

**ALTA VISTA VENTURES LTD.**  
(formerly Yale Resources Ltd.)

**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**QUARTER ENDED JANUARY 31, 2014**

**Date Submitted: APRIL 1, 2014**

## **Introduction**

The following discussion and analysis, prepared as of March 25, 2014 is prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the Company’s consolidated financial statements for the quarter ended January 31, 2014.

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

All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

## **Forward Looking Statements**

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “designed”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

## **Description of Business**

The Company's principal business activity is the acquisition and exploration of mineral properties for commercial mineral deposits and it is considered to be at the exploration stage. The Company utilizes the project generator business model to maximize its exposure to discovery while minimizing shareholder risk. As a project generator the Company acquires properties with high potential and options a percentage interest in them to other public companies for a combination of cash, shares and exploration commitments over a number of years. If the other company fulfills the terms of the option then that percentage ownership is transferred. The Company currently has six projects in its portfolio of which three are optioned out.

The Company has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties in the consolidated financial statements are dependent on the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to discover and complete the development of those reserves and upon future profitable production. The Company trades on the TSX Venture Exchange under the symbol AVV, the Frankfurt Stock Exchange under the symbol YAB, and over the counter in the United States under the symbol YRLLD.

## **Performance Summary**

During the quarter ended January 31, 2014, the Company incurred \$nil (2013 - \$22,947) in mineral property acquisition costs, mineral property acquisition cost recoveries of \$nil (2013 - \$34,001), and net exploration expenditures of \$73,205 (2013 - \$44,786) after recoveries of \$27,606 (2013 - \$70,970).

As at January 31, 2014, the Company had a working capital deficit of \$317,932 (October 31, 2013- \$237,155 deficit). This is not sufficient to fund the Company’s operating expenses and exploration activities in the short term, and additional funds will need to be raised through equity markets to provide additional financing for operating expenses and exploration activities.

## **Exploration Activities**

The Company has eight projects in its portfolio: Urique, San Pedro, Cuiteco, Carol, La Verde, Dos Naciones, Orofino, and Apache. The Carol property is currently under option to Tosca Mining Corp.

The Los Amoles property was sold in March of 2013. A previously owned project, Guadalupe, was sold in the 3rd quarter of 2012.

Ian Foreman, P.Geo., the president of the Company is the Qualified Person according to National Instrument 43-101 for all of the Company's projects and is responsible for all of the technical disclosure in this MD&A.

### **APACHE PROPERTY**

The Apache Property was acquired in December 2010 and is owned 100% by The Company. The property is not optioned.

No work was performed on the Apache Property during the quarter.

### **LOS AMOLES PROPERTY**

The Los Amoles Property was acquired in April 2010 and was owned 100 % by the Company. The property was optioned to Sonora Resources Corp. who had the option to earn a 70% interest in the property by paying the Company US \$50,000, spend US \$900,000 on exploration expenditures and issue 1,000,000 shares to the Company over three years.

Formal documents have been filed with the Mining Registry in Mexico and the claims have now been transferred to Sonora Resources' Mexican subsidiary.

### **CAROL PROPERTY**

The Carol Property was optioned in October 2007 and acquired in March 2008. It is wholly owned by the Company. In October, 2013, the Company optioned the property to Tosca Mining allowing Tosca to acquire a 100% interest in the Carol Property located in southern Sonora State, Mexico. To earn 100% interest in the Carol Project Tosca must pay \$50,000, issue 1,000,000 shares and incur \$2.2 million in exploration expenditures on the property over a five year period including a geophysics program within the first six months. Prior to the year end, the company had received \$5,000 and 150,000 shares of Tosca upon the signing of the LOI.

On January 27, 2014, the Company reported that its optionee Tosca Mining had released the following results from recent work at Carol, which lies 5 km northeast of the producing Piedras Verdes mine, Mexico's third largest copper producer, at more than 70 million lbs per year. Work was completed by Alta Vista on behalf of Tosca

Previous work at Carol by Alta Vista identified widespread polymetallic skarn-style mineralization has been outlined in two mineralized zones: Balde Norte that measures 700 metres by 180 metres and Balde Sur that measures 1,100 metres by 400 metres. 5 trenches were dug in Blade Norte and 12 trenches were completed in Blade Sur (see news release dated July 10, 2008).

This most recent work re-opened select portions of two of these trenches in Blade Sur, BS-06 and BS-08, to validate past results in preparation for a proposed drill program. Continuous chip channel sampling, conducted at one metre intervals, confirmed the presence of significant mineralization in both trenches as follows:

Trench	Width (m)	Average Grade			
		Cu (%)	Ag (g/t)	Zn (%)	Au (g/t)
BS-06	8.0	1.06	22.5	11.87	0.26
BS-08	11.0	0.38	22.4	0.48	0.08
and	8.0	0.48	16.5	0.62	0.07

Additionally, two grab samples taken from historic workings located in the immediate vicinity of trench BS-06 (one to the south and one to the north) returned significant high grade results as follows:

Sample	Width (m)	Average Grade			
		Cu (%)	Ag (g/t)	Zn (%)	Au (g/t)
BS-06 N	grab	7.00	94.3	34.00	0.61
BS-06 S	grab	3.70	30.3	19.00	0.67

These recent results confirm the quality of past work performed on the property, and will assist in targeting drill holes to investigate mineralization at depth. No previous drilling has been carried out on the property.

A 43-101 technical report on the Carol Project has recently been filed on SEDAR and can be viewed on the company's website at [www.toscamining.com](http://www.toscamining.com).

On February 19, 2014, the Company stated that its optionee had recently released the results of follow up work at Carol (see news release dated January 27, 2014) and the two companies are now planning the next phase of work to be completed. It is anticipated that this work will commence at the end of March.

## **OROFINO PROJECT**

The Orofino property was optioned in July 2009 and a majority of the project was acquired in May 2011. A portion of the property remains under option.

The Orofino Project was optioned to Overlord Capital Ltd. in October of 2011 giving them the right to acquire a 70% interest in the property. Overlord will be required to pay the Company \$100,000, issue to the Company 1,300,000 shares in Overlord, and incur a total of \$2,100,000 in exploration expenditures on the Property over a four year period.

The Company terminated the option with Overlord in June of 2013. As a result the Company retained a 100% interest in the property.

In September of 2013, the Company assigned an open ended term of exclusivity for its wholly owned Orofino Property located in Sonora State, Mexico to Argonaut Gold Inc. (AR.T). Alta Vista has received US \$5,000 upon signing of the agreement and will be paid US \$10,000 at the beginning of each calendar month that the exclusivity to the property continues. However, Argonaut decided to not continue their exclusivity on the property after two months.

On November 5, 2013, the Company announced that it had received the data representing two months of due diligence of the Orofino Property located in Sonora State, Mexico. Argonaut completed two three week field programs utilizing five geologists resulting in over 200 man days spent on the property. The field programs completed by Argonaut were able to independently confirm the work previously completed by Alta Vista showing that the property is host to multiple advanced gold-silver targets. Sampling succeeded in increasing the size of the Santiago, San Francisco and El Gato targets.

Argonaut staff took a total of 315 samples from targets that are within properties either wholly owned or under option to Alta Vista. The results provided by Argonaut are summarized below.

#### El Gato:

19 chip channel samples from outcrop ranging in length from 1.0 to 1.8 metres were taken with results ranging from 0.04 to 0.52 grams per tonne (g/t) gold (Au) and 0.9 to 9.5 g/t Silver (Ag). These results are consistent with previous outcrop sampling by Alta Vista. However, sampling did not test a previous trench dug at El Gato by Alta Vista that returned 5.0 metres grading 2.27 g/t Au and 10.2 g/t Ag from an exposure that is approximately 100 metres west of where Minera Teck drilled 2.27 g/t Au and 13.7 g/t Ag over 15.24 metres (see news release dated October 6, 2009).

#### El Gato East:

28 chip channel samples from outcrop ranging in length from 0.8 to 1.6 metres were taken with results ranging from trace to 4.55 g/t Au (with all but two samples returning greater than 0.1 g/t) and trace to 37.4 g/t Ag. El Gato East is located approximately 300 metres east of El Gato and is a new area that was not previously known or sampled by Alta Vista.

Together, the El Gato and El Gato East zones combine to form a target area containing gold values greater than 0.1 g/t that is in excess of 400 metres in length.

#### San Francisco:

45 chip channel samples from outcrop ranging in length from 1.0 to 2.5 metres were taken with results ranging from trace to 1.79 g/t Au and trace to 90.9g/t Ag. These results are consistent with the sampling previously performed by Alta Vista. Outcrops with gold values greater than 0.1 g/t have now been sampled over a strike length of approximately 900 metres at San Francisco.

#### Santiago:

73 chip channel samples from outcrop ranging in length from 0.4 to 4.5 metres were taken with results ranging from trace to 2.89 g/t Au and trace to 608.6 g/t Ag. These results are consistent with previous sampling by Alta Vista however the sampling by Argonaut was performed over a much more extensive area. Outcrops with gold values greater than 0.1 g/t have now been sampled over a strike length of approximately 1,200 metres at Santiago.

#### Koala:

18 chip channel samples from outcrop ranging in length from 1.2 to 4.0 metres were taken with results ranging from trace to 3.22 g/t Au and trace to 58.1 g/t Ag. These results were consistent with previous sampling by Alta Vista that includes the discovery outcrop, located at the southern edge of the Koala Zone, that returned 1.07 g/t gold, 60.1 g/t silver, 1.22 % lead and 1.82 % zinc over 1 metre and 10 metres averaging 0.58 g/t gold, 57.4 g/t silver, 8.4 % lead and 1.4 % zinc from a hand dug trench located approximately 45 metres to the east (see news release dated January 29, 2010).

#### El Creston:

130 chip channel samples from outcrop ranging in length from 0.9 to 3.0 metres were taken with results ranging from trace to 2.68 g/t Au (however, only two samples returned greater than 1 g/t) and trace to 53.0 g/t Ag. These samples are in line with previous sampling and confirm Alta Vista's interpretation that although the vein at El Creston is visually impressive due to it being up to 20 metres wide in places it is actually the lowest priority target on the property.

## **DOS NACIONES PROPERTY**

The Dos Naciones Property was acquired in October 2008 by staking and is owned 100% by the Company.

Del Toro Silver Corp. had an option to earn a 70% interest in the property by undertaking a total of \$800,000 in exploration expenditures and issuing to the Company 1,000,000 shares, which have all been issued.

On September 13, 2013, the Company announced that it had terminated the option with Del Toro Silver and that the property again belongs 100% to the Company.

There was no fieldwork performed on the property during the quarter.

### **URIQUE PROPERTY (and the SAN PEDRO and CUITECO PROPERTIES)**

The Urique Property was originally optioned by the Company in August 2006 and acquired in March 2009. The property is 100% owned by the Company. In March 2009, the Company optioned the property to American Sierra Gold Corp. and that option was terminated in October 2010. Mammoth Capital Corp. optioned to earn up to a 100% interest in the property in November of 2011 and that option was terminated in May of 2013.

There was no fieldwork performed on the property during the quarter.

The Company has separately divided the property based on the non-contiguous locations of the claims. The property consists of the following sub-divisions: San Pedro, Urique and Cuiteco.

### **LA VERDE PROPERTY**

The La Verde Property was originally optioned by the Company in June 2007. The project was expanded in 2007 and 2008. The Company owns 100% in a majority of the property, however has not completed the original option on the core La Verde Grande concessions. This agreement has now been dropped and there is no ongoing commitment to the underlying owner.

The Company has subsequently cancelled several of the claims that were held by the Company.

### **Corporate Events**

On November 6, 2013, the Company announced a non-brokered private placement of up to 3,000,000 units at a price of \$0.07 per unit to raise a total of up to \$210,000. A unit will consist of one common share and one non-transferable common share purchase warrant valid for two years. Each warrant will entitle the holder to purchase one additional common share at a price of \$0.10 for the first year and \$0.14 for the second year.

The Company has agreed to pay a commission, upon closing, on portions of the proceeds raised. Proceeds of the placement will be applied to ongoing work programs on the Company's current portfolio of properties and on general working capital. Completion of the placement is subject to the approval of the TSX Venture Exchange.

On November 25, 2013, the Company announced that it was re-pricing its previously announced non-brokered private placement (see news release dated November 6, 2013) from a price of \$0.07 per unit to a price of \$0.05 per unit. The financing will now consist of up to 4,000,000 units at a price of \$0.05 per unit to raise a total of up to \$200,000. A unit will consist of one common share and one non-transferable common share purchase warrant valid for two years. Each warrant will entitle the holder to purchase one additional common share at a price of \$0.075 for the first year and \$0.10 for the second year.

On December 16, 2013, the Company announced that final approval had been received from the TSX Venture Exchange for the first tranche of its previously announced non-brokered private placement (please see news

releases dated November 6 and 25, 2013) in the Company at a price of \$0.05 per Unit. The first tranche is 1,280,000 Units for gross proceeds of \$64,000. A unit consists of one common share and one non-transferable common share purchase warrant valid for two years. Each warrant will entitle the holder to purchase one additional common share at a price of \$0.075 for the first year and \$0.10 for the second year. The warrants will expire on December 11, 2015. The shares forming part of the units and the shares acquired on exercise of the warrants are subject to restrictions on resale until April 12, 2013.

The Company paid a total of \$2,500 and issued 50,000 warrants to Haywood Securities Inc. as finder's fees on a portion of the first tranche. The terms for these warrants are the same as those of the financing.

Proceeds of the placement were to be applied to general working capital and on the Company's properties.

On February 19, 2014, the Company stated that as a result of its continued presence in Hermosillo, the Company has recently signed a finder's fee agreement with a private foreign company to help in their search for advanced projects in western Mexico. If expenditures and field visits should be required during this process those costs will be covered and should a deal be completed on a project found by Alta Vista a success fee based on the purchase/option of the project will be payable to Alta Vista.

The Company continues to seek optionees for its projects with confidentiality agreements signed and tours conducted with a number of companies over the last couple of months.

On February 19, 2014, the Company also announced the resignation of Lindsay Bottomer from the Board of Directors. The Company thanks Mr. Bottomer for his six years of service and wishes him good luck in his future endeavours.

On February 21, 2014, the Company announced that it will adopt advance notice provisions (the "Advance Notice Provision") that will provide shareholders, directors and management of the Company with direction on the procedure for shareholder nomination of directors.

The Advance Notice Provision is the framework by which the Company seeks to fix a deadline by which holders of record of Common Shares of the Company must submit director nominations to the Company prior to any annual or special meeting of shareholders, and sets forth the information that a shareholder must include in the notice to the Company for the notice to be in proper written form. The purpose of the Advance Notice Provision is to: (i) facilitate orderly and efficient annual general or special meetings; (ii) ensure that all shareholders receive adequate notice of the director nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote.

The Advance Notice Policy sets a deadline by which shareholders must submit to the Company nominations (the "Notice") for the election of directors prior to any annual or special meeting of shareholders, sets forth the information that a shareholder must include in the Notice to the Company, and establishes the form in which the shareholder must submit the Notice.

For further details respecting the Advance Notice Provision, please refer to the Company's [www.sedar.com](http://www.sedar.com) filing on February 21, 2014.

## **Results of Operations**

The Company currently does not have an operating or producing mineral properties. The Company has no earnings from mineral properties and therefore will finance its future exploration activities by the sale of common shares or units. Certain of the key risk factors of the Company's operating results are the following: the state of capital markets, which affects the ability of the Company to finance its exploration activities; the write-down and abandonment of mineral property interests as exploration results provide further information relating to the underlying value of such properties; and market prices for natural resources as well as the non-viability of its projects.

The Company is not a party to any material legal proceedings and is not in default under any material debt or other contractual obligations other than as disclosed in the consolidated financial statements. No significant revenue generating contracts or cash commitments were entered into or undertaken by the Company during the period other than as set out herein or in the consolidated financial statements of the Company.

### Selected Annual Information

The following selected financial information is taken from the Annual Consolidated Financial Statements and should be read in conjunction with those statements.

	<b>Oct. 31, 2013</b> <b>(IFRS)</b> \$	<b>Oct. 31, 2012</b> <b>(IFRS)</b> \$	<b>Oct. 31, 2011</b> <b>(IFRS)</b> \$
Total revenue	Nil	Nil	Nil
Loss for the year	(1,287,789)	(614,324)	(1,689,071)
Basic and diluted loss per share	(0.15)	(0.08)	(0.21)
Total assets	246,420	1,327,773	1,680,255
Total long-term financial liabilities	Nil	Nil	Nil

### Summary of Quarterly Results

The table below sets out the quarterly results of the Company for the 8 most recent quarters.

	Jan. 31, 2014	Oct. 31, 2013	July 31, 2013	Apr. 30 2013	Jan. 31 2013	Oct 31 2012	July 31 2012	Apr 30 2012
Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loss (income) for the period	\$153,897	\$1,219,515	\$182,739	\$(229,825)	\$115,360	\$397,713	\$43,969	\$121,129
Basic and diluted loss (income) per share	\$0.02	\$0.15	\$0.02	(\$0.03)	\$0.01	\$0.05	\$0.01	\$0.01

Significant variances in the Company's operational results for the quarter ended January 31, 2014, were as follows:

- i. Accounting, audit and legal expenses decreased by \$5,466 to \$6,304 from \$11,770 in 2013 due to the timing of adjustments to audit and accounting accruals.
- ii. Consultants' fees increased by \$17,564 to \$41,564 from \$24,000 in 2013 due to a one-time contact with a Corporate Financial and Business Development Advisor.
- iii. Exploration costs, net of recoveries, increased by \$28,419 to \$73,205 from \$44,786 in 2013, due to recoveries on multiple properties in the prior year.
- iv. Investor relations increased by \$17,591 to \$18,796 from \$1,205 in 2013 due to a one-time investor relations contract.



- v. Management fees decreased by \$21,000 to \$nil from \$21,000 in 2013 due to the Company restructuring its management responsibilities and reducing spending in this area.
- vi. Rent decreased by \$7,386 to \$894 from \$8,280 in 2013 due to the Company finishing up its lease in the fourth quarter of 2013 and moving into a smaller premises.
- vii. Exploration advances recovered decreased by \$21,405 to \$nil from \$21,405 in 2013 due to recoveries on the Company's former Guadalupe Property in the prior year.
- viii. Loss on sale of marketable securities decreased by \$13,311 to \$2,797 from \$16,108 in 2013 primarily due to fewer securities sold this quarter.

Significant variances in the Company's financial position for the quarter ended January 31, 2014 compared with January 31, 2013, were as follows:

- i. Marketable securities decreased by \$54,883 to \$65,498 from \$120,381 in 2013 due to the sale of some securities as well as changes in the market values of the remaining securities.
- ii. Prepaid expenses decreased by \$18,050 to \$1,000 from \$19,050 in 2013 due to the Company using up its rental deposit for its last three months, and moving to a less expensive location that required only a one month deposit.
- iii. Property, plant and equipment decreased by \$7,598 to \$19,779 from \$27,377 in 2013 due to amortization of the Company's equipment.
- iv. Mineral property interests decreased by \$1,008,601 to \$46,002 from \$1,054,603 in 2012 due to write-downs on the Urique, Orofino, and Apache projects in the fourth quarter of 2013.
- v. Accounts payable and accrued liabilities increased by \$140,480 to \$412,633 from \$272,153 in 2013 due primarily to related parties agreeing to defer payment to them until market conditions improve.

## Related Party Transactions

### (a) Management transactions

Management transactions with related parties during the three months ended January 31, 2014 and 2013 were as follows:

	2014			2013		
	Short-term employee benefits	Share-based payments	Total	Short-term employee benefits	Share-based payments	Total
Ian Foreman; President	\$ 24,000	\$ -	\$ 24,000	\$ 24,000	\$ -	\$ 24,000
Ezra Jimenez; CFO <sup>(i)</sup>	\$ -	\$ -	\$ -	\$ 21,000	\$ -	\$ 21,000
Timeline Filing Services Ltd. <sup>(ii)</sup>	\$ 6,000	\$ -	\$ 6,000	\$ 6,000	\$ -	\$ 6,000
Schindler & Company <sup>(iii)</sup>	\$ 1,304	\$ -	\$ 1,304	\$ 3,623	\$ -	\$ 3,623

(i) Ezra Jimenez was the Company's CFO until July 26, 2013. This total represents all benefits paid to Mr. Jimenez to that date.

(ii) Timeline Filing Services Ltd. is a private enterprise controlled by the Company's Corporate Secretary, Laara Shaffer.

(iii) Schindler & Company is a private enterprise controlled by the Company's CFO, Jennifer Schindler. Ms. Schindler was appointed as the Company's CFO on July 26, 2013.

**(b) Directors' transactions**

During the three months ended January 31, 2014, share based compensation recognized, related to directors (excluding share-based compensation disclosed in (a) above), was \$nil (January 31, 2013 - \$nil).

**Liquidity and Capital Resources**

As at January 31, 2014 the Company had a working capital deficit of \$317,932, as compared to a working capital deficit of \$123,094 as at January 31, 2013. The Company will require continued financing or outside participation, to undertake additional exploration and subsequent development of its mineral properties.

As at January 31, 2014, the Company had cash of \$11,865 (\$9,919 at January 31, 2013).

Significant variances in the Company's cash flows for the quarter ended January 31, 2014 compared to the quarter ended January 31, 2013, were as follows:

- i. Cash used in operating activities increased by \$38,391 to \$77,779 from \$39,388 in 2013 due primarily to one time consulting and investor relations contracts during the current quarter as well as exploration advance recoveries in 2013.
- ii. Cash provided by investing activities decreased by \$14,062 to \$18,329 from cash provided of \$32,391 in 2013 due primarily to sales of marketable securities in 2013.
- iii. Cash provided by financing activities increased by \$69,500 to \$69,500 from \$nil in 2013 due to proceeds from the completion of a private placement and advances from directors.

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 quarter ended January 31, 2014.

**Financial Instruments and Risk Management**

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

	January 31, 2014	October 31, 2013
<b>Financial assets:</b>		
Fair value through profit and loss		
	\$	
Cash and cash equivalents	11,865	\$ 1,815
Loans and receivables		
Amounts receivable*	11,970	11,582
Available for sale		
Marketable securities	65,498	84,598
Investment in oil and gas interest	33,611	33,611
	\$	
<b>Total financial assets</b>	<b>122,944</b>	<b>\$ 131,606</b>

**Financial liabilities:**

Other financial liabilities		
	\$	
Accounts payable and accrued liabilities	412,633	\$ 341,233
Due to directors	8,000	-
	\$	
<b>Total financial liabilities</b>	<b>420,633</b>	<b>\$ 341,233</b>

\*Excluding sales tax receivable

The fair values of the Company's amounts receivables, accounts payable and accrued liabilities and exploration advances approximate their carrying values due to the short-term nature of these instruments. Where marketable securities are publically traded their value is measured at market value, unless they are restricted from trading, where they will be measured at cost. 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.

**(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 cash equivalents 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 cash equivalents 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 January 31, 2014 the Company had cash in the amount of \$ 11,865 (October 31, 2013- \$1,815) and accounts payable and accrued liabilities of \$412,633 (October 31, 2013 - \$341,233). 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.

Current financial assets and financial liabilities are generally not exposed to interest rate cash flow risk because of their short-term nature and maturity.

The Company is exposed from time to time to interest rate price risk as a result of holding fixed rate cash equivalent investments of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of these investments is limited as these investments are highly liquid securities with short-term maturities.

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. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities, as a portion of these amounts are denominated in Mexican Pesos (“MXN”) and US Dollars (“USD”) as follows:

	January 31, 2014		October 31, 2013	
	MXN	USD	MXN	USD
Cash		\$		
	\$ 9,897	468	\$ 4,595	\$ 84

Amounts receivable	<b>566,403</b>	-	562,787	-
Accounts payable and accrued liabilities	<b>(1,613,171)</b>	-	(1,242,484)	-
Rate to convert \$1 CAD	<b>0.083</b>	<b>1.111</b>	0.080	1.043

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Based on the Company's net exposure, a 5% change (October 31, 2013 – 5%) in the Canadian/Mexican Peso exchange rate, and a 2% change (October 31, 2013 – 2%) in the Canadian/US exchange rate (based on prior year fluctuations in the relative exchange rates) would not have a material impact on earnings.

#### 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. Although considered available for sale, these investments do not represent core assets of the Company nor are they considered material. However, the Company closely monitors the market values of these investments in order to determine the most appropriate course of action.

#### **(c) 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 cash equivalents and marketable securities are classified at level one of the fair value hierarchy. The Company had no level 2 or 3 financial assets at January 31, 2014 or October 31, 2013. 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.

#### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements

#### **Proposed Transactions**

There are currently no proposed transactions.

#### **Risks**

All of the properties in which the Company has an interest are in the exploration stage only and the business of the Company is subject to the following risks:

#### **Exploration and Mining Risks**

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, the Company has not discovered a

metals or diamond deposit of commercial grade on any of its properties. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, cave-ins, landslides and the inability of the Company to obtain suitable machinery, equipment or labor are all risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required in order to establish ore reserves through drilling and staged bulk sampling, to develop optimum metallurgical processes to extract the metals or diamonds from the ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial mining operations or that funds required for development can be obtained on a timely basis. The economics of developing mining properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in the prices of ore which can be obtained on the metal markets, costs of processing equipment and such other factors as aboriginal land claims and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There is no certainty that the expenditures to be made by the Company in the exploration and development of the interests described herein will result in discoveries of commercial quantities of ore.

### **Political Risks**

The management and directors of The Company feel that Mexico is a politically stable area of the world that still has significant potential for discoveries.

Mexico is located immediately south of the United States of America and is 1,972,550 square kilometres in size (approximately twice the size of British Columbia). Elections held in July 2000 marked the first time since the 1910 Mexican Revolution that the opposition defeated the party in government, the Institutional Revolutionary Party (PRI). Vicente Fox of the National Action Party (PAN) was sworn in on 1 December 2000 as the first chief executive elected in free and fair elections. Recently Felipe Calderon was sworn in as the new president of Mexico and will be in power for the coming 6 years. Mexico has a free market economy that recently entered the trillion-dollar class. It contains a mixture of modern and outmoded industry and agriculture, increasingly dominated by the private sector. Recent administrations have expanded competition in seaports, railroads, telecommunications, electricity generation, natural gas distribution, and airports. Per capita income is one-fourth that of the US; income distribution remains highly unequal. Trade with the US and Canada has tripled since the implementation of NAFTA in 1994. Mexico has 12 free trade agreements with over 40 countries including, Guatemala, Honduras, El Salvador, the European Free Trade Area, and Japan, putting more than 90% of trade under free trade agreements.

### **Market Risks**

The marketability of metals or diamonds recovered from deposits, which may be acquired or discovered by the Company, will be affected by numerous factors many of which are beyond the control of the Company. These factors include market fluctuations in the price of metals or diamonds, the capacity of the market, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of metals or minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in the Company not receiving an adequate return for shareholders.

### **Uninsurable Risks**

Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations, rock bursts, cave-ins, fires, flooding, or other conditions may occur from time to time. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position.

### **No Assurance of Title or Boundaries, or of Access**

While the Company has registered its mining claims with the appropriate mining authorities and has filed all pertinent information to industry standards, this should not be construed as a guarantee of title. In addition, the Company's properties consist of recorded mineral claims, none of which have been legally surveyed, and therefore, the precise boundaries and locations of such claims may be in doubt and may be challenged. The Company's properties may also be subject to prior unregistered agreements or transfers or native land claims and the Company title may be affected by these and other undetected defects.

### **Government Regulation**

The Company's operations are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rates of exchange, return of capital and labor relations.

Although the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's operations. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the Company.

### **Environmental Regulation**

The Company's operations may be subject to environmental regulations enacted by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition on the Company of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that has led to stricter standards and enforcement and greater fines and penalties for non-compliance. The cost of compliance with government regulations may reduce the profitability of the Company's operations.

### **Competition**

The exploration and mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition and exploration of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified management and employees.

### **Management**

The success of the Company depends to a large extent on its ability to retain the services of its senior management and members of its board of directors. The loss of their services may have a material adverse effect on the Company.

The Company has no compensatory plans or arrangements in effect with any of its senior officers or members of its board of directors with respect to the resignation, retirement, or other termination of their services, or with respect to a change in their responsibilities following a change in the control of the Company.

### **Financing Risks**

The Company has no source of operating cash flow, limited financial resources, and has no assurance that additional financing will be available to it for further exploration and development of its properties or to

enable it to fulfill its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties and the possible loss of title to such properties. If such additional financing is raised, it will likely be through the issuance of additional equity securities of the Company, which may have a substantial dilutive effect on shareholders acquiring securities of the Company.

### **Permits and Licenses**

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations on the Company's properties.

### **Risks Related to Nature of Ownership of Common Shares**

#### **Dilution**

Shareholders may suffer immediate and/or future dilution with respect to future private and or public offerings of common shares currently being contemplated in order to secure needed capital to facilitate Company growth.

#### **Market Volatility**

The trading price of the common shares may be subject to wide fluctuations in response due to variations in operating results, and other events and factors. In addition, the stock market may experience price and volume fluctuations, which may adversely affect the market price of the common shares of the Company

#### **Critical Accounting 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:

##### *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 January 31, 2014 was \$19,779 (January 31, 2013 - \$27,377).

##### *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 quarter ended January 31, 2014, the Company recognized share-based compensation of \$nil (2013 - \$nil).

##### *Critical judgments used in applying accounting policies*

In the preparation of the 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.



### *Mineral property interests*

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral property interests. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral properties to property, plant and equipment, and subject to different accounting treatment. As at January 31, 2014 and October 31, 2013, management had determined that no reclassification of mineral property interests was required.

### *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. 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. 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. Management has determined that there were no indicators of impairment for its mineral property interests during the current quarter and accordingly recorded a write down of \$nil (2013 - \$nil).

### *Impairment of marketable securities*

At each reporting date, the Company conducts a review to determine whether there are indications of impairment on its marketable securities. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. Factors include the financial health and short-term business outlook of the investee, industry and sector performance, and operational and financing cash flows. If the decline in fair value below cost is considered significant or prolonged, the Company recognizes an impairment, being the transfer of the accumulated fair value adjustments recognized in other comprehensive income on the impaired marketable securities, in profit and loss. Management has determined that there were no indicators of impairment for its marketable securities during the current quarter and recorded a write down of \$nil (2013 - \$nil).

### *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.

## **New accounting standards and interpretations**

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. Management is assessing the effects of the future standards on its consolidated financial statements.

All of the new and revised standards described below may be early-adopted.

### *IFRS 9 Financial Instruments (2009)*

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a "business model" test and a "cash flow characteristics" test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in the profit or loss.

The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines. The IASB has indefinitely postponed the mandatory adoption date of this standard.

#### *IFRS 9 Financial Instruments (2010)*

This is a revised version incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The IASB has indefinitely postponed the mandatory adoption date of this standard.

#### *IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (2013)*

A revised version of IFRS 9, which introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss. Removes the mandatory effective date of IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalization of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

This standard has no stated effective date.

#### *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.

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.

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.

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.

## *Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32)

Amends IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of “currently has a legally enforceable right of set-off”
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Applicable to annual periods beginning on or after January 1, 2014.

## *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27)

Amends IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* to:

- provide “investment entities” (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* or IAS 39 *Financial Instruments: Recognition and Measurement*
- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

Applicable to annual periods beginning on or after January 1, 2014.

## Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Amends IAS 36 *Impairment of Assets* to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Applicable to annual periods beginning on or after January 1, 2014.

## **Disclosure of Outstanding Share Data**

As at March 25, 2014, the Company had the following common shares, stock options and warrants outstanding:

Common shares	10,244,147
Stock options (vested and unvested)	700,000

Warrants	1,330,000
Fully diluted shares outstanding	12,274,147

The Company's ongoing exploration is dependent on raising additional capital to develop its properties and the Company is continually assessing overall market conditions to ensure this need is fulfilled to the benefit of the Company and its shareholders..

### **Subsequent Events**

Two directors of the Company loaned \$25,000 to the Company. The terms of the loan are being negotiated.