MUSGROVE MINERALS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

August 31, 2012

(UNAUDITED)

(Expressed in Canadian dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by management, and were not reviewed by the Company's independent auditor.

MUSGROVE MINERALS CORP.

Condensed consolidated interim statements of financial position

(Unaudited - expressed in Canadian dollars)

	Note	August 31, 2012	November 30, 2011
ASSETS			**Note 15**
Current			
Cash		92,627	21,989
Short-term investments	5	250,000	-
Marketable securities	4	45,000	-
Current portion of mineral property payment receivable	7 (d)	96,660	125,000
Other receivables		74,065	47,158
Prepaid expenses		15,846	10,846
		574,198	204,993
Non-current			
Equipment	6	7,129	10,748
Exploration and evaluation assets	7	2,966,398	4,320,934
Mineral property payment receivable	7(d)	83,994	162,600
Reclamation bond	7(b)	6,818	6,818
		3,064,339	4,501,100
TOTAL ASSETS		3,638,537	4,706,093
LIABILITIES			
Current			
Payables and accrued liabilities		124,696	800,898
Due to related parties	12	-	15,000
Short-term loans	8	-	282,253
		124,696	1,098,151
SHAREHOLDERS' EQUITY			
Share capital	9	18,640,590	15,463,259
Accumulated other comprehensive loss	4	(171,000)	-
Reserves	10,11	2,628,722	4,747,263
Deficit		(17,584,471)	(16,602,580)
		3,513,841	3,607,942
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,638,537	4,706,093

Note 1: Nature of business and continuance

APPROVED FOR ISSUANCE BY THE BOARD OF DIRECTORS

"Norman Brewster"
Director

"Rana Vig"
Director

– See Accompanying Notes to the Condensed Consolidated Interim Financial Statements –

MUSGROVE MINERALS CORP.
Condensed consolidated interim statement of comprehensive loss
(Unaudited - expressed in Canadian dollars)

		Three Months Ended August 31,		Nine Months Ended August 31,	
		2012	**2011**	**2012**	**2011**
	Note	**$**	$	$	$
EXPENSES					
Accounting and audit		8,591	5,758	15,674	82,958
Amortization	6	1,687	1,068	3,620	3,204
Bad debts		-	(4,229)	-	-
Consulting fees		54,500	75,693	73,164	431,772
Filing and transfer agent fees		5,915	14,779	30,587	64,633
Interest		4,247	5,494	14,702	137,978
Investor relations		-	50,139	-	146,598
Legal		10,003	-	23,717	20,651
Management fees	12	15,000	29,839	52,500	80,839
Miscellaneous property exploration		-	759	4,857	759
Office		6,973	19,338	27,745	137,523
Rent		23,124	11,924	75,322	66,675
Stock-based compensation		-	-	-	714,633
Travel		-	21,220	4,726	60,628
LOSS BEFORE OTHER ITEMS		(130,040)	(231,782)	(326,614)	(1,948,851)
Administrative fee		-	-	-	60,000
Amortized gain on contribution to joint venture		-	-	-	2,292
Foreign exchange gain/(loss)		21,718	14,841	(43,012)	12,081
Gain on debt settlement		-	-	46,501	-
Interest income and accretion	7(d)	18,057	-	18,573	-
Impairment of exploration assets	7 (c)	(721,989)	-	(721,989)	-
Miscellaneous income		-	-	8,250	-
Recoveries from prior year		-	-	-	69,551
Rental income		9,400	-	36,400	-
NET LOSS		(802,854)	(216,941)	(981,891)	(1,804,927)
Basic and diluted loss per share		(0.05)	(0.04)	(0.09)	(0.33)
Weighted Average number of outstanding shares		15,564,374	5,549,638	11,025,283	5,549,638

COMPREHENSIVE LOSS					
Net loss for period		(802,854)	(216,941)	(981,891)	(1,804,927)
Other Comprehensive loss :					
Unrealized loss of marketable securities	4	(87,000)	-	(171,000)	-
Comprehensive loss for the period		(889,854)	(216,941)	(1,152,891)	(1,804,927)

– See Accompanying Notes to the Condensed Consolidated Interim Financial Statements –

MUSGROVE MINERALS CORP.
Condensed consolidated interim statements of cash flows
(Unaudited - expressed in Canadian dollars)

	Note	Nine Months Ended August 31, 2012	2011
		$	$
Operating activities			
Loss before income taxes		(981,891)	(1,804,927)
Adjustments for non-cash items:			
Amortization		3,620	3,204
Bad debts		-	-
Stock-based compensation		-	714,633
Impairment of exploration assets	7(c)	721,989	-
Gain on debt settlement		(46,501)	-
Accretion	7(d)	(18,054)	-
Changes in non-cash working capital items:			
Accounts receivable		(26,907)	(29,383)
Prepaid		(5,000)	20,316
Payables and accrued liabilities		(155,913)	(275,371)
Net cash flows used in operating activities		(508,657)	(1,371,528)
Investing activities			
Investment in short-term investment	(5)	(250,000)	-
Acquisition of exploration and evaluation assets	7	(734,948)	(857,358)
Disposition of exploration and evaluation assets	7	1,151,496	-
Purchase of equipment		-	(3,690)
Net cash flows from (used in) investing activities		166,548	(861,048)
Financing activities			
Share issuance for cash	9(b)(ii)	585,000	3,508,742
Change in due to related parties		(15,000)	(311,896)
Recipt of mineral property payment receivable	7(d)	125,000	
Repayment of short-term loan	8	(282,253)	(897,817)
Net cash flows from financing activities		412,747	2,299,029
Increase in cash		70,638	66,453
Cash, beginning of period		21,989	2,418
Cash, end of period		92,627	68,871

See accompanying notes to the condensed consolidated interim financial statements and note 17 for supplementary information to the statements of cash flow

MUSGROVE MINERALS CORP.

Condensed consolidated interim statements of change in equity

(Unaudited - expressed in Canadian dollars)

					Reserves			
	Note	Number of shares	Share capital	Accumulated other comprehensive loss	Options	Warrants	Deficit	Equity attributed to shareholders
			$	$	$	$	$	$
Restated balance at Nov 30, 2010	15	2,918,326	13,210,762	-	1,517,900	1,448,746	(14,990,201)	1,187,207
Loss for the period		-	-	-	-	-	(1,804,927)	(1,804,927)
Shares issued for cash		5,198,466	2,844,933	-	-	1,053,417	-	3,898,350
Share issuance costs		-	(567,923)		-	178,315		(389,608)
Stock-based compensation		-	-	-	714,633	-	-	714,633
Restated balance at August31, 2011		8,116,792	15,487,772	-	2,232,533	2,680,478	(16,795,128)	3,605,655

					Reserves			
	Note	Number of shares	Share capital	Accumulated other comprehensive loss	Options	Warrants	Deficit	Equity attributed to shareholders
			$	$	$	$	$	$
Restated balance at Nov 30, 2011	15	8,116,792	15,463,259	-	1,968,249	2,779,014	(16,602,580)	3,607,942
Loss for the period		-	-	-	-	-	(981,891)	(981,891)
Other comprehensive loss		-	-	(171,000)	-	-	-	(171,000)
Shares issued for cash	9(b) (ii)	6,500,000	376,300	-	-	208,700	-	585,000
Shares issued for debt settlement	9(b)(iii)	947,582	473,790	-	-	-	-	473,790
Warrants expiry	11	-	2,327,241	-	-	(2,327,241)	-	-
Balance at August31, 2012		15,564,374	18,640,590	(171,000)	1,968,249	660,473	(17,584,471)	3,513,841

– See Accompanying Notes to the Condensed Consolidated Interim Financial Statements –

1. Nature and continuance of operations

Musgrove Minerals Corp. (the "Company") was incorporated under the laws of British Columbia, Canada on March 29, 2000. The Company's office is located at #200 - 8338 120th Street Surrey, BC, Canada. The Company's common shares are traded on the TSX Venture Exchange (the "TSX Exchange") under the symbol MGS and on the OTC market (Symbol: MGSGF) and Frankfurt (Symbol JL4M).

As at August 31, 2012, the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from equity and/or debt financing that is sufficient to meet current and future obligations. These factors are mostly beyond the Company's control. These uncertainties cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance the Company's operations over the next twelve-month operating period with the current working capital and additional equity or debt financing, if required.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

2. Statement of compliance and conversion to International Financial Reporting Standards

These consolidated interim financial statements for the nine months ended August 31, 2012 ("Consolidated Interim Financial Statements") have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Commencing December 1, 2011, the Company started to prepare its financial statements in accordance with IFRS with December 1, 2010 being the transition date. Previously the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP" or "CGAAP"). The Company has consistently applied the same accounting policies in its opening IFRS balance sheet at December 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 15 discloses the impact of the transition to IFRS on the Company's reported statements of financial position, statements of comprehensive income (loss) and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended November 30, 2011. Comparative figures in these financial statements have been restated to give effect to these changes.

These Consolidated Interim Financial Statements are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. Certain disclosures required in annual financial statements have been condensed or omitted. It is therefore recommended that these Consolidated Interim Financial Statements be read in conjunction with the most recent audited annual consolidated financial statements of the Company for the year ended November 30, 2011.

2. Statement of compliance and conversion to International Financial Reporting Standards (cont'd)

These Consolidated Interim Financial Statements have been approved for issued by the Board of Directors on October 28, 2012.

3. Significant accounting policies

a) Basis of preparation and consolidation

These Consolidated Interim Financial Statements have been prepared on an historical cost basis except for certain financial assets measured at fair value. Unless otherwise specified, all dollar amounts presented are in Canadian dollars which is the Company's functional and presentation currency.

These Consolidated Interim Financial Statements include the accounts of the Company and its wholly-owned subsidiaries in the United States and Mexico. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, have been eliminated on consolidation.

b) Significant accounting judgments and estimates

Significant estimates

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the useful lives of equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, decommissioning, restoration and similar liabilities and contingent liabilities.

Critical judgement

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the classification of expenditures as exploration and evaluation expenditures or operating expenses;

- the classification of financial instruments;

- the determination of the functional currency of the parent company and its subsidiaries.

3. Significant accounting policies (cont'd)

c) Functional currency and foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's subsidiaries is the Canadian dollar.

Determination of functional currency may involve certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Transactions and balances:

Foreign currency transactions will be translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Subsidiary companies:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are charged to the Company's statement of loss as incurred.

d) Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

3. Significant accounting policies (cont'd)

d) Exploration and evaluation expenditures (cont'd)

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within "property and equipment".

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

e) Farm outs

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized.

f) Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

g) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy.

3. Significant accounting policies (cont'd)

g) Financial instruments (cont'd)

Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

h) Impairment of assets

The carrying amount of the Company's assets (which include "property and equipment" and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

3. Significant accounting policies (cont'd)

h) Impairment of assets (cont'd)

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.
An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

i) Income taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

j) Restoration and environmental obligations

The fair value of a liability for an asset retirement or environmental obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement or environmental obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement or environmental cost is charged to operations using a systematic and rational method and the resulting liability is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either

3. Significant accounting policies (cont'd)

j) Restoration and environmental obligations (cont'd)

the timing or the amount of the original estimate of undiscounted cash flow. As at August 31, 2012 and November 30, 2011, the Company does not have any restoration or environmental obligations.

k) Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of equipment are as follows:

Class of equipment	Depreciation rate
Computer equipment	30% - Declining Balance
Vehicle	30% - Declining Balance

l) Accounting standards issued but not yet effective

The following Standards and Interpretations were issued but not yet effective. Unless otherwise stated, these new accounting standards and amendments will become effective for annual period beginning on or after January 1, 2013. Management anticipates that the application of these new standards may have an impact on amounts reported in the consolidated financial statements. However, management has not performed a detailed analysis of the impact of the application of the above standards and hence has not yet quantified the extent of the impact.

- *IFRS 9 (2009 and 2010) (AC 146) - Financial Instruments.*
- *IFRS 10 – Consolidated Financial Statements.*
- *IFRS 11 – Joint Arrangements.*
- *IFRS 12 – Disclosure of Interest in Other Entities.*
- *IFRS 13 – Fair Value Measurement.*
- *IAS 27 – Separate Financial Statements.*
- *IAS 28 – Investments in Associates and Joint Ventures*

All Standards and Interpretations will be adopted at their effective date, except for those Standards and Interpretations that are not applicable to the entity.

3. Significant accounting policies (cont'd)

l) Accounting standards issued but not yet effective (cont'd)

IFRS 9 (2009) will be applied retrospectively, subject to transitional provisions. IFRS 9 (AC 146) addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39 (AC 133).Under IFRS 9 (AC 146) there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The impact on the financial statements for the group has not yet been estimated.

IFRS 9 (2010) will be applied retrospectively, subject to transitional provisions. IFRS 9 (2010) (AC 146) addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39 (AC 133).

- Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39 (AC 133), except for the following two aspects: fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

- Under IFRS 9 (2010) (AC 146) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) (AC 146) incorporates, the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives. The impact on the financial statements for the group has not yet been determined.

IFRS 10 was issued in June 2011 and is the result of the ISAB's project to replace Standing Interpretations Committee 12, "Consolidation - Special Purpose Entities" and the consolidation requirements of IAS 27, "Consolidated and Separate Financial Statements". The new standard eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides detailed guidance on how to apply the control principles in a number of situations, including agency relationships and holdings or potential voting rights.

IFRS 11 was issued in June 2011 and is the result of the IASB's project to replace IAS 31, "Interest in Joint Ventures". The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted.

3. Significant accounting policies (cont'd)

l) Accounting standards issued but not yet effective (cont'd)

IFRS 12 was issued in June 2011 and 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.

IFRS 13 was issued in June 2011 and provides a common definition of fair value establishes a framework for measuring fair value under IFRSs and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements.

IAS 27 amendment was issued in May 2011 and provides guidance in respect to Separate Financial Statements.

IAS 28 amendment was issued in May 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

4. Marketable securities

As at August 31, 2012, the Company's marketable securities consisted of solely 300,000 common shares of Westridge Resources Inc. ("Westridge") which were paid to the Company in January 2012 (Note7 (c)). The carrying value of these shares as at August 31, 2012 was $45,000 (2011/11/30 - $nil). In accordance with the Company's accounting policies, marketable securities are classified as available for sale financial instruments. As a result, the carrying value of these marketable securities were marked to their market value as at August 31, 2012 ($45,000) and the Company recorded an "other comprehensive loss" of $171,000 and $87,000 to account for the unrealized loss during the nine months and three months ended August 31, 2012 respectively.

5. Short term investment

As at August 31, 2012, the Company's short term investment consisted of solely a $250,000 investment in guaranteed income certificate ("GIC") issued by a Canadian chartered bank (2011/11/30 - $nil). This GIC is redeemable, has an interest rate of 1.05 % per annum, and will mature on August 9, 2013.

6. Equipment

		Accumulated	Net Book
	Cost	Amortization	Value
August 31, 2012	$	$	$
Computer Equipment	13,894	11,502	2,392
Furniture and Fixtures	7,291	5,090	2,201
Leasehold Improvements	6,547	5,893	654
Vehicle	5,887	4,005	1,882
	33,619	26,490	7,129

6. Equipment (cont'd)

November 30, 2011	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Furniture and Fixtures	7,291	4,702	2,589
Leasehold Improvements	6,547	4,910	1,637
Vehicle	5,887	3,435	2,452
	33,619	22,871	10,748

7. Exploration and evaluation assets

(a) Empire Mine Property, USA

On July 26, 2011, the Company exercised its options on exploration and lease agreements with two arm's length parties ("Empire Mine Optionors") to earn a 100% operating interest in certain mining claims at the Empire mine property in Idaho, U.S.A ("Empire Mine Property"). The lease has a term of 12 years.

Under the terms of the agreements (the "Empire Mine Original Option Agreement"), the Company is required to:

i. make annual royalty payments of US$57,000;
ii. pay the annual holding fees to the Bureau of Land Management;
iii. make an advanced royalty payment of US$30,000 by June 1, 2012 (paid);
iv. complete the drilling of 4 core holes on the property and deliver the materials for analysis by September 1, 2012. During the quarter ended August 31, 2012, the Empire Mine Optionors amended this requirement to cancel the requirement of drilling 4 core holes and has replaced this clause to "completion of metallurgical studies and laboratory analysis no later than September 1, 2013".
v. When there is adequate data to make the "initial reserves" calculation, make a payment of US$11,500 or issue the equivalent amount of the Company's common shares.
vi. Upon completion of resource calculations and delivering a copy to the underlying owners of the property, make a payment of US$31,500 or issue the equivalent amount of the Company's common shares;
vii. Complete a NI 43-101 report within 5 years; and make a payment of US$ 51,500 or issue the equivalent amount of the Company's common shares; and Upon completion of a Record of Decision issued by the United States Forest Service or the completion of a Permit to Operate issued by the State of Idaho, make a payment of US$175,000 or issue the equivalent amount of the Company's common shares. On completion of a land exchange with the United States Forest Service make a payment of US$ 50,000 or issue the equivalent amount of the Company's common shares
viii. Upon commencement of commercial production, the property is subject to a 2.5 % net smelter return royalty ("NSR") which may be reduced to 1.5% for a US$2,400,000 payment to the Empire Mine Optionors.

On May 10, 2012, the option agreement between the Company and Konnex Resources Inc. ("Konnex") was approved by the TSX Venture Exchange and became effective ("Empire Mine Second Option Agreement"). Konnex was granted an option to acquire 100% of the Company's interest in its Empire Mine Property with the following terms:

To earn an initial 95% interest, Konnex agreed to pay the Company $1,265,000 and Konnex's common shares with value of $350,000 in accordance with the following schedule:

7. Exploration and evaluation assets (cont'd)

(a) Empire Mine Property, USA (cont'd)

Cash
- $ 40,000 - on April 6, 2012 (received)
- $ 200,000 - payable on May 10, 2012 (the "Effective Date"), which was the date the Exchange accepted for filing a definitive agreement (received)
- $ 50,000 - 60 days after the Effective Date (received)
- $ 250,000 - on the earlier of the date that Konnex completes its initial public offering ("Konnex IPO') or 180 days after the Effective Date
- $ 725,000 - on the earlier of the Konnex IPO date or 365 days after the Effective Date.

Konnex common shares
- The number of Konnex common shares which is equal to $300,000 and $50,000 divided by the price at which Konnex sells its common shares to purchasers in the Konnex IPO on or before 5 business days and twelve months after the Konnex IPO date respectively.

Konnex can pay the Company $225,000 on or before 18 months after the Effective Date to earn the remaining 5% interest.

The Empire Mine Property will remain subject to a 2.5% NSR to the Empire Mine Optionor as well as a 2% NSR to the Company:

Commencing May 1, 2012, Konnex assumed all the property payments and commitments (items 7(i) to 7(viii)) arising from the Empire Mine Original Option Agreement, and agreed to complete a work program of not less than $1,000,000 within 12 months of completing a Konnex IPO.

(b) Musgrove Creek Property, USA

On June 13, 2007, the Company acquired the Musgrove Creek Property situated in the Cobalt Mining District, Lemhi County, Idaho, USA and, under the terms of the option agreement, the Company assumed the underlying lease agreement dated June 12, 2003 with respect to certain mineral claims that comprise the Musgrove Creek Property. For certain claims' underlying the Musgrove Creek Property, the lease has a 10 year term and can be renewed for two successive terms of 10 years provided that the conditions of the lease are met. The Company is required to pay annual lease payments to the underlying lessor of US$50,000 per year in 2012 and in the remaining life of the lease. The Company is also required to incur minimum annual exploration expenditures of US$100,000 during the term of the lease. Any excess expenditure incurred in any year may be carried forward and credited to the subsequent year.

As at August 31, 2012, the reclamation bond balance in connection with the Musgrove Creek Property was $6,818 (US$5,800) (2011/11/30 - $6,818).

(c) Charay Property, Mexico

On October 15, 2008, and as amended in 2011, the Company entered into an option agreement (the "Original Charay Option Agreement") with Tektite Financial Inc., and Jaznico Exploraciones, SA (collectively the "Charay Property Optionor") to acquire a 100% interest in the Charay Property located in Sinaloa, Mexico. In order to earn 100% interest of the Charay Property, the Company is required to make the following cash payments and incur exploration expenditures in future years under the Original Charay Option Agreement:

7. Exploration and evaluation assets (cont'd)

(c) Charay Property, Mexico (cont'd)

	Cash $	Cash US$	Exploration Expenditures US$
By March 1, 2012	-	-	575,000
By September 30, 2012	-	-	287,500
By November 30, 2012	125,000	851,000	-
By November 20, 2013	-	1,566,300	-

On August 8, 2011, the Company entered into an option agreement ("First Westridge Option Agreement") with Westridge Resources Inc. ("Westridge") to option Westridge an 80% interest in the Charay property. This agreement was approved by the TSX Venture Exchange on January 26, 2012.

Under the terms of the First Westridge Option Agreement, Westridge had to:

- Assume the Company's $258,000 short-term loan in January 26, 2012 (completed);
- Make cash payments in the aggregate of US$2,227,500 plus applicable Mexico sales taxes ("IVA"), and $140,000 to the Company over the next two years commencing September 1, 2011;
- Make cash payments of $450,000 to the Company over a two year period commencing January 26, 2013;
- Issue a total of 1,200,000 Westridge common shares to the Company over a two year period commencing January 26, 2012; and fund work costs of $500,000 on the property by February 28, 2012. In January 2012, 400,000 common shares of Westridge were issued to the Company at their market value of $260,000, of which 100,000 Westridge's shares were paid to the Charay Property Optionor (with a market value of $44,000)
- Westridge will have the right, up to January 26, 2017, to purchase the remaining 20% interest from the Company for $5,000,000.

Subsequent to the period ended August 31, 2012, the Company, the Charay Property Optionor, and Westridge entered into a new option agreement (the "Second Westridge Option Agreement") on September 28, 2012 to replace the First Westridge Option Agreement.

The Second Westridge Option Agreement will cover only part of the area covered by the Original Charay Option Agreement (the "Jazzy Property"), whereby Westridge has been granted an option to acquire 100% of the Jazzy Property once Westridge has paid the Company and the Charay Property Optionor various amount of option fees and completed a $1,300,000 work program over a four–year period.

The Second Westridge Option Agreement will become effective upon approval from the TSX Venture Exchange ("Charay Option Effective Date").

The Company's Original Charay Option Agreement with the Charay Property Optionor, and the First Westridge Option Agreement were terminated on September 30, 2012. All the Company's obligations under the Original Charay Option Agreement were cancelled consequently on September 30, 2012.

7. Exploration and evaluation assets (cont'd)

(c) Charay Property, Mexico

Under the Second Westridge Option Agreement, the Company has no obligation to pay any acquisition fees, option payment, or lease payment to the Charay Property Optionor. Westridge will pay the Company $25,000 and $50,000 cash on or before the second and third anniversary of the Charay Option Effective Date; issue 25,000, 100,000, and 100,000 common shares of Westridge to the Company on the five business days, the first anniversary, and the second anniversary of the Charay Option Effective Date respectively. The Jazzy Property is subject to a 2% NSR equally shared by the Company and the Charay Property Optionor.

The Company will receive less option payments in accordance with the Second Westridge Option Agreement. As a result, the Company considered the Charay Property was impaired as at August 31, 2012 and wrote down the Charay Property to $75,000, which is the total amount of undiscounted cash option payment receivable from Westridge in the future. An impairment charge of $721,989 was recorded in the quarter ended August 31, 2012 accordingly. The Company will review the valuation of the Charay Property at the year end of fiscal 2012, and there may be further adjustment to the value of the Charay Property.

(d) Vianey Property, Mexico – Joint Venture

The Company sold its interest in the Vianey mine concession located in Guerrero State, Mexico. On June 7, 2011 for $325,000 which was scheduled to be paid in three instalments ("Mineral Property Payment Receivable).

The Company received $125,000 in the first quarter of 2012 as scheduled, and expects to receive the remaining balance of $200,000 in two instalments of $100,000 and $100,000 in the first quarter of fiscal 2013 and 2014 respectively.

In accordance with the Company's accounting policies, this Mineral Property Payment Receivable is classified as "loan and receivable" financial instrument. As a result, this Mineral Property Payment Receivable balance is measured at its amortized cost by using an effective interest rate of 14.22%.

As at August 31, 2012, the carrying value of this Mineral Property Payment Receivable was $180,654 of which $96,660 would be received within the next 12 months and is considered current.

Continuity of this Mineral Property Payment Receivable is as follows:

	carrying value ($)
Balance, November 31, 2011	287,600
Less: amount received in the first quarter of 2012	125,000
Add: accretion	18,054
Balance, August 31, 2012	180,654

7. Exploration and evaluation assets (cont'd)

(e) Exploration and evaluation assets continuity

	November 30, 2011	Addition	Disposition/ recovery	Impairment	August 31, 2012
	$	$	$	$	$
Musgrove, U.S.A.					
Acquisition	644,665	51,825.00	-	-	696,490
Exploration Expenditures:					
Administrative	101,586	-	-	-	101,586
Assay	79,244	-	-	-	79,244
Drilling	433,931	-	-	-	433,931
Field and Exploration	87,066	-	-	-	87,066
Geochemical Survey	201,249	-	-	-	201,249
Geological	176,111	3,100.00	-	-	179,211
Staking and Maintenance Fees	94,969	422.00	-	-	95,391
	1,818,821	55,347	-	-	1,874,168
Charay, Mexico					
Acquisition:					
-cash	1,202,033	548,000	-	-	1,750,033
- Share of Westridge paid	-	44,000	-	-	44,000
Exploration Expenditures					
Assays	13,140	-	-	-	13,140
Engineering	366,129	-	-	-	366,129
Fees and Permits	-	-	-	-	-
Field and Exploration	90,173	-	-	-	90,173
Geological	50,722	-	-	-	50,722
Staking and Maintenance Fees	2,400	-	-	-	2,400
Impairment	-	-	-	(721,988)	(721,988)
Option payment/cost reimbursement:					
-share of Westridge received	-	-	(260,000)	-	(260,000)
-cash /assumption of debt	(476,609)	-	(783,000)	-	(1,259,609)
	1,247,988	592,000	(1,043,000)	(721,988)	75,000
Empire Mine Property, U.S.A.					
Acquisition Costs	147,475	99,000	-	-	246,475
Exploration Expenditures					
Administrative	3,954	-	-	-	3,954
Assay	153	29,386	-	-	29,539
Drilling	164,973	-	-	-	164,973
Field and exploration	586,719	-	-	-	586,719
Geological	325,040	-	-	-	325,040
Staking and Maintenance Fees	2,011	3,215	-	-	5,226
Travel	23,801	-	-	-	23,801
Option payment and reimbursement	-	-	(368,497)	-	(368,497)
	1,254,126	131,601	(368,497)	-	1,017,230
Total	4,320,935	778,948	(1,411,497)	(721,988)	2,966,398

8. Short-term loans

On November 30, 2011 the Company carried $282,253 of loans plus accrued interest. During the quarter ended February 28, 2012, the $258,000 loan principal was assumed by Westridge (Note 7 (c)), and the relating interests have been fully paid.

9. Share capital

a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and Outstanding Common Shares

(i) Share consolidation

On April 16, 2012, the Company consolidated its outstanding common shares on a 5 to 1 basis. All share, warrant, option, per share amounts, exercise prices of warrant and option, have been retroactively restated to reflect the stock consolidation.

(ii) Private placement

On May 30, 2012 the Company closed its non-brokered private placement of 6,500,000 Units at a price of $0.09 per Unit for gross proceeds of $585,000.00 ("2012 May Private Placement"). Each Unit is comprised of one common share in the capital of the Company and one share purchase warrant (the "Unit") with each share purchase warrant exercisable to purchase one additional share over a two year period at a price of $0.12 per share; however, if the shares of the Company trade at $0.35 or greater for a period of ten consecutive trading days, the Company may, upon notice to the warrant holders, shorten the exercise period to 30 days from the date of the notice. The Company issued 6,500,000 common shares and 6,500,000 share purchase warrants upon the closing of this private placement. The Company did not incur finder's fee or share issuance cost in connection with this private placement.

(iii) Shares for debt

On February 16, 2012, the Company settled various outstanding accounts payables with carrying value of $473,790 by issuing 947,580 common shares of the Company at its market value on February 16, 2012 ($0.5/share). No gain or loss was recorded in connection with this settlement.

10. Stock options

The Company has established a stock option plan which provides for the granting of incentive stock options up to a maximum of 10% of the Company's issued and outstanding common shares. Terms of the options granted are subject to determination and approval by the Board of Directors.

As at August 31, 2012 the Company had 403,750 options outstanding and exercisable with a weighted average price of $1.46, weighted average remaining life of 3.25 years.

During the nine months ended August 31, 2012, the Company did not issue any stock options. The options issued in prior years have been fully vested in prior periods. As a result, the

10. Stock options (cont'd)

Company recorded $nil stock-based compensation during the nine months ended August 31, 2012 (nine months ended August 31, 2011 - $714,633).

The breakdown of the outstanding option as at August 31, 2012 is as follows:

Number	Exercise Price	Expiry Date
2,500	$12.00	November 13,2012
3,750	$12.80	February 01, 2013
20,000	$4.00	April 02, 2014
17,500	$4.00	June 01, 2014
360,000	$1.00	February 15, 2016
403,750		

The continuity of the Company's stock option is as follows:

	Number of options
November 30, 2011	407,500
Options expired	(3,750)
August 31, 2012	403,750

11. Share purchase warrants

During the nine months ended August 31, 2012, 2,966,455 share purchase warrants were expired and 6,500,000 share purchase warrants were issued upon the closing of the 2012 May Private Placement (Note 9(b) (ii)). The Company reclassified $2,327,241 from Reserves – Warrants to share capital to account for the expiry of these 2,966,455 share purchase warrants.
The Company allocated $208,700 from the $585,000 gross proceeds of the 2012 May Private Placement to the Company's Reserves – Warrants to account for the 6,500,000 warrants issued. The $208,700 allocation is made based on the fair value of the warrants relative to the market value of the Company's shares on May 30, 2012. The Company estimated the fair value of the Company's warrants using the Black-Scholes fair value pricing model with the following assumptions:

Expected life	2 yrs.
Expected annual volatility	112%
Risk-free interest rate	1.31%
Dividend rate	0%

As at August 31, 2012 the Company had 7,446,607 share purchase warrants outstanding and exercisable with a weighted average price of $0.13 and a weighted average remaining life of 1.63 years Details of the outstanding warrants are as follows:

Number of Warrants	Exercise Price	Expiry Date
946,077	$1.00	July 5, 2013
6,500,000	$0.12	May 31,2014
7,446,607		

12. Related party transactions

(a) All related party transactions were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties. Transactions with related parties during the 2012 nine months ended August 31, 2012 are as follows:

Name	Nature	Amount
Transaction with management:		
CEO	Management fees	$ 52,500
Transactions with directors who were not officers:	N/A	$Nil
Transactions with other related parties	N/A	$Nil

(b) As at August 31, 2012, the amount due to the Company's directors, former directors, officers, former officers (collectively the "Related Parties"), entities controlled by Related Parties, were $ nil (2011/11/30 - $15,000).

Due to Related Parties balances are not secured, non-interest bearing, and have the same terms as the Company's accounts payables balances with other trade creditors.

(c) During the nine-month period ended August 31, 2012, the Company did not pay or grant any short-term employee benefits, post-employment benefits, other long-term benefits, termination benefits to its management; and there was $nil share-based payments paid to the Company's management and directors.

13. Commitments

In addition to the mineral property option agreement commitments (Note 7), the Company had a five-year lease agreement for office premises effective April 1, 2008 which will expire on March 31, 2013. Minimum annual payments for basic rent, operating costs and property taxes for fiscal 2012 and 2013 are $94,725 and $31,829 respectively.

14. Segment

The Company considers itself to operate in a single reportable operating segment, being acquisition and exploration of mineral properties. Geographic segment disclosures are as follows:

	Total Assets	Equipment	Exploration and Evaluation Assets	Others
	$	$	$	$
August 31, 2012				
Canada	624,974	7,129	-	617,845
Mexico	121,671	-	75,000	46,671
USA	2,891,892	-	2,891,398	494
	3,638,537	7,129	2,966,398	665,010

15. Transition to IFRS

Adoption of IFRS

The Company adopted IFRS commencing December 1, 2011 with the transition date as December 1, 2010 ("Transition Date"), and the Company has prepared its IFRS opening consolidated statement of financial position as at that date. As a result, the Company will prepare for the first time its annual consolidated financial statements in accordance with IFRS for the year ending November 30, 2012.

In preparing the opening IFRS statement of financial position, comparative information for the nine months ended August 31, 2011, and the financial statements for the year ended November 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in Canadian GAAP.

The guidance for the first time adoption of IFRS is provided by IFRS1 - First Time Adoption of International Financial Reporting Standards, which provides guidance for an entity's initial adoption of IFRS. IFRS1 gives entities adopting IFRS for the first time a number of optional exemptions in certain areas to the general requirement for full retrospective application of IFRS.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date
- to apply the requirements of IFRS 2, Share-based payment, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date

Impacts of IFRS Transition

a) Impacts to statements of comprehensive income (loss)

IFRS 1 requires an entity to reconcile comprehensive income for prior periods presented under Canadian GAAP to IFRS as of the same date, accompanying with an explanation for any material adjustments to cash flows to the extent that they exist. The IFRS transition has no impact to the company's statements of comprehensive loss for the three and nine months ended August 31, 2011 and for the year ended November 30, 2011. Thus reconciliation is not necessary.

b) Impacts to statements of financial position

In accordance with CGAAP, a deferred gain on contribution in connection with the Company's Vianey Property, a mineral property that was sold in fiscal 2011, was recorded as a liability, with a debit in the same amount going to mineral properties. This deferred gain and corresponding debit to the mineral properties were reversed upon adoption of IFRS on December 31, 2010.

The reconciliation for IFRS transition is as follows:

As at November 30, 2011
During the year ended November 30, 2011, this deferred gain on contribution was eliminated when the Company sold its Vianey Property. As at November 30, 2011, the balance of this deferred gain on contribution was $nil under CGAAP. As a result, the adoption of IFRS does not have an impact to the Company's statement of financial position as at November 30, 2011. Thus reconciliation is not necessary.

15. Transition to IFRS (cont'd)

b) Impacts to statements of financial position (cont'd)

As at December 1, 2010

	Per CGAAP $	Adjustment $	Per IFRS $
Mineral properties	3,381,598	(164,750)	3,216,848
Total Assets	3,503,406	(164,750)	3,338,656
Deferred gain on contribution to joint venture, a non-current liability	164,750	(164,750)	-
Total liabilities	2,316,199	(164,750)	2,151,449

c) Impacts to statements of change in equity

The adoption of IFRS does not have impact on the Company's equity previously reported in accordance with Canadian GAAP as at December 1, 2010, August 31, 2011, and November 30, 2011 except for reclassifying the contributed surplus recorded under CGAAP into two new accounts, namely, reserves – options, and reserves - warrants under IFRS. Reconciliations are as follows:

As at December 1, 2010

	Per CGAAP $	Adjustment $	Per IFRS $
Contributed surplus	2,996,646	(2,996,646)	-
Reserves – options	-	1,517,900	1,517,900
Reserves - warrants	-	1,448,746	1,448,746
Shareholders' equity	1,187,207	-	1,187,207

As at August 31, 2011

	Per CGAAP $	Adjustment $	Per IFRS $
Contributed surplus	4,913,011	(4,913,011)	-
Reserves – options	-	2,232,533	2,232,533
Reserves - warrants	-	2,680,478	2,680,478
Shareholders' equity	3,605,655	-	3,605,655

As at November 30, 2011

	Per CGAAP $	Adjustment $	Per IFRS $
Contributed surplus	4,747,263	(4,747,263)	-
Reserves – options	-	1,968,249	2,232,533
Reserves - warrants	-	2,779,014	2,680,478
Shareholders' equity	3,605,655	-	3,605,655

15. Transition to IFRS (cont'd)

d) Impacts to statements of cash flow

The IFRS transition has no impact to the company's statements of cash flow for the nine months ended August 31, 2011 and for the year ended November 30, 2011. Thus reconciliation is not necessary.

16 Subsequent Events

In September, 2012, the First Westridge Option Agreement in connection with the Company's Charay Property was terminated and replaced with a new option agreement. Details are discussed in the Note 7 (c).

17 Cash Flow Statements Supplementary Information

Supplementary information to the condensed consolidated interim statements of cash flow for the nine months ended August 31, 2012 is as follows:

Non-cash transactions

a) The Company issued 947,582 common shares in exchange for the debt settlement of $473,790 accounts payable on February 16, 2012 (Note 9 (b) (iii)).
b) The Company received 400,000 common shares of Westridge with the market value of $260,000 which is part of the option payment in connection with the First Westridge Option Agreement (Note 7 (c)).
c) $44,000 non-cash acquisition cost was added to the Company's Charay Property to account for the transfer of 100,000 shares of Westridge to the Charay Property Optionor as part of the acquisition cost in connection with the Original Charay Option Agreement (Note 7 (c))
d) The Company recorded an un-realized loss of $171,000 to its comprehensive loss to account for the decrease in market value for the marketable securities on hand (Note 4)

Various expenses paid by cash

During the nine months ended August 31, 2012, $14,702 interest and $ nil income taxes expense were paid by cash.