

# **Westridge Resources Inc.**

**Consolidated Financial Statements**

**Three Months Ended October 31, 2013 and 2012**

**(Expressed in Canadian Dollars)**

*(Unaudited)*

## **NOTICE TO READER**

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

The accompanying unaudited interim condensed consolidated interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Westridge Resources Inc.  
Condensed Consolidated Interim Statements of Financial Position  
(Expressed in Canadian dollars - unaudited)

	Notes	October 31, 2013	July 31, 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 6,706	\$ 6,993
Accounts receivable		20,080	18,125
		26,786	25,118
<b>TOTAL ASSETS</b>		<b>\$ 26,786</b>	<b>\$ 25,118</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	5/8	\$ 864,230	\$ 818,023
Shareholder loan	8	79,301	76,798
Convertible debenture	6	258,000	258,000
<b>TOTAL LIABILITIES</b>		<b>1,201,531</b>	<b>1,152,821</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	3,620,536	3,620,536
Subscription received		-	-
Equity component of convertible loan		4,691	4,691
Contributed surplus		582,229	582,229
Accumulated deficit		(5,382,201)	(5,335,159)
<b>TOTAL EQUITY</b>		<b>(1,174,745)</b>	<b>(1,127,703)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 26,786</b>	<b>\$ 25,118</b>

Going concern (Note 2)

See accompanying notes to the consolidated financial statements

Westridge Resources Inc.  
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss  
For the Three Months Ended October 31, 2013 and 2012  
(Expressed in Canadian dollars - unaudited)

	<b>Three months ended October 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Expenses</b>		
Accounting and Audit	\$ 2,500	\$ 850
Advertising and promotion	-	11,333
Bad debts	-	-
Bank charges	286	701
Office and general	7,500	7,220
Interest on debt	7,663	-
Investor relations	-	24,108
Management fees	8 28,500	98,200
Professional fees	-	10,553
Registration and filing fees	-	2,351
Foreign currency loss	-	585
Stock-based compensation	-	4,788
Transfer agent fees	593	1,689
Loss before other items	(47,042)	(162,378)
<b>Other items</b>		
Interest income	-	48
Write off exploration and evaluation assets	-	1,265,248
<b>Net loss and comprehensive loss for the period</b>	<b>(47,042)</b>	<b>(1,427,578)</b>
<b>Basic and diluted loss per common share</b>	<b>7 \$ (0.00)</b>	<b>\$ (0.09)</b>

See accompanying notes to the consolidated financial statements

Westridge Resources Inc.  
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
For the Three Months Ended October 31, 2013 and 2012  
(Expressed in Canadian dollars - unaudited)

	Notes	Share Capital		Equity component of convertible loan	Contributed Surplus	Deficit	Subscription received	Total
		Number of shares	Amount					
<b>Balance at July 31, 2012</b>		<b>16,150,215</b>	<b>\$3,293,812</b>	<b>\$ 4,691</b>	<b>\$ 535,302</b>	<b>\$ (2,489,039)</b>	<b>\$ 225,000</b>	<b>\$ 1,569,766</b>
Net loss for the period		-	-	-	-	(1,427,578)	-	(1,427,578)
Stock-based compensation		-	-	-	4,788	-	-	4,788
Shares to be issued		-	-	-	-	-	(225,000)	(225,000)
Shares issued for cash, private placement	7	1,589,600	357,660	-	39,740	-	-	397,400
Share issue costs		-	(30,936)	-	7,187	-	-	(23,749)
<b>Balance at October 31, 2012</b>		<b>17,739,815</b>	<b>\$3,620,536</b>	<b>\$ 4,691</b>	<b>\$ 587,017</b>	<b>\$ (3,916,617)</b>	<b>\$ -</b>	<b>\$ 295,627</b>
<b>Balance at July 31, 2013</b>		<b>17,739,815</b>	<b>\$3,620,536</b>	<b>\$ 4,691</b>	<b>\$ 582,229</b>	<b>\$ (5,335,159)</b>	<b>\$ -</b>	<b>\$ (1,127,703)</b>
Net loss for the period		-	-	-	-	(47,042)	-	(47,042)
<b>Balance at October 31, 2013</b>		<b>17,739,815</b>	<b>\$3,620,536</b>	<b>\$ 4,691</b>	<b>\$ 587,017</b>	<b>\$ (5,382,201)</b>	<b>\$ -</b>	<b>\$ (1,174,745)</b>

Westridge Resources Inc.  
Condensed Consolidated Interim Statements of Cash Flows  
For the Three Months Ended October 31, 2013 and 2012  
(Expressed in Canadian dollars - unaudited)

	<b>Three months ended October 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Operating activities</b>		
Net loss for the period	\$ (47,042)	\$ (1,427,578)
Adjustments for non-cash items:		
Stock-based compensation	-	4,788
Write off exploration and evaluation assets	-	1,265,248
Changes in non-cash working capital items:		
Receivables	(1,955)	18,362
Prepaid expenses	-	(66,750)
Accounts payable and accrued liabilities	46,207	(89,625)
Convertible loan	-	1,227
<b>Net cash flows used in operating activities</b>	<b>(2,790)</b>	<b>(294,328)</b>
<b>Investing activities</b>		
Expenditures on exploration and evaluation assets	-	(82,386)
<b>Net cash flows (used in) from investing activities</b>	<b>-</b>	<b>(82,386)</b>
<b>Financing activities</b>		
Shares issued for cash, private placement	-	397,400
Shares to be issued	-	(225,000)
Share issue costs	-	(23,749)
Shareholder loan	2,503	-
<b>Net cash flows from financing activities</b>	<b>2,503</b>	<b>148,651</b>
Decrease in cash and cash equivalents	(287)	(228,063)
Cash and cash equivalents, beginning of period	6,993	248,869
<b>Cash and cash equivalents, ending of period</b>	<b>\$ 6,706</b>	<b>\$ 20,806</b>

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. 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 888 Dunsmuir Street, Suite 1100, Vancouver, B.C. V6C 3K4.

**2. Basis of presentation and Statement of Compliance**

These condensed consolidated interim 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 October 31, 2013 the Company 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 current initiative to obtain a viable project. Currently, the Company does not have operations or an exploration and evaluation activities and is therefore unable 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 or projects 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 October 31, 2013, the Company had a net working capital deficiency of \$1,174,745 (July 31, 2013 - \$1,127,703) and an accumulated deficit of \$5,382,201 (July 31, 2013 - \$5,335,159) since inception and expects to incur further losses.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”).

These condensed consolidated financial statements for the three month period ended October 31, 2013, are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). The condensed consolidated financial statements do not include all the information required for annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Company’s July 31, 2013 annual audited consolidated financial statements.

Westridge’s Board of Directors approved these condensed interim consolidated financial statements on December 18, 2013.

**3. Significant judgments, estimates and assumptions**

The preparation of the Company's condensed consolidated interim 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 condensed consolidated interim 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:

***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 assets***

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

***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



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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.

**3. Significant judgments, estimates and assumptions (continued)**

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. Cash and cash equivalents**

The components of cash and cash equivalents are as follows:

	October 31, 2013	July 31, 2013
Cash at bank	\$ 6,706	\$ 6,993

**5. Accounts payable and accrued liabilities**

	October 31, 2013	July 31, 2013
Accounts payable and accrued liabilities	\$ 775,715	\$ 681,063
Amounts due to related parties (Note 8)	88,515	136,960
	\$ 864,230	\$ 818,023

**6. 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 10% 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. 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

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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%.

**6. Convertible debenture (continued)**

The convertible loan is made up as follows:

	October 31, 2013	July 31, 2013
<b>Equity component</b>	<b>\$ 4,691</b>	<b>\$ 4,691</b>
<b>Liability component, at the date of issuance</b>	<b>\$ 253,309</b>	<b>\$ 253,309</b>
Accretion of interest	4,691	4,691
<b>Liability component, end of the period</b>	<b>\$ 258,000</b>	<b>\$ 258,000</b>

**7. Share capital**

**Authorized share capital**

Unlimited number of common shares without par value.

	Number of shares	Share Capital
Balance, July 31, 2012	16,150,215	\$ 3,293,812
Private placement	1,589,600	357,660
Share issuance costs	-	(30,936)
<b>Balance, July 31, 2013 and October 31, 2013</b>	<b>17,739,815</b>	<b>\$ 3,620,536</b>

- (i) On August 15, 2012 a private placement consisted of 1,589,600 units at a price of \$0.25 per Unit for gross proceeds of \$397,400 has been closed. Each Unit consists of one common share of the Company and one-half of one common share purchase 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. 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. Each Finders' Warrant entitles the holder to purchase one common share of the Company at a price of \$0.35 until August 15, 2014.

**Basic and diluted loss per share**

The calculation of basic and diluted loss per share for the three month period ended October 31, 2013 was based on the loss attributable to common shareholders of \$47,042 (2012 - \$1,427,578) and the weighted average number of common shares outstanding of 17,739,815 (2012 - 16,710,555).

Diluted loss per share did not include the effect of nil (October 31, 2012- 1,490,000) stock options and 889,800 (October 31, 2012 - 1,918,564) 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

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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.

**7. Share capital (continued)**

The changes in options during the period ended October 31, 2013 and the year ended July 31, 2013 are as follows:

	October 31, 2013		July 31, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	-	\$ -	1,490,000	\$ 0.54
Options cancelled	-	-	(125,000)	0.25
Options cancelled	-	-	(400,000)	0.40
Options cancelled	-	-	(150,000)	0.53
Options cancelled	-	-	(45,000)	0.60
Options cancelled	-	-	(770,000)	0.65
Options outstanding, end of the period	-	\$ -	-	\$ -
Options exercisable, end of the period	-	\$ -	-	\$ -

**Warrants**

The changes in warrants during the period ended October 31, 2013 and the year ended July 31, 2013 are as follows:

	October 31, 2013		July 31, 2013	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of the period	889,800	\$ 0.35	1,028,764	\$ 0.85
Warrants granted	-	-	889,800	0.35
Warrants exercised	-	-	(1,028,764)	0.85
Warrants outstanding, end of the period	889,800	\$ 0.35	889,800	\$ 0.35

The following table summarizes the warrants outstanding at October 31, 2013:

Number of warrants	Exercise price	Expiry date
794,800	\$ 0.25	Aug 15, 2014
95,000	\$ 0.25	Aug 15, 2014

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889,800

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**8. Related party transactions**

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

	<b>October 31, 2013</b>	<b>July 31, 2013</b>
Companies controlled by directors of the Company	\$ 88,515	\$ 136,960

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

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

	<b>Three months ended October 31,</b>	
	<b>2013</b>	<b>2012</b>
Accounting fees	\$ 2,500	\$ -
Management fees	\$ 28,500	\$ 67,040

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

	<b>October 31, 2013</b>	<b>July 31, 2013</b>
Shareholder loan	\$ 79,301	\$ 76,798

These amounts are unsecured, bearing interest at 10% per annum and have no fixed terms of repayment. Included in these amounts are \$66,748 of principle and \$12,553 of accrued interest.