WESTRIDGE RESOURCES INC.

(A development stage enterprise)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2011 AND 2010

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
1401 Scotia Place 2
10060 Jasper Avenue NW
Edmonton, AB
T5J 3R8

T +1 780 422 7114
F +1 780 426 3208
www.GrantThornton.ca

To the Shareholders of
Westridge Resources Inc.

We have audited the accompanying consolidated financial statements of Westridge Resources Inc., which comprise the consolidated balance sheet as at July 31, 2011, the consolidated statement of operations, comprehensive loss and deficit, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained 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 Westridge Resources Inc. as at July 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of $507,691 during the year ended July 31, 2011 and, as of that date, the Company has an accumulated deficit of $972,761. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other matter

The financial statements of Westridge Resources Inc. for the year ended July 31, 2010, were audited by another auditor, Davidson & Company LLP who expressed an unmodified opinion on those statements on November 24, 2010.

Edmonton, Canada

Grant Thornton LLP

October 27, 2011

Chartered Accountants

WESTRIDGE RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
AS AT JULY 31

	2011	2010
ASSETS		
Current		
Cash and cash equivalents	$ 582,252	$ 975,340
Receivables	26,630	22,598
Prepaids and deposits	-	3,900
Refundable tax credits receivable	1,577	25,050
	610,459	1,026,888
Restricted cash	3,500	-
Mineral properties (Note 4)	476,397	242,078
	$ 1,090,356	$ 1,268,966
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 61,380	$ 8,983
Shareholders' equity		
Capital stock (Note 5)	1,649,957	1,551,982
Contributed surplus (Note 5)	351,780	173,071
Deficit	(972,761)	(465,070)
	1,028,976	1,259,983
	$ 1,090,356	$ 1,268,966

Nature of operations and going concern (Note 1)

Subsequent events (Note 10)

On behalf of the Board:

"Anthony Jackson" Director *"Peter Schulhof"* Director

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

WESTRIDGE RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED JULY 31

	2011	2010
EXPENSES		
Advertising and promotion	$ 2,808	$ 9,942
Bank charges	575	143
Consulting	29,011	-
Office and general	26,592	22,667
Investor relations	66,578	15,000
Management fees	90,297	53,800
Professional fees	81,783	61,080
Registration and filing fees	9,795	29,652
Stock-based compensation (Note 5)	202,434	99,259
Transfer agent fees	5,652	4,456
	(515,525)	(295,999)
OTHER ITEM		
Interest income	7,834	2,530
Loss and comprehensive loss	(507,691)	(293,469)
Deficit, beginning of year	(465,070)	(171,601)
Deficit, end of year	$ (972,761)	$ (465,070)
Basic and diluted loss per common share	$ (0.04)	$ (0.03)
Weighted average number of common shares outstanding	13,071,802	8,537,684

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

WESTRIDGE RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (507,691)	$ (293,469)
Item not affecting cash and cash equivalents:		
Stock-based compensation	202,434	99,259
Change in non-cash working capital items:		
Increase in receivables	(4,032)	(20,521)
Decrease (increase) in prepaids and deposits	3,900	(3,900)
Decrease in refundable tax credits receivable	23,473	-
Increase (decrease) in accounts payable and accrued liabilities	24,174	(16,417)
Net cash used in operating activities	(257,742)	(235,048)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	(3,500)	-
Mineral properties expenditures	(176,846)	(87,379)
Net cash used in investing activities	(180,346)	(87,379)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of capital stock	45,000	1,400,000
Share issuance costs paid	-	(158,923)
Net cash provided by financing activities	45,000	1,241,077
Change in cash and cash equivalents during the year	(393,088)	918,650
Cash and cash equivalents, beginning of year	975,340	56,690
Cash and cash equivalents, end of year	$ 582,252	$ 975,340
Cash paid for interest during the year	$ -	$ -
Cash paid for income taxes during the year	$ -	$ -

Supplemental disclosures with respect to cash flows (Note 9)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Westridge Resources Inc. (the "Company") is an exploration stage company incorporated under the laws of the Province of British Columbia on April 30, 2007. The Company is focused on the acquisition, evaluation and exploration of mineral resource properties. To date, the Company has focused its exploration activities on the Mount Sicker property in the southeastern area of Vancouver Island, B.C. The Company also acquired an option to acquire certain concessions in the United Mexican States known as the Charay Project.

The Company trades on the TSX Venture Exchange under the stock symbol WST.

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company has a history of negative cash flows from operations, incurred a net loss of $507,691 during the year ended July 31, 2011 and as of that date has an accumulated deficit of $972,761. The Company continues to be dependent upon its ability to finance its development and exploration programs through financing activities that may include issuances of additional debt or equity securities. The recoverability of the carrying value of exploration projects, and ultimately, the Company's ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, confirmation of the Company's interest in the underlying resource claims, the ability to raise long-term financing to complete the development of the properties and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis, all of which are uncertain.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its Mexican subsidiary, Minera Westridge S.A. de C.V., which is wholly-owned. The subsidiary was incorporated on July 5, 2011 for nominal consideration. All inter-company transactions and accounts have been eliminated upon consolidation.

Use of estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates that affect the amounts reported and disclosed in the financial statements and related notes. Significant areas requiring the use of management estimates include the determination of the carrying value of mineral properties and any impairment thereof, the value of incentive share purchase options, the value of warrants included in private placements, the value of warrants and shares issued as finders fees on private placements, and the valuation of allowances taken on future income tax assets. Financial results as determined by actual events could differ from those estimates.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents include short-term highly liquid investments with original maturities of three months or less or that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Refundable tax credits and mining duties

The Company is entitled to apply for government grants in the form of refundable tax credits and mining duties in respect of qualifying mining exploration expenses incurred in the Province of British Columbia. These recoveries are accounted for using the cost reduction approach whereby amounts received or receivable are applied against the cost of related assets or expenditures.

Impairment of long-lived assets

Long-lived assets are tested for recoverability annually or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Foreign currency translation

The Company's subsidiary's operations are regarded as being integrated and therefore the temporal method of translation has been applied. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year end exchange rates and non-monetary assets and liabilities are translated at historical rates. Foreign currency denominated revenue and expense items are translated at the rate of exchange in effect at the time of the transaction. Foreign currency gains or losses arising on translation are included in income.

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable mineral reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

The Company recognizes a liability for retirement obligations associated with long-lived assets, including the abandonment of mineral properties and returning properties to the condition required in order to satisfy regulatory obligations. Asset retirement obligations are recorded at fair value and recognized in the period incurred, along with a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the Company's credit adjusted risk free interest rate. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of operations, comprehensive loss and deficit. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized on the same basis as the related long-term asset. At this time, the Company does not have any significant asset retirement obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

Basic net loss per share is calculated based on the weighted average number of shares outstanding during the year. Diluted net loss per share is calculated using the treasury stock method. Under the treasury stock method, deemed proceeds from the exercise of stock options and warrants whose exercise prices are below the average market price of the shares are considered to be used to reacquire common shares at the average market price during the year. In years when a loss is incurred, this calculation is anti-dilutive.

Financial instruments

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

The Company has classified its cash and cash equivalents and restricted cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (continued…)

Amendment to financial instruments – disclosures

Effective for the Company's consolidated financial statements for the year ended July 31, 2010, the Canadian Institute of Chartered Accountants ("CICA") amended Section 3862, Financial Instruments – Disclosures ("Section 3862"), to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy under Section 3862 are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
Level 3 – Inputs for assets or liabilities that are not based on observable market data.

See Note 8 for relevant disclosures.

Stock-based compensation

The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Company does not incorporate an estimated forfeiture rate for share purchase options that may not vest, but accounts for forfeitures as they occur.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's shareholders' equity that results from transactions and other events arising from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale investments. The comprehensive income (loss) accounting recommendations require certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other comprehensive income until it is considered appropriate to recognize into net earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Recent accounting pronouncements not yet adopted

International Financial Reporting Standards ("IFRS")

In 2006, the Accounting standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's adoption date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011.

3. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders' equity.

The Company is in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new sources of financing available and to manage its expenditures to reflect current financial resources in the interest of sustaining long term viability.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

4. MINERAL PROPERTIES

The Company's mineral properties consist of:

		Mt. Sicker, Canada		Charay Project, Mexico		Total
Balance July 31, 2009	$	175,249	$	-	$	175,249
Additions						
Acquisition costs		49,500		-		49,500
Mining rights and taxes		11,005		-		11,005
Consulting		31,374		-		31,347
Refundable tax credits		(25,050)		-		(25,050)
Net additions		66,829		-		66,829
Balance July 31, 2010		242,078		-		242,078
Additions						
Acquisition costs		44,250		102,787		147,037
Mining rights and taxes		7,887		-		7,887
Consulting		-		21,965		21,965
Drilling sampling and assay		-		65,314		65,314
Refundable tax credits		(7,884)		-		(7,884)
Net additions		44,253		190,066		234,319
Balance July 31, 2011	**$**	**286,331**	**$**	**190,066**	**$**	**476,397**

Mt. Sicker Property, Duncan, British Columbia, Canada
During November 2007, the Company entered into an option agreement with 747080 BC Ltd. to acquire an 100% interest in the Mt. Sicker Mineral Property located near Duncan, British Columbia. The option agreement calls for the issuance of 400,000 common shares (400,000 issued) and cash payments totaling $150,000 ($95,000 paid) over four years. The property is subject to a 2% net smelter return held by the vendor payable upon commencement of commercial production that is reducible to 1% by paying the vendor $1,000,000. Within 30 days of the commencement of commercial production the Company will issue 400,000 common shares to 747080 BC Ltd.

During the year ended July 31, 2011, the Company issued the last instalment of 75,000 (2010 – 75,000) common shares valued at $29,250 (2010 - $4,500) and made a cash payment of $15,000 (2010 - $45,000) towards the option agreement. The Company has negotiated an extension to January, 2012 on the remaining $55,000 of option payments due.

Charay Project, Mexico
Subsequent to the year ended July 31, 2011, the Company entered into an option agreement with Musgrove Minerals Corp. for an option to acquire an 80% interest in and to certain mineral concessions in the United Mexican States known as the Charay Project by making certain work commitments, payments and issuing common shares of the Company as detailed in Note 10. The Company will have the right to purchase the remaining 20% interest from Musgrove for a single $5,000,000 lump sum payment.

Prior to the Company entering into an option agreement, the Company incurred certain acquisition and other due diligence costs which are capitalized to the Charay project.

4. MINERAL PROPERTIES (Cont'd)

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge; title to all of its properties is in good standing.

The Company has one operating segment, mineral exploration, and all assets of the Company are located in Canada expect for its mineral property interest in Mexico, described above. The Company operates in two geographical segments; Canada and Mexico and corporate administrative activities are conducted in Canada.

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares, without par value			
Issued			
Balance, July 31, 2009	6,999,994	$ 420,000	$ -
Initial public offering	5,896,000	1,474,000	-
Shares issued for mineral properties	75,000	4,500	-
Share issuance costs	-	(272,706)	-
Agent's warrants	-	(73,812)	73,812
Stock-based compensation	-	-	99,259
Balance, July 31, 2010	12,970,994	1,551,982	173,071
Shares issued for mineral properties	75,000	29,250	-
Shares issued for warrants exercised	180,000	68,725	(23,725)
Stock-based compensation	-	-	202,434
Balance, July 31, 2011	**13,225,994**	**$ 1,649,957**	**$ 351,780**

During the year ended July 31, 2011, the Company issued 75,000 common shares valued at $29,250 pursuant to the mineral property option agreement (described in Note 4) and 180,000 common shares for exercised warrants for gross proceeds of $45,000; accordingly, the fair value component, $23,725 was transferred from contributed surplus, resulting in an increase of capital stock by $68,725.

During the year ended July 31, 2010, the Company:

a) Issued 5,600,000 common shares at $0.25 per share for proceeds of $1,400,000 by way of initial public offering ("IPO"). In connection with the Company's IPO, the Company also issued 296,000 common shares as commissions and finders fees valued at $74,000 and paid $198,706 in cash of which $39,783 was incurred as deferred financing fees in the prior year. In addition, the Company granted 560,000 agent's warrants exercisable at $0.25 per share expiring May 4, 2012 as finders fees. The Company valued these agent's warrants at $73,812 using the Black-Scholes valuation model with a volatility of 100%, dividend rate of 0.0%, expected life of 2 years and a risk free rate of 1.41%.

b) Issued 75,000 shares valued at $4,500 pursuant to the mineral property option agreement (described in Note 4).

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Cont'd)

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years with vesting determined by the board of directors.

Stock options and share purchase warrants

Stock option and share purchase warrant transactions are summarized as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding July 31, 2009	-	$ -	-	$ -
Granted	650,000	0.27	560,000	0.25
Outstanding July 31, 2010	650,000	0.27	560,000	0.25
Granted	700,000	0.46	-	-
Exercised	-	-	(180,000)	0.25
Expired	(150,000)	0.35	-	-
Outstanding, July 31, 2011	1,200,000	$ 0.37	380,000	$ 0.25
Number exercisable at July 31, 2011	1,050,000	$ 0.35	380,000	$ 0.25

During the year ended July 31, 2011, the Company:

a) granted 400,000 share purchase options, exercisable at a price of $0.40 for five years, to directors and officers which vested immediately.

b) granted 150,000 share purchase options, exercisable at a price of $0.53 for five years, to an officer of the Company, vesting immediately.

c) granted 150,000 share purchase options to an individual providing investor relation services to the Company, exercisable at $0.53, expiring July 13, 2012. The options vest in stages over the 12 month period with 25% of the options vesting in every three month period.

The total stock-based compensation expensed was $202,434 and the weighted average fair value of the stock options granted was $0.46. The exercise price of all options granted was equal to the market price of the Company's stock on the grant date.

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted and vested during 2011 and 2010:

	2011	2010
Risk-free interest rate	1.58%	1.85%
Expected life of options	5 years	3 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%

The following incentive stock options and share purchase warrants were outstanding at July 31, 2011:

	Number of Shares	Exercise Price	Expiry Date
Stock options	500,000	0.25	May 4, 2015
	400,000	0.40	February 22, 2016
	150,000	0.53	July 13, 2012
	150,000	0.53	July 13, 2016
	1,200,000		
Warrants	380,000	0.25	May 4, 2012

Escrow shares

Included in issued share capital are 1,835,599 common shares which are subject to an escrow agreement. On May 4, 2010, when the Company completed the IPO, 10% was released from escrow and the remaining shares will be released over 36 months from May 4, 2010.

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $79,297 (2010 - $53,800) to companies controlled by officers of the Company.

b) Paid or accrued consulting fees of $14,000 (2010 - $nil) to a company controlled by a financial officer of the Company.

c) Paid or accrued consulting fees of $11,408 (2010 - $nil) to director of the Company.

d) Paid or accrued professional fees of $nil (2010 - $25,000) to a former officer of the Company.

Included in accounts payable and accrued liabilities is $13,829 (2010 - $6,885) due to related parties.

These transactions have been in the normal course of operations and are recorded at their exchange amounts, which is the consideration agreed upon by the related parties.

7. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

		2011		2010
Loss before income taxes	$	507,691	$	293,469
Expected income tax recovery at 27.33% (2010 - 29.13%)	$	138,752	$	85,473
Non-deductible items for income tax purposes		(55,716)		(28,909)
Deductible share issuance costs		15,181		20,475
Unrecognized benefit of non-capital losses		(98,217)		(77,039)
Net income tax recovery	$	-	$	-

The significant components of the Company's future income tax assets and liabilities are as follows:

		2011		2010
Future income tax asset (liability):				
Mineral properties	$	(55,600)	$	1,300
Non-capital loss carry forwards		237,600		93,000
Share issuance costs		38,900		68,000
		220,900		162,300
Less: valuation allowance		(220,900)		(162,300)
Net future income tax assets	$	-	$	-

The Company has Canadian non-capital losses carried forward for income tax purposes of approximately $714,950 which can be applied against future years' taxable income. These losses will expire through to 2031. Future tax benefits which may arise as a result of these non-capital losses have been offset by a valuation allowance and have not been recognized in these financial statements.

The Company has Mexican non-capital losses carried forward for income tax purposes of approximately $196,050 which can be applied against future years' taxable income, the benefit of which has been recognized. These losses will expire through to 2021.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

Fair value

Cash and cash equivalents and restricted cash are carried at fair value using a level 1 fair value measurement.

The carrying value of receivables and accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at July 31, 2011, the Company had a cash and cash equivalents balance of $582,252 (2010 - $975,340) to settle current liabilities of $61,380 (2010 - $8,983). All of the Company's financial liabilities are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

(a) Interest rate risk

The Company has cash and cash equivalents balances and no interest-bearing debt. The Company's current policy is to maintain cash in reputable banking institutions and does not believe interest rate risk to be significant.

(b) Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. At July 31, 2011, the company has US dollar denominated accounts receivable and accounts payable and accrued liabilities of US$16,000 and US$39,849 respectively. Based on these net exposures at July 31, 2011, a 10% appreciation and depreciation of the Canadian dollar against the US dollar would result in an increased or decrease of $2,403 in the Company's loss.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended July 31, 2011 included:

a) Issuing 75,000 common shares valued at $29,250 pursuant to a mineral property option agreement

b) Included in mineral properties is $28,223 which is included in accounts payable and accrued liabilities.

c) Transferred $23,725 to capital stock from contributed surplus for agents warrants exercised.

Significant non-cash transactions during the year ended July 31, 2010 included:

a) Issuing 75,000 common shares valued at $4,500 pursuant to a mineral property option agreement.

b) Accruing mineral property recoveries of $25,050 through refundable tax credits receivable.

c) Issuing 296,000 common shares as finders fees on private placements valued at $74,000 as share issuance costs and granting 560,000 warrants as finders fees valued at $73,812 through contributed surplus.

d) Incurring share issuance cost of $39,783 paid in prior years.

Cash and cash equivalents consist of :

	2011	2010
Cash on deposit	$ 2,252	$ 75,340
Guaranteed investment certificate	580,000	900,000
	$ 582,252	$ 975,340

10. SUBSEQUENT EVENTS

a) On August 11, 2011, the Company entered into an option agreement (the "Option Agreement") with Musgrove Minerals Corp. ("Musgrove", TSX-V: MGS), an arm's length company, whereby the Company has been granted an option to acquire up to a 100% interest in and to certain concessions in the United Mexican States known as the Charay Project (the "Charay Project").

Under the terms of the Option Agreement, Company has the exclusive right and option (the "Option") to earn an initial 80% interest in the Charay Project by paying to Musgrove, an aggregate of $550,000, with not less than $225,000 payable on the first anniversary date from the date of approval of the Option Agreement by the TSX Venture Exchange (the "Effective Date") and not less than an additional $225,000 payable on the second anniversary date from the Effective Date. The Company has also agreed, during the term of the Option Agreement, to assume payments to certain underlying owners of the Charay Project and will pay an aggregate of $2,367,500 over a two year period commencing on the Effective Date. In addition, the Company will issue to Musgrove an aggregate of 1,200,000 common shares in the capital of the Company, with 400,000 common shares issuable on the Effective Date, an additional 400,000 common shares issuable on the first anniversary date from the Effective Date and an additional 400,000 common shares issuable on the second anniversary date from the Effective Date.

The Company has also agreed to fund a work program of not less than $500,000 on or before December 31, 2011 and assume Musgrove's indebtedness to a vendor in the principal amount of $258,000 plus interest at a rate of $1,720 per month. This indebtedness is due on demand by the vendor and remains binding on the Company if the option agreement is terminated. If the option agreement is terminated before the work program of $500,000 is fully funded, the Company shall pay the vendor the dollar amount equal to the unfunded balance. After earning an 80% interest in the Charay Project, Musgrove's 20% interest will be carried to the earlier of commercial production or the exercise by the Company of an option to acquire the remaining 20% interest. The Company will have the right at any time up to 60 months from the Effective Date, to purchase the remaining 20% interest from Musgrove for a single $5,000,000 lump sum payment.

The Charay Project is subject to a 2% net smelter return royalty payable upon commencement of commercial production. At all times during the term of the Option, the Company will be the operator for all exploration and development activities on the Charay Project.

b) On September 20, 2011, the Company announced, a non-brokered private placement of up to 3,076,924 units at a price of $0.65 per unit, for gross proceeds of up to $2,000,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share of the Company for a period expiring six months from the closing of the offering at a price of $0.85 per share for the first four months of the exercise period and at a price of $1.00 per share for the following two months of the exercise period until the expiry date.