

Alta Vista Ventures Ltd.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2014 AND 2013

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALTA VISTA VENTURES LTD.

We have audited the accompanying consolidated financial statements of Alta Vista Ventures Ltd., which comprise the consolidated statements of financial position as at October 31, 2014 and 2013, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, 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 Alta Vista Ventures Ltd. as at October 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended 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
March 2, 2015

ALTA VISTA VENTURES LTD.
(An Exploration Stage Company)
Consolidated Statements of Financial Position
October 31
(Expressed in Canadian Dollars)

	2014	2013
ASSETS		
Current		
Cash	\$ 18,339	\$ 1,815
Amounts receivable (Note 4)	22,237	17,665
Marketable securities (Note 5)	4,938	84,598
	<u>45,514</u>	<u>104,078</u>
Non-current		
Amounts receivable (Note 4)	-	40,967
Prepaid expenses	3,000	1,000
Oil and gas interest (Note 6)	9,000	33,611
Property, plant and equipment (Note 7)	15,778	20,762
Mineral property interests (Note 8)	46,002	46,002
	<u>73,780</u>	<u>142,342</u>
TOTAL ASSETS	\$ 119,294	\$ 246,420
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 9 and 11)	\$ 451,092	\$ 341,233
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 10)	14,448,820	14,115,203
Reserves	1,457,614	1,355,463
Accumulated deficit	(16,240,103)	(15,616,660)
Accumulated other comprehensive income	1,871	51,181
	<u>(331,798)</u>	<u>(94,813)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ 119,294	\$ 246,420

Approved on behalf of the Board:

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

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

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

	2014	2013
Revenues		
Oil and gas, net	\$ 2,121	\$ 5,670
Interest and miscellaneous	19	4,404
	<u>2,140</u>	<u>10,074</u>
Operating Expenses		
Exploration expenditures, net of recoveries (Note 8)	180,664	188,707
Consultants' fees (Note 11)	103,616	96,000
Share-based compensation (Notes 10(f) and 11(b))	77,018	36,062
Accounting, audit and legal (Note 11)	65,858	45,603
Management fees (Note 11)	37,500	49,000
Investor relations and promotion	22,303	6,018
Regulatory fees	21,132	16,077
Office and miscellaneous (Note 11)	16,516	29,635
Transfer agent and listing fees	8,568	8,982
Depreciation	6,535	8,819
Rent	5,932	43,583
Travel	5,674	2,590
Telephone	2,257	2,654
	<u>553,573</u>	<u>533,730</u>
Write-down of mineral property interests (Note 8)	-	994,600
Gain on sale of mineral property interests (Note 8)	-	(358,578)
Exploration advances recovered	-	(21,405)
Foreign exchange loss (gain)	5,249	(1,851)
Loss (gain) on sale of marketable securities	(6,547)	17,291
Impairment loss on marketable securities	7,730	134,076
Write-down of oil and gas interests (Note 6)	24,611	-
Impairment of non-current accounts receivable	40,967	-
	<u>625,583</u>	<u>1,297,863</u>
Net Loss for Year	<u>623,443</u>	<u>1,287,789</u>
Items of Comprehensive Income		
Items that may be reclassified subsequently to profit or loss		
Unrealized loss on marketable securities	50,493	127,531
Transfer on sale of marketable securities	6,547	6,341
Transfer on impairment of marketable securities	(7,730)	(134,076)
	<u>49,310</u>	<u>(204)</u>
Comprehensive Loss for Year	<u>\$ 672,753</u>	<u>\$ 1,287,585</u>
Loss per Share, Basic and Diluted	<u>\$ 0.08</u>	<u>\$ 0.31</u>
Weighted Average Number of Common Shares Outstanding	<u>7,613,652</u>	<u>4,169,574</u>

ALTA VISTA VENTURES LTD.
(An Exploration Stage Company)
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves			Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Deficiency
			Equity Settled Share-based Payments	Warrants	Total			
Balance – October 31, 2012	4,046,958	\$ 14,069,203	\$ 1,033,902	\$ 285,499	\$ 1,319,401	\$ (14,328,871)	\$ 50,977	\$ 1,110,710
Net loss for the year	-	-	-	-	-	(1,287,789)	-	(1,287,789)
Items of other comprehensive income	-	-	-	-	-	-	204	204
Common shares issued for mineral property interests	5,000	3,000	-	-	-	-	-	3,000
Common shares issued for debt	430,000	43,000	-	-	-	-	-	43,000
Share-based compensation (Note 10(f))	-	-	36,062	-	36,062	-	-	36,062
Balance – October 31, 2013	4,481,958	14,115,203	1,069,964	285,499	1,355,463	(15,616,660)	51,181	(94,813)
Net loss for the year	-	-	-	-	-	(623,443)	-	(623,443)
Items of other comprehensive income	-	-	-	-	-	-	(49,310)	(49,310)
Common shares issued in private placement (Note 10(c))	6,640,000	364,000	-	-	-	-	-	364,000
Exercise of warrants (Note 10(c))	100,000	7,500	-	-	-	-	-	7,500
Share issue costs	-	(37,883)	-	25,133	25,133	-	-	(12,750)
Share-based compensation (Note 10(f))	-	-	77,018	-	77,018	-	-	77,018
Balance – October 31, 2014	11,221,958	\$ 14,448,820	\$ 1,146,982	\$ 310,632	\$ 1,457,614	\$ (16,240,103)	\$ 1,871	\$ (331,798)

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

	2014	2013
Operating Activities		
Net loss	\$ (623,443)	\$ (1,287,789)
Items not affecting cash		
Depreciation	6,535	8,819
Share-based compensation	77,018	36,062
Unrealized foreign exchange gain	(6,100)	(5,172)
Gain on sale of mineral property interests	-	(358,578)
Loss (gain) on sale of marketable securities	(6,547)	17,291
Write-down of mineral property interests	-	994,600
Write-down of oil and gas interests	24,611	-
Impairment loss on amounts receivable	40,967	-
Impairment loss on marketable securities	12,033	134,076
	(474,926)	(460,691)
Changes in non-cash working capital		
Amounts receivable	(2,939)	5,771
Prepaid expenses	(2,000)	18,050
Accounts payable and accrued liabilities	114,371	131,821
	109,432	155,642
Cash Used in Operating Activities	(365,494)	(305,049)
Investing Activities		
Purchase of property, plant and equipment	(1,551)	(2,465)
Recoveries of mineral property interests	-	15,241
Proceeds on sale of mineral property interests	-	208,578
Proceeds on sale of marketable securities	24,864	68,744
Cash Provided by Investing Activities	23,313	290,098
Financing Activities		
Common shares issued for cash	358,750	-
Foreign Exchange Effect on Cash	(45)	(150)
Increase (Decrease) in Cash	16,524	(15,101)
Cash, Beginning of Year	1,815	16,916
Cash, End of Year	\$ 18,339	\$ 1,815
Supplemental Cash Flow Information, Non-Cash Transactions		
Common shares issued for mineral property interests	\$ -	\$ 3,000
Marketable securities received for mineral property interests	\$ -	\$ 183,310

1. NATURE OF OPERATIONS AND GOING CONCERN

Alta Vista Ventures 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 Company’s principal and registered place of business is located at 459 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

On May 9, 2014, the Company completed a 2:1 share consolidation, which converted 10,244,146 outstanding pre-consolidation common shares to 5,122,073 outstanding post-consolidation common shares. Unless otherwise noted, all references to number of shares, share purchase warrants and share options have been retrospectively adjusted to reflect the share consolidation.

The Company has sustained recurring losses and negative cash flows from operations. As at October 31, 2014, the Company had cash of \$18,339 (2013 - \$1,815), working capital deficiency of \$405,578 (2013 - \$237,155) and an accumulated deficit of \$16,240,103 (2013 - \$15,616,660). The Company 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.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including completion of the acquisition, exploration and development of its mineral property interests, is dependent on the Company’s ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and expected growth. If the Company is unable to obtain additional financing, the Company will be unable to continue. There can be no assurance that management’s plans will be successful.

The business of mineral exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, pay its liabilities and maintain its mineral interests. The recoverability of amounts shown for mineral property interests is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of these mineral property interests, and establish future profitable production, or realize proceeds from the disposition of mineral interests. The carrying value of the Company’s mineral property interests does not reflect current or future values.

These matters indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared and are presented in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were authorized for issue by the Board of Directors on March 2, 2015.

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 fair value through profit or 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. 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:

Useful life of property, plant and equipment

Property, plant and equipment are 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, 2014 was \$15,778 (2013 - \$20,762).

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, 2014, the Company recognized share-based compensation of \$77,018 (2013 - \$36,062).

Recoverability of oil and gas interests

Management is required to make estimates in the determination of the oil and gas reserves and the portion of oil and gas reserves expected to be extracted economically to arrive at the carrying amount of oil and gas interests.

2. BASIS OF PRESENTATION (CONTINUED)

d) Significant accounting judgments and estimates (continued)

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.

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. For the year ended October 31, 2014, management has determined that there were no indicators of impairment for its mineral property interests and recorded a write-down of \$nil (2013 - \$994,600).

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, resulting in a transfer of the accumulated fair value adjustments recognized in other comprehensive income on the impaired marketable securities, to profit or loss. Management has determined that there were indicators of impairment for its marketable securities and recorded a write-down of \$7,730 (2013 - \$134,076).

Oil and gas interests

Significant judgment is required to determine the carrying value of the oil and gas interests.

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. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its controlled, wholly-owned subsidiary, Minera AltaVista, S.A. de C.V. ("MAV"), a company incorporated under the laws of Mexico. Control is based on whether an investor has power over the investee, exposure, or rights, to the variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows have been eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 AFS. 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.

Transaction 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 determines whether there is any indication of impairment on a yearly basis. If such indicators exist, the Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine the impairment amount.

Depreciation is recorded on a declining balance 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Share-based compensation (continued)

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.

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 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 effects 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

l) Future 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 as at October 31, 2014. 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 (2014)

This is a finalized version of **IFRS 9**, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of **IFRS 9** introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under **IAS 39**; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of **IFRS 9** introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces 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.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from **IAS 39**.

Applicable to the Company's annual period beginning on November 1, 2018.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1) New and future accounting standards and interpretations (continued)

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 the Company’s annual period beginning on November 1, 2014.

4. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	2014	2013
Current		
Sales tax receivable	\$ 11,781	\$ 6,083
Other amounts receivable	10,456	11,582
	22,237	17,665
Non-Current		
Sales tax receivable	-	40,967
Total amounts receivable	\$ 22,237	\$ 58,632

5. MARKETABLE SECURITIES

The Company holds marketable securities that are free-trading. Marketable securities are comprised of the following:

	2014		2013	
	Number of Shares	Fair Value	Number of Shares	Fair Value
Del Toro Silver Corp.	360,843	\$ 1,871	780,500	\$ 38,250
Sonora Resources Corp.	1,000,000	2,480	1,193,950	37,348
Tosca Mining Corp.*	23,500	587	37,500	9,000
		\$ 4,938		\$ 84,598

* Tosca Mining Corp. (“Tosca”) completed a 4:1 share consolidation on October 15, 2014. Number of shares above has been adjusted to reflect the share consolidation.

6. 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. For the year ended October 31, 2014, the Company recorded an additional impairment of its oil and gas interest of \$24,611 (2013 - \$nil) to \$9,000, representing the estimated fair value less cost to sell.

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7. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Office Equipment	Computer Software and Equipment	Total
COST				
Balance, October 31, 2012	\$ 14,472	\$ 34,867	\$ 22,355	\$ 71,694
Additions	-	-	2,465	2,465
Balance, October 31, 2013	14,472	34,867	24,820	74,159
Additions	-	612	939	1,551
Balance, October 31, 2014	\$ 14,472	\$ 35,479	\$ 25,759	\$ 75,710
ACCUMULATED DEPRECIATION				
Balance, October 31, 2012	\$ 5,861	\$ 24,283	\$ 14,434	\$ 44,578
Depreciation	2,583	2,117	4,119	8,819
Balance, October 31, 2013	8,444	26,400	18,553	53,397
Depreciation	1,906	1,755	2,874	6,535
Balance, October 31, 2014	\$ 10,350	\$ 28,155	\$ 21,427	\$ 59,932
CARRYING AMOUNTS				
At October 31, 2013	\$ 6,028	\$ 8,467	\$ 6,267	\$ 20,762
At October 31, 2014	\$ 4,122	\$ 7,324	\$ 4,332	\$ 15,778

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8. MINERAL PROPERTY INTERESTS

The Company has accumulated the following acquisition expenditures:

	Urique	Carol-Balde	La Verde Grande	Dos Naciones	Orofino	Los Amoles	Apache	Total
Balance, October 31, 2012	\$ 599,835	\$ 60,000	\$ 1	\$ 1	\$ 129,318	\$ 1	\$ 262,500	\$ 1,051,656
Acquisition costs	-	-	-	-	22,947	-	-	22,947
Recoveries	-	(14,000)	-	-	(20,000)	(1)	-	(34,001)
Net additions during the year	-	(14,000)	-	-	2,947	(1)	-	(11,054)
Write-down	(599,835)	-	-	-	(132,265)	-	(262,500)	(994,600)
Balance October 31, 2013 and 2014	\$ -	\$ 46,000	\$ 1	\$ 1	\$ -	\$ -	\$ -	\$ 46,002

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8. 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, 2014:

	Urique	Carol-Balde	La Verde Grande	Dos Naciones	Orofino	Los Amoles	Guadalupe	Apache	Other Properties	Total
Camp and exploration support	\$ 6,827	\$ 149,253	\$ 1,646	\$ 1,927	\$ 54,904	\$ 2,532	\$ -	\$ 1,265	\$ -	\$ 218,354
Drilling	-	1,497	-	-	-	-	-	-	-	1,497
Geological consulting	-	3,265	-	-	-	-	-	-	-	3,265
Geological fieldwork	533	28,594	-	67	734	67	-	67	-	30,062
Taxes	1,000	20,850	-	-	1,620	-	-	-	-	23,470
Travel	-	14,476	62	-	726	-	-	187	-	15,451
Total costs during the year	8,360	217,935	1,708	1,994	57,984	2,599	-	1,519	-	292,099
Recoveries	-	(111,435)	-	-	-	-	-	-	-	(111,435)
Net expenditures for the year	\$ 8,360	\$ 106,500	\$ 1,708	\$ 1,994	\$ 57,984	\$ 2,599	\$ -	\$ 1,519	\$ -	\$ 180,664

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, 2013:

	Urique	Carol-Balde	La Verde Grande	Dos Naciones	Orofino	Los Amoles	Guadalupe	Apache	Other Properties	Total
Assay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82	\$ -	\$ -	\$ 1,657	\$ 1,739
Camp and exploration support	45,780	7,926	6,790	35,774	98,459	34,588	72	3,400	25,587	258,376
Geological consulting	376	376	757	63	688	2,001	-	63	-	4,324
Geological fieldwork	-	-	-	-	21	114	-	-	157	292
Taxes	-	-	439	9,604	20,172	1,505	-	-	-	31,720
Travel	823	-	225	548	2,380	831	-	-	1,332	6,139
Total costs during the year	46,979	8,302	8,211	45,989	121,720	39,121	72	3,463	28,733	302,590
Recoveries	(11,659)	-	-	(8,331)	(57,396)	(36,497)	-	-	-	(113,883)
Net expenditures for the year	\$ 35,320	\$ 8,302	\$ 8,211	\$ 37,658	\$ 64,324	\$ 2,624	\$ 72	\$ 3,463	\$ 28,733	\$ 188,707

8. 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 dollars (“US”) \$250,000 (paid), issuing 100,000 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 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 expenditures over four years. 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.

Upon signing the agreement, Mammoth paid \$50,000 and issued 100,000 shares, with a fair value of \$25,000 to the Company. However, during the year ended October 31, 2013, the agreement with Mammoth was terminated. Furthermore, 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.

In addition, the Company considered the prevalent market conditions and the inability of the Company to raise financing to be indicators of impairment. As a result, the Company recorded an impairment of \$599,835 relating to this property as at October 31, 2013.

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 a 3% NSR royalty to the optionor, by making a cash payment of US\$70,000 (paid) and issuing 28,000 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.

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 of \$60,000 at October 31, 2012.

On November 6, 2013, the Company entered into an option agreement with Tosca. The agreement allows Tosca to acquire a 100% interest in the Carol-Balde Property. The Company received \$5,000 and 37,500 shares of Tosca in the fiscal year ended October 31, 2013.

On November 6, 2014, the Company signed a Companion Agreement with Tosca extending the one year anniversary of the Option Agreement to June 6, 2015. To keep the Agreement in good standing Tosca will have to keep the property in good standing, pay the Company \$8,643 of exploration expenditures previously committed to the property in 2014, and make the one year anniversary payment of \$15,000 and the issuance of 150,000 shares.

8. MINERAL PROPERTY INTERESTS (CONTINUED)

c) 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 100,000 common shares (30,000 issued) and paying taxes totaling Mexican pesos ("MXN") 114,232 (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 70,000 shares of the Company (issued).

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);
- \$40,000 on or before May 25, 2013; and
- \$80,000 on or before October 25, 2013.

Issuance of 100,000 common shares as follows:

- 10,000 common shares on or before January 9, 2010 (issued);
- 10,000 common shares on or before May 24, 2010 (issued);
- 10,000 common shares on or before July 9, 2011 (issued);
- 10,000 common shares on or before May 25, 2012 (issued);
- 10,000 common shares on or before November 25, 2012 (issued);
- 10,000 common shares on or before January 9, 2013 (issued); and
- 40,000 common shares on or before March 25, 2013.

As of February 2013, the Company and the owners of the concessions have agreed to suspend all consideration requirements until a mutually agreed upon future point in time. As such, the agreement is still in good standing.

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. 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.

Upon signing the agreement, Overlord paid \$50,000 and issued 50,000 common shares to the Company. However, during the year ended October 31, 2013, the Company terminated the agreement with Overlord.

In addition, the Company considered the prevalent market conditions and the inability of the Company to raise financing to be indicators of impairment. As a result, the Company recorded an impairment of \$132,265 relating to this property as at October 31, 2013.

8. MINERAL PROPERTY INTERESTS (CONTINUED)

d) Los Amoles

By an agreement entered into during April 2010, the Company acquired a 100% interest in certain mineral concessions located in Sonora State, Mexico, by issuing 350,000 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.

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 (received); and
- 200,000 common shares on or before the third anniversary of the effective date.

During the year ended October 31, 2013, the Company signed a formal agreement with Sonora to sell their 100% interest in the Los Amoles Property for US\$200,000 (received) and 1,000,000 shares in Sonora with a fair value of \$150,000. Total proceeds on the sale were \$358,579. As the carrying value of the property was \$1, a gain of \$358,578 has been recorded on the consolidated statement of operations and comprehensive loss.

e) Apache Property, Mexico

On December 13, 2010, the Company acquired the Apache Property, Sonora State, Mexico, for consideration of 250,000 shares of the Company.

During the year ended October 31, 2013, the Company considered the prevalent market conditions and the inability of the Company to raise financing to be indicators of impairment. As a result, the Company recorded an impairment of \$262,500 relating to this property as at October 31, 2013.

8. MINERAL PROPERTY INTERESTS (CONTINUED)

f) 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.

g) 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.

h) 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.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	2014	2013
Trade payables	\$ 421,092	\$ 307,233
Accruals	30,000	34,000
Total accounts payable and accrued liabilities	\$ 451,092	\$ 341,233

10. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Share consolidation

On May 9, 2014, the Company consolidated its outstanding common shares on a 2:1 basis. Loss per share, weighted average number of common shares outstanding, number of shares outstanding, share purchase warrants and stock options have been restated to reflect this consolidation.

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10. SHARE CAPITAL (CONTINUED)

c) Issued

On December 11, 2013, the Company completed a private placement comprised of 640,000 units at a price of \$0.10 per unit for proceeds of \$64,000. Each unit consists of one common share and one common share purchase warrant allowing the holder to purchase an additional common share at a price of \$0.15 until December 11, 2014 and at \$0.20 until December 11, 2015. The Company paid a total of \$2,500 and issued 25,000 finder's warrants, with the same terms as the common share purchase warrants, to Haywood Securities Inc. as finders' fees. The finder's warrants are fair valued at \$2,944.

On May 29, 2014, the Company completed a private placement comprised of 6,000,000 units at a price of \$0.05 per unit for gross proceeds of \$300,000. Each unit consists of one common share and one share purchase warrant allowing the holder to purchase an additional common share at a price of \$0.075 until May 30, 2015. The Company paid a total of \$5,000 and issued 200,000 finder's warrants, with the same terms as the common share purchase warrants, to Haywood Securities Inc. as finders' fees and paid an additional \$5,250 in share issue costs. The finder's warrants are fair valued at \$22,189.

On October 10, 2014, the Company issued 100,000 shares upon the exercise of 100,000 warrants at a price of \$0.075 per warrant, for total proceeds of \$7,500.

On July 23, 2013, the Company issued 430,000 shares at a price of \$0.10 per share to directors and officers to settle outstanding accounts payable of \$43,000.

On November 14, 2012, the Company issued 5,000 common shares valued at \$3,000 under the terms of the agreement to acquire the Orofino Property (Note 8(c)).

d) Share purchase warrants

At October 31, 2014, the Company had 665,000 warrants outstanding, with each warrant allowing the holder to purchase one common share at a price of \$0.15 until December 11, 2014 and at \$0.20 until December 11, 2015, and 6,100,000 warrants outstanding with each warrant allowing the holder to purchase one common share at a price of \$0.075 until May 30, 2015.

At October 31, 2013, the Company had no share purchase warrants outstanding.

A continuity schedule of outstanding common share purchase warrants for the years ended October 31, 2014 and 2013 is as follows:

	2014		2013	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	-	\$ -	-	\$ -
Issued	6,865,000	\$ 0.08	-	\$ -
Exercised	(100,000)	\$ 0.08	-	\$ -
Outstanding, end of year	6,765,000	\$ 0.08	-	\$ -

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10. SHARE CAPITAL (CONTINUED)

e) Share options

A continuity schedule of outstanding share options for the years ended October 31, 2014 and 2013 is as follows:

	2014		2013	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	385,250	\$ 0.46	155,000	\$ 2.00
Granted	800,000	\$ 0.105	327,500	\$ 0.20
Expired	(57,750)	\$ 2.00	(15,000)	\$ 2.00
Cancelled	-	\$ -	(82,250)	\$ 2.00
Outstanding, end of year	1,127,500	\$ 0.13	385,250	\$ 0.46

As at October 31, 2014, 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	Weighted average remaining contractual life (in years)
June 3, 2017	800,000	\$ 0.105	3.73
July 25, 2018	327,500	\$ 0.20	2.59
	1,127,500	\$ 0.13	2.92

As at October 31, 2013, 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	Weighted average remaining contractual life (in years)
January 23, 2014	35,250	\$ 2.00	0.23
August 10, 2014	22,500	\$ 2.00	0.78
July 25, 2018	327,500	\$ 0.20	4.73
	385,250	\$ 0.46	4.09

f) Share-based compensation

During the year ended October 31, 2014, 800,000 (2013 – 327,500) share options were granted to directors, officers and consultants.

The fair value of share options granted and vested during the years ended October 31, 2014 and 2013 was recognized as share-based compensation in the statement of operations and comprehensive loss, and was allocated as follows:

	2014	2013
Management fees	\$ 36,102	\$ 31,933
Consultants' fees	40,916	4,129
Total share-based compensation	\$ 77,018	\$ 36,062

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10. SHARE CAPITAL (CONTINUED)

f) Share-based compensation (continued)

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

	2014	2013
Risk free interest rate	1.60%	1.73%
Expected annual volatility*	175.27%	163.85%
Expected life	3 years	5 years
Expected dividend yield	-	-
Exercise price	\$0.105	\$0.20
Share price	\$0.10	\$0.06

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

11. RELATED PARTY TRANSACTIONS

a) Management transactions

Management transactions with related parties during the years ended October 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 ⁽ⁱ⁾	\$ 113,875	\$ 28,890	\$ 142,765	\$ 96,000	\$ 5,505	\$ 101,505
Ezra Jimenez; CFO ⁽ⁱⁱ⁾	\$ -	\$ -	\$ -	\$ 49,000	\$ -	\$ 49,000
Timeline Filing Services Ltd. ⁽ⁱⁱⁱ⁾	\$ 6,000	\$ 7,220	\$ 13,220	\$ 24,000	\$ 4,129	\$ 28,129
Schindler & Company ^(iv)	\$ 20,321	\$ 7,220	\$ 27,541	\$ 22,642	\$ 4,129	\$ 26,771

(i) Amount payable as at October 31, 2014 was \$178,625 (2013 - \$109,846).

(ii) Ezra Jimenez was the Company's CFO until July 26, 2013. This total represents all benefits paid to Mr. Jimenez to that date. Amounts payable as at October 31, 2014 were \$2,422 (2013 - \$9,422).

(iii) Timeline Filing Services Ltd. is a private enterprise controlled by the Company's Corporate Secretary, Laara Shaffer. Amounts payable as at October 31, 2014 were \$15,183 (2013 - \$18,900).

(iv) 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. This total represents all benefits paid or payable to Ms. Schindler for the year ended October 31, 2014. Amounts payable as at October 31, 2014 were \$18,854 (2013 - \$5,764).

b) Directors' transactions

During the year ended October 31, 2014, included in the \$77,018 (2013 - \$36,062) of share-based compensation recognized is \$19,255 (2013 - \$22,299) relating to director compensation.

c) Loan payable

Included in accounts payable is a loan of \$2,000 (2013 - \$nil) borrowed from the president and CEO of the Company. The loan is non-interest-bearing and repayable May 29, 2015.

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12. 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:

	2014	2013
Canada	\$ 4,869	\$ 4,482
Mexico	56,911	62,282
	\$ 61,780	\$ 66,764

No revenues from external customers were earned during the years ended October 31, 2014 and 2013 in either of the geographic locations.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	2014	2013
Financial assets		
Fair value through profit or loss		
Cash	\$ 18,339	\$ 1,815
Loans and receivables		
Amounts receivable*	10,456	11,582
Available-for-sale		
Marketable securities	4,938	84,598
Investment in oil and gas interest	9,000	33,611
Total financial assets	\$ 42,733	\$ 131,606
Financial liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 451,092	\$ 341,233
Total financial liabilities	\$ 451,092	\$ 341,233

*Excluding sales tax receivable

The fair values of the Company's amounts receivable 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.

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 government 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.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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, 2014, the Company had cash in the amount of \$18,339 (2013 - \$1,815) and accounts payable and accrued liabilities of \$451,092 (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.

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.

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 MXN pesos and US dollars as follows:

	2014		2013	
	MXN	US	MXN	US
Cash	\$ 44,235	\$ 135	4,595	\$ 84
Amounts receivable	\$ 120,144	\$ -	562,787	\$ -
Accounts payable and accrued liabilities	\$ (1,726,790)	\$ -	(1,242,484)	\$ -
Rate to convert \$1 CAD	0.084	1.127	0.080	1.043

Based on the Company's net exposure, a 7% change (2013 - 5%) in the Canadian/Mexican peso exchange rate and a 8% change (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.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

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 30% change in the market prices would impact the Company's earnings by approximately \$1,500 (2013 - \$25,000). As this sensitivity analysis does not take into account any variables other than the marketable securities rate fluctuations, the above information may not fully reflect the fair value of the assets and liabilities involved.

d) Fair value 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 in the fair value hierarchy. The Company had no Levels 2 or 3 financial assets at October 31, 2014 or 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.

14. 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' deficiency.

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, 2014.

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15. INCOME TAXES

As at October 31, 2013, the Company has non-capital losses of approximately \$5,595,000 and capital losses of \$41,196; \$4,181,000 of non-capital losses and all of the capital losses may be applied against future income for Canadian income tax purposes, and \$1,414,000 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 consolidated financial statements. The capital losses may be carried forward indefinitely. The non-capital losses expire as follows:

2015	\$	250,000
2017		228,000
2018		491,000
2019		477,000
2022		37,000
2024		181,000
2026		420,000
2027		457,000
2028		598,000
2029		501,000
2030		546,000
2031		516,000
2032		304,000
2033		294,000
2034		295,000
	\$	5,595,000

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

	2014	2013
Loss before income taxes	\$ 623,443	\$ 1,287,789
Income tax at statutory rates	26.00%	25.58%
Expected income tax recovery	162,095	329,416
Difference between Canadian and foreign tax rates	7,225	(8,318)
Non-deductible expenses and other permanent differences	(19,996)	(9,310)
Change in timing differences	(60,800)	109,116
Effect of change in tax rates	-	49,671
Impact of foreign exchange on tax assets and liabilities	30,370	26,686
Unused tax losses and tax offsets not recognized	(118,894)	(497,261)
Total income tax recovery	\$ -	\$ -

Effective January 1, 2013, the British Columbia corporate tax rate increased from 10.00% to 11.00% and the federal corporate tax remained unchanged at 15.00%. The overall reduction in tax rates has resulted in an increase in the Company's statutory tax rate from 25.58% to 26.00%

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.

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15. INCOME TAXES (continued)

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

	2014	2013
Non-capital losses carried forward	\$ 5,595,630	\$ 5,417,202
Capital losses carried forward	41,196	41,192
Mineral property interests	4,657,449	4,494,213
Marketable securities	257,608	217,777
Investment in oil and gas interests	32,565	20,262
Share issuance costs	30,308	12,119
Equipment	56,466	55,360
	\$ 10,671,222	\$ 10,258,125

16. EVENTS AFTER THE REPORTING DATE

In January 2015, the Company granted 300,000 stock options to consultants of the Company. Each option is exercisable into one common share of the Company at \$0.105 and has a term of three years.

The Company obtained three loans totalling \$35,000 from the president and CEO of the Company. The loans are non-interest-bearing and repayable from December 12, 2015 to February 23, 2016.