Westridge Resources Inc.

Consolidated Financial Statements

Years Ended July 31, 2012 and 2011

Independent auditor’s report

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To the Shareholders of Westridge Resources Inc.:

We have audited the accompanying consolidated financial statements of Westridge Resources Inc., which comprise the consolidated statements of financial position as at July 31, 2012, July 31, 2011 and August 1, 2010, and the consolidated statements of comprehensive loss, consolidated statements of changes in shareholder’s equity and consolidated statements of cash flows for the years ended July 31, 2012 and 2011, 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

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

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

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

Opinion

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

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which indicate that the company incurred a net loss of $1,326,212 during the year ended July 31, 2012 and, as of that date, the company's current liabilities exceeded its current assets by $523,486. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Grant Thornton LLP

Vancouver, Canada

November 26, 2012 — Chartered accountants

Westridge Resources Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	July 31, 2012	July 31, 2011 (Note 18)	August 1, 2010 (Note 18)
ASSETS				
Current assets				
Cash and cash equivalents	6	$ 248,869	$ 582,252	$ 975,340
Accounts receivable	8	97,150	28,207	47,648
Prepaid expenses		-	-	3,900
		346,019	610,459	1,026,888
Non-current assets				
Restricted cash	7	3,500	3,500	-
Exploration and evaluation assets	9	2,089,752	286,331	242,078
		2,093,252	289,831	242,078
TOTAL ASSETS		**$ 2,439,271**	**$ 900,290**	**$ 1,268,966**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	10/13	$ 547,669	$ 61,380	$ 8,983
Shareholder loan	13	66,748	-	-
Convertible debenture	11	255,088	-	-
TOTAL LIABILIITES		**869,505**	**61,380**	**8,983**
SHAREHOLDERS' EQUITY				
Share capital	12	3,293,812	1,649,957	1,551,982
Subscription received	12	225,000	-	-
Equity component of convertible loan	11	4,691	-	-
Contributed surplus	12	535,302	351,780	173,071
Accumulated deficit		(2,489,039)	(1,162,827)	(465,070)
TOTAL EQUITY		**1,569,766**	**838,910**	**1,259,983**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 2,439,271**	**$ 900,290**	**$ 1,268,966**

Going concern (Note 2)
Commitments and contingencies (Note 14)
Subsequent events (Notes 20)

On behalf of the Board:

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

See accompanying notes to the consolidated financial statements

Westridge Resources Inc.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Year ended July 31, 2012	Year ended July 31, 2011 (Note 18)
Expenses			
Accounting and Audit		$ 46,313	$ 26,255
Advertising and promotion		81,175	2,808
Bank charges		5,392	575
Exploration and evaluation expenses	18	-	190,066
Office and general		33,417	26,592
Investor relations		195,549	66,578
Management fees	13	269,761	90,297
Professional fees		103,396	84,539
Registration and filing fees		24,759	9,795
Foreign currency loss		437	-
Stock-based compensation	12	271,083	202,434
Transfer agent fees		9,368	5,652
Loss before other items		(1,040,650)	(705,591)
Other items			
Write off exploration and evaluation assets	9	(286,331)	-
Interest income		769	7,834
Net loss and comprehensive loss for the year		**(1,326,212)**	**(697,757)**
Basic and diluted loss per common share		**$ (0.09)**	**$ (0.05)**
Weighted average number of shares outstanding - basic and diluted		**14,834,498**	**13,071,802**

See accompanying notes to the consolidated financial statements

Westridge Resources Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

		Share Capital						
	Notes	Number of shares	Amount	Equity component of convertible loan	Contributed Surplus	Deficit	Subscription received	Total
Balance at July 31, 2010		**12,970,994**	**$ 1,551,982**	**$ -**	**$ 173,071**	**$ (465,070)**	**$**	**$ 1,259,983**
Net loss for the year		-	-		-	(697,757)		(697,757)
Stock-based compensation		-	-	-	202,434	-	-	202,434
Shares issued for mineral properties	12	75,000	29,250	-	-	-	-	29,250
Shares issued for cash – warrants exercise		180,000	68,725	-	(23,725)	-	-	45,000
Balance at July 31, 2011		**13,225,994**	**$1,649,957**	**$ -**	**$ 351,780**	**$ (1,162,827)**	**$**	**$ 838,910**
Net loss for the year		-	-	-	-	(1,326,212)	-	(1,326,212)
Stock-based compensation		-	-	-	271,083	-	-	271,083
Shares issued for mineral properties		523,076	313,846	-	1,178	-	-	315,024
Options exercised	12	225,000	119,815	-	(63,565)	-	-	56,250
Shares to be issued		-	-	-	-	-	225,000	225,000
Shares issued for cash, warrants exercise		380,000	178,917	-	(83,917)	-	-	95,000
Shares issued for cash, private placement		1,796,145	1,128,980	-	38,514	-	-	1,167,494
Share issue costs		-	(97,703)	-	20,229	-	-	(77,474)
Issuance of convertible loan		-	-	4,691	-	-	-	4,691
Balance at July 31, 2012		**16,150,215**	**$3,293,812**	**$ 4,691**	**$ 535,302**	**$ (2,489,039)**	**$ 225,000**	**$ 1,569,766**

First-time adoption of IFRS (Note 18)

Westridge Resources Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended July 31, 2012	Year ended July 31, 2011 (Note 18)
Operating activities		
Net loss for the year	$ (1,326,212)	$ (697,757)
Adjustments for non-cash items:		
Stock-based compensation	271,083	202,434
Write off exploration and evaluation assets	286,331	-
Changes in non-cash working capital items:		
Receivables	(68,943)	19,441
Prepaid expenses	-	3,900
Accounts payable and accrued liabilities	486,289	24,174
Net cash flows used in operating activities	(351,452)	(447,808)
Investing activities		
Change in restricted cash	-	(3,500)
Expenditures on exploration and evaluation assets	(1,514,949)	13,220
Net cash flows (used in) from investing activities	(1,514,949)	9,720
Financing activities		
Shareholder loan	66,748	-
Option exercise	56,250	-
Shares issued for cash, warrants exercise	95,000	45,000
Shares issued for cash, private placement	1,167,494	-
Shares to be issued	225,000	-
Share issue costs	(77,474)	-
Net cash flows from financing activities	1,533,018	45,000
Decrease in cash and cash equivalents	(333,383)	(393,088)
Cash and cash equivalents, beginning of year	582,252	975,340
Cash and cash equivalents, ending of year	**$ 248,869**	**$ 582,252**

Supplemental cash flow information (Note 19)

See accompanying notes to the consolidated financial statements

1. Nature of operations

Westridge Resources Inc. ("the Company or Westridge") 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.

The head office, principal and registered address and records office of the Company are located at 1030 West Georgia Street, Suite 717, Vancouver, B.C. V6E 2Y3

2. Basis of presentation

Going concern

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. As at July 31, 2012 the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern.

The Company's continuation as a going concern is dependent upon the successful results from its exploration and evaluation activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares.

There is, however, no assurance that the sufficient sources of funding described above will be available to the Company, or that they will be available on terms and timely basis that are acceptable to the Company. Accordingly, these financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

As at July 31, 2012, the Company had a net working capital deficiency (current assets minus current liabilities) of $523,486 and an accumulated deficit of $2,489,039 (July 31, 2011 - $1,162,827) since inception and expect to incur further losses.

Statement of compliance and conversion to International Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are in effect at the end of the reporting period (July 31, 2012).

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

These accounting policies have been used throughout all periods presented in the financial statements, except where the Company has applied certain accounting policies and exemptions

2. Basis of presentation (cont'd)

upon transition to IFRS. The exemptions applied by the Company and the effects of transition to IFRS are presented in note 18.

Statement of compliance and conversion to International Financial Reporting Standards

The financial statements were authorized for issue on November 28, 2012 by the directors of the Company.

3. Significant judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates by a material amount.
Matters that require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Mineral reserves

Proven and probable mineral reserves are the economically mineable parts of the Company's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Company estimates its proven and probable mineral reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. The estimation of future cash flows related to proven and probable mineral reserves is based upon factors such as assumptions related to foreign exchange rates, commodity prices, future capital requirements, metal recovery factors and production costs along with geological assumptions and judgments made in estimating the size and grade of ore bodies. Changes in proven and probable mineral reserves or measured and indicated and inferred mineral resource estimates may impact the carrying value of mineral properties, plant and equipment, asset retirement obligations, recognition of deferred tax amounts and amortization.

Purchase price allocation

Applying the acquisition method to asset or business acquisitions requires each identifiable asset and liability to be measured at its acquisition-date fair value. The determination of acquisition-date fair values requires that management make assumptions about future events and estimates about the future recoverability of assets. The assumptions and estimates used to determining the fair value of the net assets acquired require a high degree of judgment, and include estimates of mineral reserves or resources acquired, future metal prices, the amount of and the timing of the receipt of revenue and the disbursements for operating and capital costs, and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets and liabilities in the purchase price allocation.

3. Significant judgments, estimates and assumptions (cont'd)

Amortization

Plant, equipment and other facilities used directly in mining activities are amortized using the units-of production ("UOP") method over a period not to exceed the estimated life of the related ore body based on recoverable metals to be mined from proven and probable mineral reserves. Mobile and other equipment are amortized, net of residual value, on a straight-line basis, over their useful lives, which are not to exceed the estimated life of the related ore body. The calculation of the UOP rate and life of the ore body, and therefore the annual amortization expense, could be materially affected by changes in the underlying estimate of recoverable metals or other estimates. Changes in estimates may result from differences between actual future production and current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in metal prices used in the estimation of mineral reserves. Significant judgment is involved in the determination of useful life and residual values for the computation of amortization and no assurance can be given that the actual useful lives or residual values will not differ significantly from current assumptions.

Commencement of commercial production

The Company assesses the stage of each mine under construction to determine when a property reaches the stage when it is substantially complete and ready for its intended use. Criteria used to assess when a property has commenced commercial production including, among other considerations:

- The level of capital expenditures incurred relative to the expected costs to complete;
- The completion of a reasonable period of testing of the mine plant and equipment;
- The ability to produce saleable metals;
- The attainment of all relevant permits;
- The ability to sustain ongoing production; and
- Achievement of pre-determined production targets.

When management determines that a property has commenced commercial production, costs deferred during development are reclassified to property, plant and equipment and amortized.

Asset retirement obligation

The Company assesses its provision for reclamation and remediation on an annual basis or when new information or circumstances merit a re-assessment. Significant estimates and assumptions are made in determining the provision for reclamation and remediation, including estimates of the extent and costs of the activities, technological changes, regulatory changes, foreign exchange rates, inflation rates and discount rates. The provision for asset retirement obligations represents management's best estimate of the present value of the future reclamation and remediation obligation. Actual expenditures may differ from the recorded amount. Changes to the provision for reclamation and remediation are recorded with a corresponding change to the carrying value of the related asset. If the increase in the asset results in the asset exceeding the recoverable value, that portion of the increase in charged to expense.

3. Significant judgments, estimates and assumptions (cont'd)

Deferred taxes

The Company recognizes the deferred tax benefit of deferred tax assets to the extent their recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred tax assets.

Share-based payments

Share-based payments are determined using the Black-Scholes Option Pricing Model based on estimated fair values of all share-based awards at the date of grant. The Black-Scholes Option Pricing Model utilizes assumptions such as expected price volatility, the expected life of the option and the number of options that may be forfeited. Changes in these input assumptions may affect the fair value estimate.

Impairment of long-lived assets

Annually, or more frequently as circumstances require (such as a substantive decrease in metal prices, an increase in operating costs, a decrease in mineable resources or a change in foreign taxes or exchange rates), reviews are undertaken to evaluate the carrying value of the mining properties, mineral properties and plant and equipment considering, among other factors: the carrying value of each type of asset; the economic feasibility of continued operations; the use, value or condition of assets when not in operation; and changes in circumstances that affect decisions to reinstall or dispose of assets.

Impairment is considered to exist if the recoverable amount is less than the carrying amount of the assets.

Future cash flows used to assess recoverability are estimated based on expected future production, recoverability of resources, commodity prices, foreign exchange rates, operating costs, reclamation costs and capital costs. Management's estimate of future cash flows is subject to risks and uncertainties, including the discount rate assumption. It is possible that changes in estimates may occur, that affect management's estimate of the recoverability of the investments in long-lived assets. To the extent that the carrying amount of assets exceeds the recoverable amount, the excess is charged to expense.

Fair value is determined with reference to estimates of future discounted cash flow or to recent transactions involving dispositions of similar properties. Management believes that the estimates applied in the impairment assessment are reasonable; however, such estimates are subject to significant uncertainties and judgments. Although management has made its best estimate of these factors based on current and expected conditions, it is possible that the underlying assumptions could change significantly and impairment charges may be required in future periods. Such charges could be material.

3. Significant judgments, estimates and assumptions (cont'd)

Convertible Loan

The convertible loan is initially recorded at fair value and subsequently measured at amortized cost. The convertible loan is allocated between the debt and equity components using the residual method at the date of issuance and is recorded net of transaction costs. The debt component is accreted to the face value using the effective interest method, with the resulting charge recorded as accretion on convertible loan, which is included in interest on convertible loan in the consolidated statement of operations.

In instances where the Company issues equity instruments to settle all or a part of the outstanding debt, the equity instruments are treated as consideration paid and are measured initially at fair value of the equity instruments issued, or when not reliably measurable, at the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss. If the financial liability is not fully extinguished, and terms related to the remaining portion have been modified, the Company allocates the consideration paid between the extinguished portion and the modified portion.

4. Significant accounting policies and basis of preparation

Basis of preparation

These consolidated financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, revenue and expense as set out in the accounting policies below. Certain items, including derivative financial instruments, are stated at fair value.

The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned*		
	Country of incorporation	**July 31, 2012**	**July 31, 2011**	**August 1, 2010**
Minera Westridge S.A. de C.V.	Mexico	100%	N/A	N/A

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

4. Significant accounting policies and basis of preparation (cont'd)

Foreign currency translation

The functional currency of each of the Company's subsidiaries 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 subsidiaries of the Company has also been determined to be the Canadian dollar.

Transactions and balances:

Foreign currency transactions are translated into 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 loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

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.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

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, plant 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.

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 contributed surplus. The fair value of

4. Significant accounting policies and basis of preparation (cont'd)

Share-based payments (cont'd)

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.

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 financial assets and other 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. 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 where they 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 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.

Other 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 assets, a significant or prolonged decline in the value of the instrument is an objective evidence of impairment. The Company does not have any derivative financial assets and liabilities.

4. Significant accounting policies and basis of preparation (cont'd)

Impairment of assets

The carrying amount of the Company's assets (which 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 profit or loss.

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.

Intangible assets that have an indefinite useful life and intangible assets that are not yet available for use are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Income taxes

<u>Current tax:</u>

Current 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 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.

<u>Deferred tax:</u>

Deferred tax is provided using the liability 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 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 tax asset to be utilized.

4. Significant accounting policies and basis of preparation (cont'd)

Deferred tax (cont'd):

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

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

As at July 31, 2012, July 31, 2011 and August 1, 2010, the Company did not have any restoration and environmental obligations.

Leases

Finance leases are capitalized by recording an asset and a liability at the lower of the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognized as a liability and amortized on a straight-line basis over the life of the lease term.

4. Significant accounting policies and basis of preparation (cont'd)

Property, plant and equipment

Property, plant and equipment are 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 profit or loss 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.

Property and equipment are recorded at cost less accumulated depreciation. Half year rule is applied to the first year of acquisition. Depreciation is provided on a straight line basis over the estimated useful lives of the assets.

Contingencies

Contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted.

Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction/development or exploration of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

4. Significant accounting policies and basis of preparation (cont'd)

Provisions (cont'd)

Provisions are measured as the expenditure expected to be required to settle the obligation at the reporting date. In cases where it is determined that the effects of the time value of money are significant, the provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

Convertible loan

The convertible loan was initially recorded at fair value and subsequently measured at amortized cost. The convertible loan is allocated between the debt and equity components using the residual method at the date of issuance and is recorded net of transaction costs. The equity component is estimated using the residual method and the debt component is accreted to the face value using the effective interest method, with the resulting charge recorded as accretion on convertible loan, which is included in interest on convertible loan in profit or loss.

5. Accounting standards issued by not yet effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This new standard is effective for annual periods beginning on or after January 1, 2015.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

New standard IFRS 10 "Consolidated Financial Statements"

IFRS 10, Consolidated Financial Statements ("IFRS 10") was issued by the IASB on May 2011 and will replace IAS 27, Consolidated and Separate Financial Statements ("IAS 27"), and SIC-12, Consolidation – Special Purpose Entities ("SIC-12"). Concurrent with IFRS 10, the IASB issued IFRS 11, Joint Ventures; IFRS 12, Disclosures of Involvement with Other Entities; IAS 27, Separate Financial Statements, which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; IAS 28, Investments in Associates and Joint Ventures, which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013. The Company does not expect these pronouncements to have a significant impact on its results and financial position.

New standard IFRS 13 "Fair Value Measurement"

IFRS 13, Fair Value Measurement ("IFRS 13") was issued by the IASB on May 2011. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement so assumptions that market participants would use should be applied in measuring fair value. The new standard is effective for annual periods on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard on its financial statements.

(Expressed in Canadian dollars)

5. Accounting standards issued by not yet effective (cont'd)

Amendment to IAS 1 "Presentation of Financial Statements"

The IASB issued amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1") to require companies preparing financial statements under IFRS to Company items within Other Comprehensive Income ("OCI") that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statements or two consecutive statements. The amendments to IAS 1 are effective for fiscal years beginning on or after July 1, 2012. The Company is currently assessing the impact of these amendments on its financial statements.

New IFRIC 20 "Stripping costs in the Production Phase of a Surface Mine"

In October 2011, the IASB issued IFRIC Interpretation 20 clarifying when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

6. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

	July 31, 2012	July 31, 2011	August 1, 2010
Cash at bank	$ 248,869	$ 2,252	$ 975,340
Guaranteed investment certificate	-	580,000	-
	$ 248,869	$ 582,252	$ 975,340

7. Restricted Cash

On August 6, 2010 $3,500 a security deposit was made to Ministry of Energy and Mines of Canada in accordance with an agreement in connection with the Company's Mt. Sicker property. The deposit was released subsequent to July 31, 2012.

8. Accounts receivable

Accounts receivable consist of interest, sales taxes, value-added taxes and other tax credits receivable.

(Expressed in Canadian dollars)

9. Exploration and evaluation assets

		Total for year ended July 31, 2012		Total for year ended July 31, 2011
Exploration and evaluation costs				
Balance, beginning of year	$	286,331	$	242,078
Costs incurred during period:				
Acquisition costs		1,332,375		44,250
Mining rights and taxes		-		7,887
Consulting		394,158		-
Drilling sampling and assay		363,219		-
Refundable tax credits		-		(7,884)
Write off exploration and evaluation assets		(286,331)		-
		1,803,421		44,253
Balance, end of year	$	2,089,752	$	286,331

Mt. Sicker Property, Duncan, British Columbia, Canada

During November 2007, the Company entered into an option agreement with 747080 BC Ltd. to acquire a 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 can be reduced 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. During the year ended July 31 2012, the Company terminated its option to earn an interest in the Mt. Sicker Property. As a result, the property was written down by $286,331 to nil.

Charay Project, Mexico

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 located in the Sinaloa State, Mexico 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 January 27, 2012 and not less than an additional $225,000 payable by January 27, 2014.

(Expressed in Canadian dollars)

9. Exploration and evaluation assets (cont'd)

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 on or before January 27, 2014. In addition, the Company will issue to Musgrove an aggregate of 1,200,000 common shares of the Company, with 400,000 common shares already issued on January 27, 2012, an additional 400,000 common shares issuable on January 27, 2013 and the final 400,000 common shares issuable on January 27, 2014.

The Company has also agreed to fund a work program of not less than $500,000 to be incurred on or before February 28, 2012 and assume Musgrove's indebtedness to a vendor in the principal amount of $258,000 plus interest at an amount of $1,720 per month (Note 11). In accordance with the Agreement, the Company spent over $500,000 on the work program, whereas the interest payments were capitalized. The 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. As of July 31, 2012 the Company paid $671,162 as a part of the Option Agreement. The Agreement was not terminated due to ongoing work program.

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 January 27, 2017, 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.

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.

10. Accounts payable and accrued liabilities

		July 31, 2012		July 31, 2011		August 1, 2010
Accounts payable and accrued liabilities	$	375,666	$	47,551	$	2,098
Amounts due to related parties (Note 12)		172,003		13,829		6,885
	$	547,669	$	61,380	$	8,983

11. Convertible debenture

Under the terms of the Loan Agreement ("the Loan") effective February 22, 2012, the Company has issued a convertible debenture in the principal amount of $258,000 bearing interest at a rate of 8% per annum, calculated and payable monthly.

Pursuant to the Loan Agreement, the Company has the right to redeem, at any time, any portion of the principal amount outstanding by payment of that portion of the principal amount that is being redeemed to the creditor.

(Expressed in Canadian dollars)

11. Convertible debenture (cont'd)

Pursuant to the Loan Agreement, the creditor may convert the convertible debenture, in whole and not in part, by providing notice to Westridge into common shares of the Company at a price of $0.65 per common share until February 1, 2013. Within 14 days following the receipt by Westridge of the Conversion Notice, Westridge has the options exercisable at its sole discretion to either: (i) issue that number of common shares to the creditor as set out in the Loan Agreement as above; (ii) direct the creditor to transfer the convertible debenture to a third party by paying to the creditor 5% of the principal amount then outstanding; or (iii) redeem the principal amount by paying that portion of the principal amount being redeemed to the creditor.

Westridge may, at its option, extend the maturity date of February 1, 2013 for an additional 12 months by making a payment of 3% of the principal amount then outstanding to the creditors. An initial fee of $7,749 was paid to the creditor as part of the Agreement.

For accounting purposes, the Loan contains both a liability component and an equity component, being the lender's conversion option to shares, which have been separately presented on the consolidated statement of financial position. The Company allocated the original $258,000 principal of the Loan to the individual liability and equity components by establishing the fair value of the liability component at the date of issue and then allocating the remaining balance of the net proceeds to the equity component. The fair value of the liability component was determined by discounting the stream of future payments of interest and principal amounts at the estimated prevailing market rate at the date of issuance of 10% for a debt instrument of similar maturity and credit quality but without any share conversion option for the lenders. Including the impact of the costs of issuance, applying the effective interest method, the liability component of the Loan bears an effective annual interest rate of 10%.

The convertible loan is made up as follows:

		July 31, 2012		July 31, 2011
Equity component	$	**4,691**	$	**-**
Liability component, at the date of issuance	$	253,309	$	**-**
Accretion of interest		1,779		-
Liability component, end of year	$	**255,088**	$	**-**

(Expressed in Canadian dollars)

12. Share capital

Authorized share capital

Unlimited number of common shares without par value.

	Number of shares	Share capital	Subscription received	Contributed surplus
Balance as at August 1, 2010	12,970,994	$ 1,551,982	$ -	$ 173,071
Shares issued for properties (Note 8)	75,000	29,250	-	-
Warrants exercised	180,000	68,725	-	(23,725)
Stock-based compensation	-	-	-	202,434
Balance as at July 31, 2011	13,225,994	1,649,957	-	351,780
Shares issued for properties (Note 8)	523,076	313,846	-	1,178
Option exercised	225,000	119,815	-	(63,565)
Warrants exercised	380,000	178,917	-	(83,917)
Private placement (i)(iii)	1,796,145	1,128,980	-	38,514
Shares to be issued (iv)	-	-	225,000	-
Stock-based compensation	-	-	-	271,083
Share issuance costs	-	(97,703)	-	20,229
Balance as at July 31, 2012	16,150,215	$ 3,293,812	$ 225,000	$ 535,302

Issued share capital

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 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, 2012,

(i) On December 23, 2011 the first tranche of the private placement consisting of the issuance of 1,540,568 units (the "Units") at a price of $0.65 per Unit for gross proceeds of $1,001,369 (the "First Tranche") was received. Each Unit consists of one common share of the Company (a "Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of $0.85 until December 23, 2012. In connection with the First Tranche, the Company paid certain finders a cash commission totalling $77,474 and issued to the finders 119,164 unit purchase warrants (the "Finder's Warrants").

(ii) On January 27, 2012, the Company entered into an option agreement with wholly-owned subsidiary, Minera Westridge S.A. de C.V. ("Minera"), with Musgrove Minerals Corp. ("Musgrove") and its wholly-owned subsidiary, Minerales Jazz S.A. de C.V. As a part of the agreement 400,000 common shares (the "Finder's Shares") were issued to Musgrove. The Company issued 123,076 common shares (the "Finder's Shares") and 11,538 common share purchase warrants (the "Finder's Warrants") to Fibre-Crown Manufacturing Inc., an arm's length party to the Company, as a finder's fee in connection with the Option Agreement.

12. Share capital (cont'd)

(iii) On February 24, 2012, the second tranche of the private placement consisting of the issuance of 255,577 units (the "Units") at a price of $0.65 per Unit for gross proceeds of $166,125 (the "Second Tranche") was received. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to acquire one additional common share of the Company at a price of $0.85 until February 24, 2013. The Company did not pay any finder's fees in connection with the Offering.

(iv) Shares to be issued includes subscription agreements received for shares to be allocated after July 31, 2012. Subsequent to July 31, 2012, a private placement consisting of 1,589,600 Units, including 900,000 Units at a price of $0.25 for share to be issued, was closed.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended July 31, 2012 was based on the loss attributable to common shareholders of $1,326,212 (2011 - $697,757) and the weighted average number of common shares outstanding of 14,834,498 (2011 – 13,071,802).

Diluted loss per share did not include the effect of 1,490,000 (July 2011 – 1,200,000) stock options and 1,028,764 (July 2011 – 380,000) warrants as the effect would be anti-dilutive.

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.

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 options were valued using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.58%, an expected life of 5 years, annualized volatility of 100% ,a dividend rate of 0%.

During the year ended July 31, 2012, the Company:

On November 18th, 2011 the Company granted 150,000 options at an exercise price of $0.60 for a period of five years to a consultant. The options vest in stages over the 12 month period with 25% of the options vesting in every three month period. On February 24, 2012 105,000 options were cancelled. The consultant was considered as a non employee. The Company considers the best way to value the options issued to a consultant as compensation for the services provided to the company to be the Black-Scholes option pricing model.

(Expressed in Canadian dollars)

12. Share capital (cont'd)

On December 13, 2011 the Company granted 140,000 options at an exercise price of $0.65 for a period of five years to a consultant. The options vest in stages over the 12 month period with 25% of the options vesting in every three month period. On February 24, 2012 95,000 options were cancelled. The consultant was considered as a non employee. The Company considers the best way to value the options issued to a consultant as compensation for the services provided to the company to be the Black-Scholes option pricing model.

On February 12, 2012 the Company granted 525,000 options at an exercise price of $0.65 for a period of five years to directors, which vested immediately.

On February 24, 2012 the Company granted 200,000 options at an exercise price of $0.65 for a period of five years to directors, which vested immediately.

The options were valued using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.88%, an expected life of 5 years, annualized volatility of 73% ,a dividend rate of 0%. and a forfeiture rate of 23%

The share price and exercise price used in determining share-based payment amounts are equal to the closing share price and exercise price on the day that stock options are granted. Option pricing models such as Black-Scholes require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options. Volatility is determined based upon historical volatility of the Company's common shares, generally for a period equal to the expected life of the stock options.

The changes in options during the year ended July 31, 2012 and the year ended July 31, 2011 are as follows:

	July 31, 2012		**July 31, 2011**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning of year	1,200,000	$ 0.37	650,000	$ 0.27
Options exercised	(225,000)	0.25	-	-
Options granted	1,015,000	0.38	700,000	0.46
Options expired	(150,000)	0.35	(150,000)	0.35
Options cancelled	(105,000)	0.60	-	-
Options cancelled	(95,000)	0.65	-	-
Options cancelled	(150,000)	0.25	-	-
Options outstanding, end of year	1,490,000	$ 0.54	1,200,000	$ 0.37
Options exercisable, end of year	1,490,000	$ 0.54	1,050,000	$ 0.35

(Expressed in Canadian dollars)

12. Share capital (cont'd)

The following table summarizes the options outstanding at July 31, 2012:

Number	Exercise price	Expiry date
125,000	$ 0.25	May 4, 2015
400,000	0.40	February 22, 2016
150,000	0.53	July 13, 2016
45,000	0.60	November 18, 2016
45,000	0.65	December13, 2016
525,000	0.65	February 13, 2017
200,000	0.65	February 24, 2017
1,490,000		

Warrants

The changes in warrants during the years ended July 31, 2012 and July 31, 2011 are as follows:

	July 31, 2012		July 31, 2011	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of year	380,000	$ 0.25	560,000	$ 0.25
Warrants granted	1,028,764	0.85	-	-
Warrants exercised	(380,000)	0.25	(180,000)	0.25
Warrants outstanding, end of year	1,028,764	$ 0.85	380,000	$ 0.25

The following table summarizes the warrants outstanding at July 31, 2012:

Number of warrants	Exercise price	Expiry date
770,283	$ 0.85	Dec 23, 2013
119,164	$ 0.85	Dec 23, 2013
11,538	$ 0.85	Jan 27, 2013
127,779	$ 0.85	Feb 24, 2013
1,028,764		

13. Related party transactions

Related party balances

The following amounts due to related parties are included in accounts payable and accrued liabilities:

	July 31, 2012	July 31, 2011	August 1, 2010
Companies controlled by directors of the Company	$ 172,003	$ 13,829	$ 6,885

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(Expressed in Canadian dollars)

13. Related party transactions (cont'd)

The Company incurred the following transactions with companies that are controlled by directors of the Company.

	July 31, 2012	July 31, 2011
Short-term employee benefits – management fees	$ 269,761	$ 79,297

The following amounts due to related parties are included in current liabilities:

	July 31, 2012	July 31, 2011	August 1, 2010
Shareholder loan	$ 66,748	$ -	$ -

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

14. Commitments and Contingencies

As of July 31, 2012 the Company does not have any commitments or contingencies

15. Financial instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and Mexico. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to this risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable sales tax, value-added taxes and tax credit receivables

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

As at July 31, 2012 the Company's liabilities consisted of accounts payable and accrued liabilities of $547,669, a shareholder loan of $66,748 and a convertible loan of $255,088. The Company's cash and cash equivalents of $248,869 at July 31, 2012, are not sufficient to pay these liabilities. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Subsequent to year

15. Financial instruments (cont'd)

Liquidity risk (cont'd)

end the Company completed a financing for $397,400 (gross proceeds) to fund the ongoing operations of the Company (see Note 20).

As at July 31, 2012, the entire Company's non-derivative financial liabilities are due within one year.

Market Risks

The significant market risk exposures to which the Company is exposed are interest rate risk, currency risk and price risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. Accordingly, the Company is not subjected to interest rate risk. As at July 31, 2012, a 1% increase in interest rates would decrease the fair value of convertible loan by $1,077 and a 1% decrease in interest rates would increase the fair value of the convertible loan by $1,077.

Currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's Mexican subsidiary is exposed to currency risk as it incurs expenditures that are denominated in Mexican Pesos while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in Mexican Pesos:

		July 31, 2012		**July 31, 2011**		**August 1, 2010**
Cash and cash equivalents	$	1,500	$	-	$	-
Receivables	$	-	$	-	$	-
Accounts payable	$	(238,903)	$	-	$	-
	$	(237,403)	$	-	$	-

As at July 31, 2012, with other variables unchanged, a +/- 10% change in the Mexican Pesos to Canadian dollar exchange rate would impact the Company's net loss by $23,740.

Other Price Risk

The Company does not hold any financial instruments that have direct exposure to other price risks at July 31, 2012 and 2011 and August 1, 2010.

(Expressed in Canadian dollars)

15. Financial instruments (cont'd)

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the consolidated statement of financial position are as follows:

	July 31, 2012	July 31, 2011	August 1, 2010
Loans and receivables:			
Cash and cash equivalents	$ 248,869	$ 582,252	$ 975,340
Restricted cash	3,500	3,500	-
Accounts receivable	97,150	28,207	47,648
	$ 349,519	$ 613,959	$ 1,022,988

Financial liabilities included in the consolidated statement of financial position are as follows:

	July 31, 2012	July 31, 2011	August 1, 2010
Non-derivative financial liabilities:			
Accounts payable and accrued liabilities	$ 375,666	$ 47,551	$ 2,098
Due to related parties	172,003	13,829	6,885
Shareholder loan	66,748	-	-
Convertible loan	255,088	-	-
	$ 869,505	$ 61,380	$ 8,983

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount due to their short term nature.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy 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 the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company had no financial instruments that are carried and measured at fair value at July 31, 2012 and 2011 and August 1, 2010.

(Expressed in Canadian dollars)

16. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

Geographic segments

The Company's non-current assets are located in the following countries:

	As at July 31, 2012		
	US/Canada	Mexico	Total
Exploration and evaluation assets	$ -	$ 2,089,752	$ 2,089,752

	As at July 31, 2011		
	US/Canada	Mexico	Total
Exploration and evaluation assets	$ 286,331	$ -	$ 286,331

	As at August 1, 2010		
	US/Canada	Mexico	Total
Exploration and evaluation assets	$ 242,078	$ -	$ 242,078

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.

17. Income tax

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

	2012	2011
Loss before income taxes	$ 1,326,212	$ 697,757
Expected income tax recovery at 26.27% (2011 -27.33%)	**348,396**	**190,703**
Non-deductible items for income tax purposes	(74,506)	(55,716)
Deductible share issuance costs	18,398	15,181
Mineral property write off	(75,219)	-
Unrecognized benefit of non-capital losses	(217,069)	(150,168)
Net income tax recovery	**$ -**	**$ -**

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

	2012	2011
Deferred tax asset (liability):		
Mineral properties	$(141,413)	$ -
Non-capital loss carry forwards	526,726	178,800
Share issuance costs	40,773	38,900
Unrecognised deferred tax asset	$ 426,086	$217,700

17. Income tax (cont'd)

The Company has Canadian non-capital losses carried forward for income tax purposes of approximately $1,541,253 (2011 - $714,950) which can be applied against future years' taxable income. These losses will expire through to 2032. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements. The Company has Mexican non-capital losses carried forward for income tax purposes of approximately $505,047 (2011 - Nil) which can be applied against future years' taxable income, the benefit of which has been recognized. These losses will expire through to 2022.

18. Transition to IFRS

These are the Company's first annual financial statements prepared in accordance with IFRS. The Company previously reported under Canadian generally accepted accounting principles ("Canadian GAAP").

August 1, 2010 was the date of transition to IFRS by the Company. The comparative figures that were previously reported under Canadian GAAP have been restated in accordance with IFRS.

Exemptions applied

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before August 1, 2010.
- IAS 21 "The Effects of Changes in Foreign Exchange Rates" has not been applied to cumulative translation differences that existed at the date of transition to IFRS. The Company has eliminated the cumulative translation difference and adjusted retained earnings by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.
- The Company has elected not to apply IFRS 2 "Share-based Payment" to awards that vested prior to August 1, 2010.

Exploration and Evaluation Expenditures

Capitalizing vs. Expensing Exploration and Evaluation Costs:

Under IFRS 6, upon transition to IFRS, the Company may continue to follow its current accounting policies, whereby exploration and evaluation costs are capitalized, or the Company may elected to expense all exploration and evaluation costs. Current industry practice varies by company. The Company has elected to continue to capitalize its exploration and evaluation activities that are directly related to the discovery, acquisition or development of exploration and evaluation activities upon transition to IFRS.

Once a company has legal right to explore a property, cost directly related to exploration and evaluation expenditures are recognized and capitalized in addition to the acquisition costs. A company is not allowed to capitalize exploration type expenses incurred while assessing the quality of property prior to having legal rights to explore property.

The Company performed a detail review of its exploration and evaluation expenditures that were capitalized and has determined that it includes "pre-legal title" expenditures as at July 31, 2011. The Company decreased its capitalized exploration and evaluation expenditures by $190,066 with a corresponding increase to deficit as at July 31, 2011. As a result of the adjustment above the

(Expressed in Canadian dollars)

18. Transition to IFRS (cont'd)

Exploration and Evaluation Expenditures (cont'd)

net loss and comprehensive loss for the year ended July 2011 has increased by $190,066. There were no additional pre-legal title expenditures capitalized in fiscal year 2011 and 2010.

Reconciliation of equity

	July 31, 2011	August 1, 2010
Equity previously reported under Canadian GAAP	**$ 1,028,976**	**$ 1,259,983**
Adjustments upon adoption of IFRS:	(190,066)	-
Equity reported under IFRS	**$ 838,910**	**$ 1,259,983**

Reconciliation of comprehensive loss

	July 31, 2011
Comprehensive loss previously reported under Canadian GAAP	**$ (507,691)**
Adjustments upon adoption of IFRS:	(190,066)
Comprehensive loss reported under	**$ (697,757)**

19. Supplemental Cash Flow Information

Significant non-cash transactions during the year ended July 31, 2012 included:

a) Issuing 523,076 common shares valued at $315,024 pursuant to a mineral property option agreement

b) Included in mineral properties is $255,088 which is included in convertible debenture.

c) Transferred $63,565 to capital stock from contributed surplus for option exercised.

d) Transferred $83,917 to capital stock from contributed surplus for warrants exercised

e) Transferred $38,514 to contributed surplus for warrant issued through a private placement

e) Transferred $20,229 to contributed surplus for finders warrant through on a private placement

19. Supplemental Cash Flow Information (cont'd)

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.

20. Subsequent events

a) On August 15, 2012 the Company announced that it had closed a non-brokered private placement consisting of 1,589,600 units (the "Units") at a price of $0.25 per Unit for gross proceeds of $397,400 (the "Offering"). Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to acquire one additional common share of the Company at a price of $0.35 until August 15, 2014. In connection with the offering, the Company paid arm's length finders a total cash commission of $23,750 and issued to the finders 95,000 common share purchase warrants (the "Finders' Warrants"). Each Finders' Warrant entitles the holder to purchase one common share of the Company at a price of $0.35 until August 15, 2014.

b) On September 17, 2012 the Company announced the resignation of Mr. Bill Radvak and Mr. Richard Barclay as directors of the Company effective as of September 16, 2012.

c) On October 3, 2012 the Company announced the amendment of certain terms of the Charay Gold Project Option Agreement. The revised terms of the Option Agreement reduce the high monthly property payments to a small portion of the property package, while maintaining approximately 96 percent of the original property package, about 90 square kilometers. Under the revised terms of the Option Agreement, the Company has the exclusive right and option (the "Option") to acquire a 100 percent interest in the Jazzy mineral concession by paying an aggregate of $210,000 to Musgrove and Tektite over three years. In addition, the Company will issue to Musgrove and Tektite an aggregate of 450,000 common shares in the capital of the Company over a two-year period. The Company has also agreed to fund an aggregate of $1,300,000 in exploration expenditures on the Jazzy mineral concession by the fourth anniversary of the Option Agreement. Under the terms of the Option Agreement, the Jazzy mineral concession will be subject to an aggregate 2 percent net smelter returns royalty payable to Tektite and Musgrove upon commencement of commercial production on the property.