5,202	21,171
Disposals	(12,782)	(249)	(3,142)	(16,173)
Balance, October 31, 2012	$ 14,472	$ 34,867	$ 22,355	$ 71,694
ACCUMULATED DEPRECIATION				
Balance, November 1, 2010	$ -	$ 18,103	$ 6,366	$ 24,469
Depreciation	2,171	2,593	3,704	8,468
Balance, October 31, 2011	2,171	20,696	10,070	32,937
Depreciation	3,690	3,587	4,364	11,641
Balance, October 31, 2012	$ 5,861	$ 24,283	$ 14,434	$ 44,578
CARRYING AMOUNTS				
At November 1, 2010	$ -	$ 12,113	$ 2,531	$ 14,644
At October 31, 2011	$ 12,301	$ 11,233	$ 10,225	$ 33,759
At October 31, 2012	$ 8,611	$ 10,584	**$ 7,921**	**$ 27,116**

(Expressed in Canadian Dollars)

9. MINERAL PROPERTY INTERESTS

The Company has accumulated the following acquisition expenditures:

	Urique	Carol-Balde	La Verde Grande	Dos Naciones	Orofino	Los Amoles	Tenoriba	Guadalupe	Apache	Total
Balance, November 1, 2010	$ 674,835	$ 174,808	$ 620,044	$ 1	$ 176,371	$ 194,818	$ 50,884	$ 1	$ -	$ 1,891,762
Acquisition costs	-	-	-	-	119,775	7,788	-	31,369	262,500	421,432
Recoveries	(25,000)	(60,000)	-	-	-	(199,964)	-	(31,369)	-	(316,333)
Net additions during the year	(25,000)	(60,000)	-	-	119,775	(192,176)	-	-	262,500	105,099
Mineral property interests written down	-	-	(620,043)	-	(119,346)	-	(50,884)	-	-	(790,273)
Balance, October 31, 2011	649,835	114,808	1	1	176,800	2,642	-	1	262,500	1,206,588
Acquisition costs	-	-	-	-	17,518	-	-	-	-	17,518
Recoveries	(50,000)	-	-	-	(65,000)	(2,641)	-	(1)	-	(117,642)
Net additions during the year	(50,000)	-	-	-	(47,482)	(2,641)	-	(1)	-	(100,124)
Mineral property interests written down	-	(54,808)	-	-	-	-	-	-	-	(54,808)
Balance, October 31, 2012	**$ 599,835**	**$ 60,000**	**$ 1**	**$ 1**	**$ 129,318**	**$ 1**	**$ -**	**$ -**	**$ 262,500**	**$ 1,051,656**

(Expressed in Canadian Dollars)

9. MINERAL PROPERTY INTERESTS (CONTINUED)

The Company incurred the following exploration expenditures, which were recognized in the consolidated statement of operations and comprehensive loss for the year ended October 31, 2012:

	Urique	Carol-Balde	La Verde Grande	Dos Naciones	Orofino	Los Amoles	Yoreme	Guadalupe	Apache	Tenoriba	Total
Assay	$ -	$ -	$ -	$ 38	$ 3,435	$ 3,435	$ -	$ -	$ -	$ -	$ 6,908
Camp and exploration support	138,590	3,240	17,517	40,659	74,501	49,405	15,707	3,099	239	84	343,041
Drilling	-	-	-	27,522	-	122	-	-	-	-	27,644
Geochemistry	18,703	-	-	2,507	3,120	4,138	8,816	-	-	-	37,284
Geophysical consulting	-	-	-	-	-	-	-	-	-	-	-
Geological consulting	98,896	-	390	48,158	250	2,482	798	3	-	-	150,977
Geological fieldwork	9,053	37	1,029	4,751	700	4,994	3,330	50	-	-	23,944
Taxes	150,821	7,493	11,923	15,640	29,182	2,806	-	(1,134)	575	93	217,399
Travel	5,725	3,041	44	2,325	1,865	939	3,314	898	-	-	18,151
Total costs during the year	421,788	13,811	30,903	141,600	113,053	68,321	31,965	2,916	814	177	825,348
Recoveries	(393,279)	-	-	(89,573)	(74,483)	(108,228)	-	(14,802)	-	-	(680,365)
Net expenditures for the year	$ 28,509	$ 13,811	$ 30,903	$ 52,027	$ 38,570	$ (39,907)	$ 31,965	$ (11,886)	$ 814	$ 177	$ 144,983

(Expressed in Canadian Dollars)

9. MINERAL PROPERTY INTERESTS (CONTINUED)

The Company incurred the following exploration expenditures, which were recognized in the consolidated statement of operations and comprehensive loss for the year ended October 31, 2011:

	Urique	Carol-Balde	La Verde Grande	Dos Naciones	Orofino	Los Amoles	Tenoriba	Guadalupe	Apache	Total
Assay	$ -	$ -	$ -	$ 1,091	$ 9,812	$ 6,124	$ 1,779	$ -	$ 7,263	$ 26,069
Camp and exploration support	26,198	12,284	16,409	14,912	13,179	13,146	13,540	-	1,478	111,146
Geological consulting	7,654	410	-	2,015	1,983	87,052	-	-	6,799	105,913
Geological fieldwork	658	3,324	16	1,688	1,167	986	355	-	253	8,447
Materials and supplies	-	-	119	620	72	3,266	-	-	669	4,746
Taxes	119,702	4,417	19,557	11,513	21,482	16,070	12,626	-	166	205,533
Travel	-	6,469	131	2,165	169	9,067	3,748	-	837	22,586
Total costs during the year	154,212	26,904	36,232	34,004	47,864	135,711	32,048	-	17,465	484,440
Recoveries	-	-	-	(34,004)	(10,000)	(149,319)	-	-	-	(193,323)
Net expenditures for the year	$ 154,212	$ 26,904	$ 36,232	$ -	$ 37,864	$ (13,608)	$ 32,048	$ -	$ 17,465	$ 291,117

9. MINERAL PROPERTY INTERESTS (CONTINUED)

a) Urique Property, Mexico

On August 1, 2006, the Company entered into an option agreement with Exmin Resources Ltd. ("Exmin") to acquire, in two stages, up to a 75% interest in ten mineral concessions in Chihuahua, Mexico. On April 6, 2009, the Company renegotiated the remaining commitments and acquired 100% of these concessions by paying US$250,000 (paid) issuing 1,000,000 common shares (issued) and taking responsibility for accounts payable of US$148,000 arising from the optionor's past expenditures on the project.

Exmin retains a 2% net smelter returns ("NSR") royalty on these concessions.

By an option agreement dated September 8, 2011, and amended on February 8, 2012, the Company entered into an agreement with Mammoth Capital Corp. ("Mammoth") to allow Mammoth to acquire a 100% interest in the project.

To earn the first 70%, Mammoth must pay the Company $50,000, issue 1,300,000 shares and spend $3,000,000 in exploration over four years.

Cash payments totaling $50,000 as follows:

- $25,000 upon signing (received); and
- $25,000 upon acceptance by the TSX Venture Exchange (received).

Issuance of 1,300,000 shares as follows:

- 100,000 shares upon acceptance by the TSX Venture Exchange (received);
- 400,000 shares on or before January 31, 2014;
- 400,000 shares on or before January 31, 2015; and
- 400,000 shares on or before January 31, 2016.

Exploration expenditures totaling $3,000,000 as follows:

- $800,000 on or before January 31, 2014;
- $800,000 on or before January 31, 2015; and
- $1,400,000 on or before January 31, 2016.

To earn the remaining 30%, Mammoth must issue another 500,000 shares, complete a resource estimation showing a minimum of 300,000 equivalent ounces of gold in the measured and indicated categories, and issue one further share for each equivalent ounce of gold shown in the resource estimation.

b) Carol-Balde Property, Mexico

On September 25, 2006, the Company entered into an assignment of option agreement with Minera Canamex S.A. de C.V. to acquire a 100% interest in the mineral claims. By an agreement dated January 31, 2008, the Company renegotiated the remaining commitments and acquired 100% ownership and property rights, subject to the 3% NSR royalty to the optionor, by making a cash payment of US$70,000 (paid) and issuing 280,000 common shares (issued).

On February 18, 2011, the Company signed an agreement with El Condor Minerals Inc. ("El Condor") for the option to earn a 70% interest in the Carol-Balde Property. El Condor will be required to pay the Company $350,000 cash and spend $1,700,000 on exploration over four years.

El Condor was designated as the operator of the project.

9. MINERAL PROPERTY INTERESTS (CONTINUED)

b) Carol-Balde Property, Mexico (continued)

During the year ended October 31, 2012, the Company terminated its option agreement with El Condor as certain financial milestones in the agreement were not met. Accordingly, the Company wrote-down Carol-Balde to management's estimated net realization value at October 31, 2012.

c) La Verde Grande Property, Mexico

On June 5, 2007, the Company entered into an agreement to acquire, in two stages, up to a 100% interest in the La Verde Grande Property for cash payments totaling US$1,600,000 (US$300,000 paid).

Under the terms of the agreement, the vendor retains a 2% NSR, which the Company may purchase for an additional US$1,000,000.

On November 21, 2008, the Company renegotiated the overall agreement with the optionor to modify all remaining commitments to cash payments totaling $1,305,000 (US$40,000 paid) in exchange for a more flexible payment schedule.

On July 17, 2009, the Company renegotiated the overall agreement with the optionor to modify the remaining commitments as follows:

- NI 43-101 report on the mineral property by September 30, 2009 (report issued);
- US$60,000 on or before December 1, 2009;
- US$250,000 on or before June 1, 2010;
- US$255,000 on or before December 1, 2010;
- US$350,000 on or before June 1, 2011; and
- US$355,000 on or before December 1, 2011.

To date, the Company has not met its commitment to pay a total of $1,270,000 above to December 1, 2011. The Company is currently in negotiations with the optionor to amend the current agreement, and the outcome of those negotiations is unknown at this time. As such, the Company wrote-off $620,043 relating to La Verde Grande during the year ended October 31, 2011.

By an Agreement dated February 11, 2008, the Company acquired an option to acquire a 100% interest in the La Cobriza property, additional hectares within the La Verde Grande Property, in consideration for the following:

Cash payments totaling $50,000 as follows:

- $10,000 on signing of a letter of intent ("LOI") (paid); and
- $40,000 on regulatory approval (paid).

Issuance of 800,000 of the Company's common shares as follows:

- 300,000 common shares upon regulatory approval (issued);
- 250,000 common shares by February 11, 2009 (issued); and
- 250,000 common shares by February 11, 2010 (issued).

9. MINERAL PROPERTY INTERESTS (CONTINUED)

d) Orofino Property, Mexico

The Company entered into an assignment of option agreement on nine concessions dated July 24, 2009. Under the terms of the option agreement, the Company could acquire a 100% interest for cash payments totaling $200,000 ($40,000 paid), issuing 1,000,000 common shares (300,000 issued) and paying taxes totaling MXN114,232 (paid). The Company paid an additional $10,000 for the extension of one payment.

By an amendment agreement dated April 18, 2011, the Company renegotiated the overall commitment and acquired the claims in consideration for 700,000 shares of the Company (issued).

The Company entered into an assignment of option agreement on an additional five concessions with various title holders in the Orofino region, dated October 1, 2009. Under the terms of the option agreement, the Company may acquire a 100% interest in consideration of cash payments of US$950,000 as follows:

- US$50,000 at the time of signing of the agreement (paid);
- US$50,000 on or before April 1, 2010 (amended to $50,000 on or before December 15, 2010 (paid) for consideration of $10,000 (paid));
- US$50,000 on or before October 1, 2010 (paid);
- US$100,000 on or before April 1, 2011;
- US$100,000 on or before October 1, 2011;
- US$100,000 on or before April 1, 2012;
- US$200,000 on or before October 1, 2012; and
- US$300,000 on or before April 1, 2013.

During the year ended October 31, 2011, the Company abandoned these five concessions and, accordingly, $119,346 was written off.

The Company entered into an assignment of option agreement dated September 24, 2009 on an additional two concessions in the Orofino region. The Company subsequently amended the payment schedule, and under the terms of the revised option agreement, the Company may acquire a 100% interest in consideration of:

Cash payments totaling $200,000 as follows:

- $10,000 on or before January 9, 2010 (paid);
- $15,000 on or before July 9, 2010 (paid);
- $15,000 on or before November 25, 2011 (paid);
- $20,000 on or before May 25, 2012; (paid)
- $20,000 on or before November 25, 2012; (paid subsequent to October 31, 2012)
- $40,000 on or before May 25, 2013; and
- $80,000 on or before October 25, 2013.

Issuance of 1,000,000 common shares as follows:

- 100,000 common shares on or before January 9, 2010 (issued);
- 100,000 common shares on or before May 24, 2010 (issued);
- 100,000 common shares on or before July 9, 2011 (issued);
- 100,000 common shares on or before May 25, 2012 (issued);
- 100,000 common shares on or before November 25, 2012 (issued subsequent to October 31, 2012);
- 100,000 common shares on or before January 9, 2013; and
- 400,000 common shares on or before March 25, 2013.

9. MINERAL PROPERTY INTERESTS (CONTINUED)

d) Orofino Property, Mexico (continued)

On October 18, 2011, the Company entered into an agreement with Overlord Capital Ltd. ("Overlord") to allow Overlord to acquire a 70% interest in the project.

To earn the first 60%, Overlord must pay the Company $100,000, issue 1,050,000 shares and spend $1,350,000 in exploration over three years.

Cash payments totaling $100,000 as follows:

- $50,000 upon signing acceptance by the TSX Venture Exchange (the effective date); and
- $50,000 on or before the second anniversary of the effective date.

Issuance of 1,050,000 shares as follows:

- 50,000 shares upon acceptance by the TSX Venture Exchange (the effective date);
- 500,000 shares on or before the first anniversary of the effective date;
- 150,000 shares on or before the second anniversary of the effective date; and
- 350,000 shares on or before the third anniversary of the effective date.

Exploration expenditures totaling $1,350,000 as follows:

- $50,000 on or before the six-month anniversary of the effective date;
- $150,000 on or before the first anniversary of the effective date;
- $400,000 on or before the second anniversary of the effective date; and
- $750,000 on or before the third anniversary of the effective date.

Overlord can earn the remaining 10% by issuing an additional 250,000 shares and incurring an additional $750,000 in exploration expenditures on or before the fourth anniversary of the effective date.

e) Los Amoles

By an agreement entered into during April 2010, the Company acquired a 100% interest in 1,630 hectares in Sonora State, Mexico, by issuing 3,500,000 shares (issued) and making a payment of $10,000 (paid).

On November 26, 2010, the Company signed an agreement with Sonora Resources Corp. ("Sonora") to allow Sonora to earn a 70% interest in the Los Amoles property.

To earn a 70% interest in the Los Amoles property, Sonora will be required to spend US$900,000 on exploration expenditures and issue a total of 1,000,000 common shares to the Company over three years.

Cash payments totaling US$50,000 as follows:

- US$25,000 upon the signing of the LOI dated October 4, 2010 (received); and
- US$25,000 upon signing of this Agreement (received).

Exploration expenditures totaling US$900,000 as follows:

- US$200,000 on or before the first anniversary of the effective date (incurred);
- US$300,000 on or before the second anniversary of the effective date; and
- US$400,000 on or before the third anniversary of the effective date.

9. MINERAL PROPERTY INTERESTS (CONTINUED)

e) Los Amoles (continued)

Sonora has not yet incurred the US$300,000 of exploration expenditures.

Issuance of 1,000,000 common shares as follows:

- 200,000 common shares on signing of this agreement (received);
- 200,000 common shares within six months of the effective date (received);
- 200,000 common shares on or before the first anniversary of the effective date (received);
- 200,000 common shares on or before the second anniversary of the effective date (subsequently received); and
- 200,000 common shares on or before the third anniversary of the effective date.

f) Tenoriba

By an agreement entered into on July 26, 2010, the Company acquired a 100% interest in the 8,160-hectare Tenoriba Project located in the Sierra Madre Golde Silver Belt in the state of Chihuahua, Mexico, for the consideration of:

Cash payments totaling US$2,000,000 as follows:

- US$50,000 at the time of signing of the agreement (paid);
- US$125,000 on or before July 26, 2011;
- US$300,000 on or before July 26, 2012;
- US$500,000 on or before July 26, 2013; and
- US$1,025,000 on or before July 26, 2014.

During the year ended October 31, 2011, the Company abandoned this project and, accordingly, $50,884 was written off.

g) Guadalupe

On December 30, 2009, the Company entered into an option agreement to acquire a 100% interest in 383 hectares of mineral concessions in Zacatecas, Mexico, in consideration for US$1,000,000 (US$60,000 paid).

The underlying optionor has retained a 2% NSR that can be purchased by the Company for US$1,000,000.

On March 5, 2010, the Company signed a LOI with Gold American Mining Corp. (formerly Silver America Inc.) to allow Gold American Mining Corp. to acquire a 90% interest in the property. The consideration for acquiring the option included an assumption of all the option payments to be made by the Company to the original option owners and cash payments totaling US$900,000 (US$60,000 received), issuance of 1,000,000 common shares (300,000 received) and incurring exploration expenditures totaling US$2,000,000.

Agreement requirements were halted until the underlying optionor settles a title dispute.

Incurring exploration expenditures totaling US$2,000,000 as follows:

- US$400,000 on or before June 30, 2011;
- US$700,000 on or before December 30, 2012; and
- US$900,000 on or before December 30, 2013.

Recoveries in excess of property expenditures in the amount $nil for the year ended October 31, 2012 (2011 - $30,493) have been included as exploration recoveries on the consolidated statements of operations and comprehensive loss.

9. MINERAL PROPERTY INTERESTS (CONTINUED)

g) Guadalupe (continued)

On June 20, 2012, the Company sold its interest in the Guadalupe Property to Exploraciones Minera Parreña S.A. de C.V., a company owned by Industrias Peñoles S.A. de C.V. for the gross amount of $136,810, comprised of $90,000 in cash (received) and geographical data valued at $46,810.

h) Dos Naciones Property, Mexico

The Company acquired, through staking, 2,391 hectares located in the Sonora region of Mexico, during the year ended October 31, 2007.

By an option agreement dated July 7, 2009, and amended June 25, 2010, the Company granted an option to Del Toro (formerly Candev Resource Explorations Inc.) to earn up to 80% of its Dos Naciones Property.

For the first 50% option, Del Toro must pay the Company $35,000 (received):

Del Toro can earn an additional 30% for consideration as follows:

Issuance of 700,000 common shares to the Company as follows:

- 200,000 common shares on or before July 7, 2010 (received);
- 250,000 common shares on or before July 7, 2011; and
- 250,000 common shares on or before July 7, 2012.

Funding exploration expenditures totaling $800,000 as follows:

- $400,000 on or before July 7, 2011; and
- $400,000 on or before July 7, 2012.

During the year ended October 31, 2010, the Company renegotiated the above amended agreement where Del Toro can earn an additional 20% interest instead of 30% interest as agreed in the original agreement in consideration of 250,000 shares of Del Toro (received) and 400,000 shares of Del Toro on or before July 7, 2012 (received), and to change the schedule of funding exploration expenditures total to $800,000 on or before July 7, 2013. Del Toro's option to purchase its interest in the property after July 7, 2012 was also terminated.

Recoveries in excess of property expenditures in the amount $nil for the year ended October 31, 2012 (2011 - $47,791) have been included as exploration recoveries in the consolidated statements of operations and comprehensive loss.

i) Apache Property, Mexico

On December 13, 2010, the Company acquired the Apache Property, consisting of 400 hectares in Sonora State, Mexico, for consideration of 2,500,000 shares of the Company.

(Expressed in Canadian Dollars)

9. MINERAL PROPERTY INTERESTS (CONTINUED)

j) Realization of assets

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

k) Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on a property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

l) Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements of transfers and title may be affected by undetected defects.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were comprised of the following:

	October, 2012	October 31, 2011	November 1, 2010
Trade payables	**$ 184,463**	$ 52,971	$ 91,776
Accruals	**32,600**	49,100	36,000
Taxes payable	**-**	11,707	28,761
Other amounts payable	**-**	99	160,990
Total accounts payable and accrued liabilities	**$ 217,063**	$ 113,877	$ 317,527

(Expressed in Canadian Dollars)

11. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

b) Issued

(i) On May 3, 2012, the Company issued 100,000 common shares valued at $2,500 under the terms of the agreement to acquire the Orofino Property (note 9(d)).

(ii) During the year ended October 31, 2011, 6,024,500 warrants were exercised for gross proceeds of $602,450.

(iii) During the year ended October 31, 2011, the following property payments occurred:

i. On November 24, 2010, the Company issued 100,000 common shares valued at $7,500 under the terms of the agreement to acquire the Orofino Property (note 9(d));

ii. On December 15, 2010, the Company issued 2,500,000 common shares valued at $262,500 under the terms of the agreement to acquire the Apache Property (note 9(i));

iii. On January 21, 2011, the Company issued 100,000 common shares valued at $10,000 under the terms of the agreement to acquire the Orofino Property (note 9(d));

iv. On May 25, 2011, the Company issued 700,000 common shares valued at $42,000 under the terms of the agreement to acquire the Orofino Property (note 9(d)).

c) Share purchase warrants

At October 31, 2012 and 2011, the Company has no share purchase warrants outstanding.

A continuity schedule of outstanding common share purchase warrants for the years ended October 31, 2012 and 2011 is as follows:

	October 31, 2012		October 31, 2011	
	Number Outstanding	**Weighted Average Exercise Price**	Number Outstanding	Weighted Average Exercise Price
Outstanding, beginning of the year	-	-	9,451,500	$ 0.10
Exercised	-	-	(6,024,500)	$ 0.10
Expired	-	-	(3,427,000)	$ 0.10
Outstanding, end of the year	-	-	-	$ -

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (CONTINUED)

d) Share options

A continuity schedule of outstanding share options for the years ended October 31, 2012 and 2011 is as follows:

	October 31, 2012		October 31, 2011	
	Number Outstanding	**Weighted Average Exercise Price**	Number Outstanding	Weighted Average Exercise Price
Outstanding, beginning of the year	**6,095,000**	**$ 0.10**	3,445,000	$ 0.11
Granted	**-**	**-**	2,800,000	$ 0.10
Expired	**(2,995,000)**	**$ 0.10**	(150,000)	$ 0.25
Outstanding,end of the year	**3,100,000**	**$ 0.10**	6,095,000	$ 0.10

The weighted average remaining contractual life of outstanding stock options at October 31, 2012 is 1.39 (2011 - 1.53) years.

As at October 31, 2012, the Company had share options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry Date	Options Outstanding and Exercisable	Exercise Price
February 21, 2013	100,000	$ 0.10
June 20, 2013	200,000	$ 0.10
January 23, 2014	1,500,000	$ 0.10
August 10, 2014	1,300,000	$ 0.10
	3,100,000	$ 0.10

Stock options outstanding and exercisable at October 31, 2011 were as follows:

Expiry Date	Options Outstanding and Exercisable	Exercise Price
November 26, 2011	895,000	$ 0.10
April 19, 2012	150,000	$ 0.10
September 29, 2012	1,950,000	$ 0.10
February 21, 2013	100,000	$ 0.10
June 20, 2013	200,000	$ 0.10
January 23, 2014	1,500,000	$ 0.10
August 10, 2014	1,300,000	$ 0.10
	6,095,000	$ 0.10

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (CONTINUED)

e) Share-based compensation

During the year ended October 31, 2012 no share options (2011 - 2,800,000) were granted to directors, officers and consultants.

The fair value of share options granted and vested during the years ended October 31, 2012 and 2011 were recognized as share-based compensation in the consolidated statement of operations and comprehensive loss, and was allocated as follows:

	October 31, 2012	October 31, 2011
Management fees	$ -	$ 102,739
Consultants' fees	-	34,636
Office and miscellaneous	-	24,680
Salaries	-	16,795
Investor relations and promotions	-	15,000
Total share-based compensation	$ -	$ 193,850

The fair value of the options issued was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

	October 31, 2012	October 31, 2011
Risk free interest rate	-	1.22%
Expected annual volatility*	-	151.1%
Expected life	-	3 years
Expected dividend yield	-	$ -
Exercise price	-	$ 0.10
Share price	-	$ 0.11

* Expected volatility has been based on historical volatility of the Company's publicly traded shares

12. RELATED PARTY TRANSACTIONS

a) Management transactions

Management transactions with related parties during the years ended October 31, 2012 and 2011 were as follows:

	October 31, 2012			**October 31, 2011**		
	Short-term Employee Benefits	**Other Benefits**	**Total**	**Short-term Employee Benefits**	**Share-based Payments**	**Total**
Ian Foreman; President	$ 96,000	$ -	$ 96,000	$ 66,000	$ 17,180	$ 83,180
Ezra Jimenez; CFO	84,000	-	84,000	57,000	17,180	74,180
Timeline Filing Services Ltd. (i)	25,000	-	25,000	18,000	8,590	26,590
	$ 205,000	$ -	$205,000	$ 141,000	$ 42,950	$ 183,950

(i) Timeline Filing Services Ltd., a private enterprise controlled by the Company's Corporate Secretary, Laara Shaffer. Share-based payments made were to Laara Shaffer in an individual capacity.

b) Directors' transactions

During the year ended October 31, 2012, share-based compensation for directors was $nil (2011 - $60,560).

(Expressed in Canadian Dollars)

13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, mineral exploration and development.

The Company's non-current assets, excluding financial instruments, located in its geographic segments of Canada and Mexico, were as follows:

	October 31, 2012	October 31, 2011	November 1, 2010
Canada	**$ 5,952**	$ 8,073	$ 6,798
Mexico	**1,072,820**	1,232,274	1,899,608
	$ 1,078,772	$ 1,240,347	$ 1,906,406

No revenues from external customers were earned during the years ended October 31, 2012 and 2011 in either of the geographic locations.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and liabilities were categorized as follows:

	October 31, 2012	October 31, 2011	November 1, 2010
Financial assets			
Fair value through profit or loss			
Cash	**$ 16,916**	$ 103,640	$ 171,318
Loans and receivables			
Amounts receivable*	**13,669**	4,098	654
Available-for-sale			
Marketable securities	**117,130**	200,750	247,467
Investment in oil and gas interest	**33,611**	33,611	33,611
Total financial assets	**$ 181,326**	$ 342,099	$ 453,050
Financial liabilities			
Other financial liabilities			
Accounts payable and accrued liabilities	**$ 217,063**	$ 113,877	$ 317,527
Total financial liabilities	**$ 217,063**	$ 113,877	$ 317,527

*Excluding sales tax receivable

The fair values of the Company's amounts receivables and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments. Marketable securities are recorded at market value based on quoted market prices. The Company's investment in oil and gas interest is valued at cost, as it does not have a quoted market price in an active market and the fair value cannot be reliably determined.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk with respect to its cash and amounts receivable.

The Company deposits substantially all of its cash at a Canadian chartered bank. The Company's amounts receivable consist primarily of Harmonized Sales Tax receivable from the Canadian government and Value Added Tax receivable from the Mexican government. Management considers the risk of non-performance related to cash and amounts receivable to be minimal.

b) Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

At October 31, 2012, the Company had cash in the amount of $16,916 (October 31, 2011 - $103,640; November 1, 2010 - $171,318) and accounts payable and accrued liabilities of $217,063 (October 31, 2011 - $113,877; November 1, 2010 - $317,527). Trade payables are due within twelve months of the financial position date.

The Company ensures, as far as reasonably possible, that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash.

c) Market risk

Market risk consists of interest rate risk, foreign currency risk and other price risk. These are discussed below:

Interest rate risk
Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

The Company is exposed to foreign currency risk with respect to cash, amounts receivable, and accounts payable and accrued liabilities, as a portion of these amounts are denominated in Mexican pesos ("MXN") and US dollars ("US") as follows:

	October 31, 2012		October 31, 2011		November 1, 2010	
	MXN	**US**	MXN	US	MXN	US
Cash	**41,124**	**$ 1,742**	303,385	$ 33,268	509,961	$ 103,330
Amounts receivable	**570,027**	**$ -**	853,403	$ -	1,593,996	$ -
Accounts payable and accrued liabilities	**(730,291)**	**$ -**	(212,207)	$ -	(2,306,051)	$ -
Rate to convert $1 CAD	**0.076**	**0.987**	0.08	0.99	0.08	1.02

Based on the Company's net exposure, a 2% change (October 31, 2011 - 7%; November 1, 2010 - 1 %) in the Canadian/Mexican peso exchange rate and a 1% change (October 31, 2011 - 3%; November 1, 2010 - 5%) in the Canadian/US exchange rate (based on prior year fluctuations in the relative exchange rates) would impact the Company's earnings by approximately $500 (October 31, 2011 -$6,000; November 1, 2010 - $5,500). As this sensitivity analysis does not take into account any variables other than foreign currency rate fluctuations, the above information may not fully reflect the fair value of the assets and liabilities involved.

Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to other price risk related to the fluctuation in the market price of its marketable securities. The Company's marketable securities are carried at market value and are directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests a 10% change in the market prices would not have a material effect on net loss and comprehensive loss.

d) Classification of financial instruments

IFRS 7 *Financial Instruments: Disclosure* 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).

The Company's cash and marketable securities are classified at Level 1 of the fair value hierarchy. The Company had no Levels 2 or 3 financial assets at October 31, 2012, October 31, 2011 or November 1, 2010. As the carrying values of the Company's remaining financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

(Expressed in Canadian Dollars)

15. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests, and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company's capital consists of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt or acquire or dispose of assets.

To effectively manage its resources and minimize risk, the Company maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a cash call process. The Company prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. The budget and any revisions to it are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments callable at any time.

There have been no changes to the Company's approach to capital management during the year ended October 31, 2012.

16. INCOME TAXES

As at October 31, 2012, the Company has non-capital losses of approximately $5,552,000 and capital losses of $82,000; $3,990,000 of non-capital losses and all of the capital losses may be applied against future income for Canadian income tax purposes, and $1,562,000 of non-capital losses may be applied against future income for Mexican income tax purposes.

The potential future tax benefits of these losses have not been recorded in these financial statements. The capital losses may be carried forward indefinitely. The non-capital losses expire as follows:

2014	$	398,000
2015		250,000
2017		254,000
2018		735,000
2019		531,000
2022		42,000
2026		420,000
2027		457,000
2028		598,000
2029		501,000
2030		546,000
2031		516,000
2032		304,000
	$	5,552,000

(Expressed in Canadian Dollars)

16. INCOME TAXES (CONTINUED)

The reconciliation of income taxes computed at statutory rates to the reported income tax provision is as follows:

	October 31, 2012	October 31, 2011
Loss before income taxes	$ 614,324	$ 1,689,071
Income tax at statutory rates	25.25%	26.83%
Expected income tax recovery	155,117	453,178
Difference between Canadian and foreign tax rates	1,977	(33,857)
Non-deductible expenses and other permanent differences	(99)	(51,298)
Change in timing differences	(23,656)	371,347
Effect of change in tax rates	(1,592)	6,664
Impact of foreign exchange on tax assets and liabilities	2,620	117,679
Unused tax losses and tax offsets not recognized	(134,367)	(863,713)
Total income tax recovery	$ -	$ -

Effective January 1, 2011, the Canadian federal corporate tax rate decreased from 18.00% to 16.50% and the British Columbia provincial tax decreased from 10.50% to 10.00%. The overall reduction in tax rates has resulted in a decrease in the Company's statutory tax rate from 26.83% to 25.25%.

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying amounts of the consolidated statement of financial position items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

The following are the deductible temporary differences for which no deferred tax assets are recognized in the consolidated financial statements:

	October 31, 2012	October 31, 2011
Non-capital losses carried forward	$ 5,545,281	$ 5,207,771
Capital losses carried forward	41,195	18,914
Mineral property interests	2,969,397	2,737,345
Marketable securities	201,510	169,896
Investment in oil and gas interests	20,260	20,260
Licensing costs	221,891	221,891
Share issuance costs	29,656	53,819
Equipment	48,451	37,046
	$ 9,077,641	$ 8,466,942

17. SUBSEQUENT EVENTS

Subsequent to October 31, 2012, the Company has signed a formal agreement with Sonora Resources Corp. to sell their 100% interest in the Los Amoles Property located in Sonora State, Mexico, for US$ 200,000 and 1,000,000 shares in Sonora Resources Corp.