Consolidated Financial Statements of

WESTRIDGE RESOURCES INC.

For the years ended July 31, 2014 and 2013

Expressed in Canadian Dollars

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Westridge Resources Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of directors who are neither management nor employees of Westridge Resources Inc. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of Westridge Resources Inc.'s external auditors.

James Stafford Chartered Accountants, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

November 27, 2014

"Andrew Cheshire"
President and CEO – Andrew Cheshire

JAMES STAFFORD

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Westridge Resources Inc.

We have audited the accompanying consolidated financial statements of Westridge Resources Inc. (the "Company") which comprise the consolidated statements of financial position as at 31 July 2014 and 2013 and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficiency, and cash flows for the years ended 31 July 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 July 2014 and 2013 and the results of its operations and its cash flows for the years ended 31 July 2014 and 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

James Stafford

Chartered Accountants

Vancouver, Canada
27 November 2014

WESTRIDGE RESOURCES INC.
(An Exploration Stage Company)
Consolidated Statements of Financial Position

(In Canadian Dollars)

		July 31, 2014		July 31, 2013
Assets				
Current assets:				
Cash and cash equivalents	$	3,657	$	6,993
Accounts receivable (note 6)		28,301		18,125
		31,958		25,118
	$	31,958	$	25,118
Liabilities and Shareholders' Deficiency				
Current liabilities:				
Accounts payable and accrued liabilities (note 8)	$	696,498	$	818,023
Convertible debenture (note 9)		-		258,000
Shareholder loan (notes 10 and 12)		86,263		76,798
		782,761		1,152,821
Shareholders' deficiency:				
Share capital (note 11(c))		4,263,325		3,620,536
Equity component of convertible debenture (note 9)		-		4,691
Contributed surplus		879,921		582,229
Deficit, accumulated during the exploration stage		(5,894,049)		(5,335,159)
		(750,803)		(1,127,703)
	$	31,958	$	25,118

Nature and continuance of operations (note 1)
Commitments and contingencies (note 18)
Subsequent events (note 19)

Approved on behalf of the Board on November 27, 2014:

"Andrew Cheshire"
Director

"Brad Nichol"
Director

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

WESTRIDGE RESOURCES INC.

(An Exploration Stage Company)

Consolidated Statements of Operations and Comprehensive Loss

For the years ended July 31, 2014 and 2013
(In Canadian Dollars)

	2014	2013
Expenses:		
Accounting and audit (note 10)	$ 32,413	$ 43,734
Advertising and promotion	-	18,307
Bad debt expense	-	27,618
Bank and interest charges (notes 9, 10 and 12)	26,132	31,666
Office and general	38,162	35,752
Investor relations	-	94,108
Management fees and consulting (note 10)	123,125	205,850
Professional fees	16,891	68,427
Registration and filing fees	14,709	11,547
Transfer agent fees	9,217	8,233
	(260,649)	(545,242)
Loss before the following items	(260,649)	(545,242)
Gain on settlement of lawsuit (note 18)	12,000	-
Loss on modification of convertible debenture (note 9)	(297,692)	-
Finance expense (note 9)	(19,642)	-
Write off of exploration and evaluation assets (note 7)	-	(1,721,132)
Write off or forgiveness of accounts payable (note 8)	-	31,558
Interest income	-	48
	(305,334)	(1,689,526)
Loss from continuing operations	(565,983)	(2,234,768)
Income (loss) from discontinued operations (note 5)	7,093	(611,352)
Net loss and comprehensive loss for the year	$ (558,890)	$ (2,846,120)

	2014	2013
Income (loss) and comprehensive income (loss) per share (note 11(f))		
Basic and diluted		
Continuing operations	$ (0.06)	$ (0.25)
Discontinued operations	$ 0.00	$ (0.07)
Total	$ (0.06)	$ (0.32)

WESTRIDGE RESOURCES INC.

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Deficiency

For the years ended July 31, 2014 and 2013
(In Canadian Dollars)

	Share capital	Equity component of convertible debenture	Contributed surplus	Subscription received in advance	Deficit	Total
Balance, July 31, 2012	$ 3,293,812	$ 4,691	$ 535,302	$ 225,000	$ (2,489,039)	$ 1,569,766
Net loss for the year	-	-	-	-	(2,846,120)	(2,846,120)
Shares issued for private placement (note 11 (c))	357,660	-	39,740	(225,000)	-	172,400
Share issue costs	(30,936)	-	7,187	-	-	(23,749)
Balance, July 31, 2013	3,620,536	4,691	582,229	-	(5,335,159)	(1,127,703)
Net loss for the year	-	-	-	-	(558,890)	(558,890)
Shares issued on conversion of convertible debenture (notes 9 and 11 (c))	262,691	(4,691)	-	-	-	258,000
Shares issued on settlement of accounts payable (notes 8 and 11 (c))	366,456	-	-	-	-	366,456
Shares issued on settlement of shareholder loan (notes 11 (c) and 12)	14,000	-	-	-	-	14,000
Transaction costs on convertible debenture (notes 9 and 11 (c))	(358)	-	-	-	-	(358)
Modification of convertible debenture (note 9)	-	-	297,692		-	297,692
Balance, July 31, 2014	$ 4,263,325	$ -	$ 879,921	$ -	$ (5,894,049)	$ (750,803)

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

WESTRIDGE RESOURCES INC.

(An Exploration Stage Company)
Consolidated Statements of Cash Flows

For the years ended July 31, 2014 and 2013
(In Canadian Dollars)

	2014	2013
Cash used in:		
Operations		
Net loss from continuing operations	$ (565,983)	$ (2,234,768)
Items not involving cash:		
Accretion on convertible debenture (note 9)	-	2,912
Accrued interest	9,465	19,510
Loss on modification of convertible debenture (note 9)	297,692	-
Write off or forgiveness of accounts payable (note 8)	-	(31,558)
Write off of exploration and evaluation assets (note 7)	-	1,721,132
	(258,826)	(522,772)
Changes in non-cash working capital (note 13)	241,699	208,220
Cash flows used in continuing operations	(17,127)	(314,552)
Financing:		
Shareholder loan (note 12)	14,000	-
Shares issued for cash, private placement	-	172,400
Share issue costs	-	(23,749)
Cash flows provided by financing from continuing operations	14,000	148,651
Investing:		
Change in restricted cash	-	3,500
Exploration and evaluation expenditures	-	(79,901)
Cash flows used in investing from continuing operations	-	(76,401)
Decrease in cash from continuing operations	(3,127)	(242,302)
Increase (decrease) in cash from discontinued operations (note 5)	(209)	426
Decrease in cash for the year	(3,336)	(241,876)
Cash, beginning of year	6,993	248,869
Cash, end of year	$ 3,657	$ 6,993

Supplemental information with respect to cash flows (note 13)

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

1. Nature and continuance of operations

Westridge Resources Inc. (the “Company”) is an exploration stage company incorporated under the laws of the Province of British Columbia on April 30, 2007. The Company is focused on the acquisition, evaluation and exploration of mineral resource properties. 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 preparation

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, 2014, 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, and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

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.

Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. Management believes that the Company’s capital resources should be adequate to continue operating and maintaining its business strategy during the year ending July 31, 2015. However, if the Company is unable to raise additional capital, management expects that the Company may need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. These consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

As at July 31, 2014, the Company had cash and cash equivalents of $3,657 (2013 - $6,993), a net working capital deficiency of $750,803 (2013 - $1,127,703) and an accumulated deficit of $5,894,049 (2013 - $5,335,159) since inception and expect to incur further losses.

On March 3, 2014, the Company consolidated its share capital on one (1) new common share without par value for every two (2) two common shares without par value. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation (note 11).

2. Basis of preparation (*continued)*

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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 consolidated financial statements.

3. Significant judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS 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 continuously 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.

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.

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

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.

Convertible debenture

The convertible debenture is initially recorded at fair value and subsequently measured at amortized cost. The convertible debenture 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 debenture, 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.

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.

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.

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

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.

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, as explained in note 15.

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 entity. Details of the controlled entity are as follows:

		Percentage owned	
	Country of incorporation	**2014**	**2013**
Minera Westridge S.A. de C.V.	Mexico	100%	100%

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 or preparation *(continued)*

Non-currents assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured at the lower of their carrying amount and fair value less costs to sell, with impairments recognized in the statements of income in the period measured. Non-current assets or disposal groups held for sale are presented in current assets and liabilities within the balance sheet. Assets or disposal groups held for sale are not depleted, depreciated or amortized. Liabilities associated with assets held for sale are presented separately from the Company's other liabilities.

Assets or disposal groups are classified as held-for-sale when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. For the sale to be highly probable, management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. The asset or disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification.

A discontinued operation is a component of the Company that has either been disposed of or that is classified as held for sale. A component of the Company is comprised of operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company. Net earnings of a discontinued operation and any gain or loss on disposal are combined and presented as net earnings from discontinued operations in the statements of earnings (loss) and comprehensive earnings (loss). Comparative periods are re-presented to reflect discontinued operations presentation.

Foreign currency translation

The functional currency of the Company's subsidiary 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 Company's functional and presentation currency. The functional currency of the subsidiary 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.

4. Significant accounting policies and basis or preparation *(continued)*

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 options is determined using a Black-Scholes Option 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.

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.

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.

4. Significant accounting policies and basis or preparation *(continued)*

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.

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.

4. Significant accounting policies and basis or preparation *(continued)*

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.

Cash and cash equivalents

Cash and cash equivalents include cash at banks with original maturities of three months or less.

Income taxes

Current tax:

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.

Deferred tax:

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.

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.

4. Significant accounting policies and basis or preparation *(continued)*

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.

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, 2014 and 2013, the Company did not have any restoration and environmental obligations.

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.

4. Significant accounting policies and basis or preparation *(continued)*

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.

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.

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 debenture

The convertible debenture was initially recorded at fair value and subsequently measured at amortized cost. The convertible debenture 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 debenture, which is included in interest on convertible debenture in profit or loss.

4. Significant accounting policies and basis or preparation *(continued)*

An entity may amend the terms of a convertible instrument to induce early conversion. The difference, at the date the terms are amended, between the fair value of the consideration the holder receives on conversion of the instrument under the revised terms and the fair value of the consideration the holder would have received under the original terms is recognised as a loss in profit or loss.

Debt modifications and extinguishments

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

Change in accounting policy

The Company adopted the following new standards and amendments effective August 1, 2013:

- IFRS 10 *'Consolidated Financial Statements'* is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces consolidation requirements in IAS 27 (as amended in 2008) and SIC-12.
- IFRS 11 *'Joint Arrangements'* is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces IAS 31 and SIC-13.
- IAS 19 (Amendment) *'Employee Benefits'* is effective for annual periods beginning on or after January 1, 2013 and revises recognition and measurement of post-employment benefits.
- IFRS 13 *'Fair Value Measurement'* is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces fair value measurement guidance in other IFRSs.
- IFRS 12 *'Disclosures of Interest in Other Entities'* is a new standard effective for annual periods beginning on or after January 1, 2013 and applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.
- IAS 28 *'Investments in Associated Joint Ventures'* is effective for annual periods beginning January 1, 2013 and outlines the accounting for investments in associates.

The adoption of the above standards did not result in a significant impact on the Company's consolidated financial statements.

4. Significant accounting policies and basis or preparation *(continued)*

Adoption of new and revised standards and interpretations

At the date of authorization of these consolidated financial statements, the IASB and IFRIC has issued the following new and revised standards, amendments and interpretations which are not yet effective during the year ended July 31, 2014.

- The IASB has undertaken a three-phase project to replace IAS 39 *'Financial Instruments: Recognition and Measurement*' with IFRS 9 *'Financial Instruments'*. In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard addresses classification and measurement of financial assets and liabilities, and introduces a new hedge accounting model. The amendments are effective for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of adoption of IFRS 9 and does not intend to early adopt IFRS 9 in its financial statements.
- IFRS 2 *'Share-based Payments'* is an amendment that clarifies the definition of vesting conditions and separately define a performance condition and a service condition. The amendments are effective for a share-based payment transaction for which the grant date is on or after July 1, 2014.
- IFRS 3 *'Business Combinations'* is an amendment to clarify the definition of contingent consideration. The amendments are effective for business combinations for which the acquisition date is on or after July 1, 2014.
- IFRS 8 *'Operating Segments'* is an amendment to clarify aggregation criteria. The amendments are effective for annual periods beginning on or after July 1, 2014.
- IAS 16 *'Property, Plant and Equipment'* is an amendment to clarify acceptable methods of depreciation and amortization. The amendment is effective for annual periods beginning on or after January 1, 2016.
- IAS 24 *'Related Party Disclosures'* amendments clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, and is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

(all amounts are expressed in Canadian dollars)

4. Significant accounting policies and basis or preparation *(continued)*

- IAS 32 (Amendment) *'Financial Instruments: Presentation'* establishes principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2014.
- IAS 36 *'Impairment of Assets*' was amended to require disclosure of the recoverable amount of impaired assets and requires additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate, when a present value technique is used to measure the recoverable amount. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

- IFRIC 21 *'Levies'* provides guidance on the accounting for levies within the scope of IAS 37 provisions, contingent liabilities and contingent assets. The main feature of IFRIC 21 is that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation, and the liability to pay a levy is recognized progressively if the obligation event occurs over a period of time. The standard is effective for annual periods beginning on or after January 1, 2014.

The Company has not early adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

5. Discontinued operations

During the year ended July 31, 2014, the Company has decided to cease operations of and dissolve its wholly-owned subsidiary due to unfavorable economic conditions. The analysis of the net income (loss) and the net cash inflow (outflow) from the discontinued operation were as follows:

		2014		2013
General and administrative		1,677		5,720
Forgiveness of accounts payable (notes 8 and 13)		(8,770)		-
Write off of exploration and evaluation assets (note 7)		-		605,632
		(7,093)		611,352
Net income (loss) from discontinued operations	$	7,093	$	(611,352)

	2014	2013
Net cash inflows (outflows) from discontinued operations:		
Net income (loss) from discontinued operations	7,093	(611,352)
Items not involving cash:		
Write off or forgiveness of accounts payable	(8,770)	-
Write off of exploration and evaluation assets	-	605,632
	(1,677)	(5,720)
Increase in accounts payable	1,468	6,146
Cash flows provided by (used in) discontinued operations	(209)	426
Increase (decrease) in cash from discontinued operations	(209)	426

(all amounts are expressed in Canadian dollars)

6. Accounts receivable

Accounts receivable consist of the following:

		2014		2013
Goods and Services Tax/Harmonized Sales Tax	$	28,301	$	18,125

7. Exploration and evaluation assets

Cost		**2014**		**2013**
Balance, beginning of year	$	-	$	2,089,752
Additions		-		237,012
Write down (note 5)		-		(2,326,764)
Balance, end of year	$	-	$	-

Mt. Sicker Property, Duncan, British Columbia, Canada

During November 2007, the Company entered into an option agreement with 747080 B.C. Ltd. (the “Vendor”), whereby the Company could acquire a 100% interest in the Mt. Sicker mineral property located near Duncan, British Columbia (the “Mt. Sicker Property”) by issuing 200,000 common shares (issued) and making cash payments totaling $150,000 ($95,000 paid) over four years (the “Agreement”). The Mt. Sicker Property was subject to a 2% net smelter return (“NSR”) held by the Vendor payable upon commencement of commercial production that could be reduced to 1% by paying the Vendor $1,000,000. Within 30 days of the commencement of commercial production, the Company would issue 200,000 common shares to the Vendor.

On August 6, 2010, a $3,500 security deposit was made to the 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 in 2013.

During the year ended July 31, 2011, the Company issued the last instalment of 37,500 common shares valued at $29,250 and made cash payment of $15,000 towards the Agreement. During the year ended July 31, 2012, the Company terminated the Agreement and recorded a write down of $286,331 related to the Mt. Sicker Property.

Charay Project, Mexico

On August 8, 2011 (as amended on August 15, 2011 and November 23, 2011), the Company entered into an option agreement (the “Option Agreement”) with Musgrove Minerals Corp. (“Musgrove”), an arm’s length company, whereby the Company had 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”).

7. Exploration and evaluation assets (*continued)*

Under the terms of the Option Agreement, the Company had 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 on or before January 27, 2014;
- Paying to the underlying owners an aggregate of $2,367,500 on or before January 27, 2014;
- Issuing to Musgrove an aggregate of 600,000 common shares of the Company on or before January 27, 2014 (200,000 common shares issued on January 27, 2012);
- Funding a work program of not less than $500,000 to be incurred on or before February 28, 2012 (fulfilled); and
- Assuming Musgrove's indebtedness to a vendor in the principal amount of $258,000 plus interest at an amount of $1,720 per month. The indebtedness was due on demand by the vendor and would remain binding on the Company if the Option Agreement was terminated (note 9).

After earning an 80% interest in the Charay Project, Musgrove's 20% interest would 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 would 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 was subject to a 2% NSR royalty payable upon commencement of commercial production. At all times during the term of the Option Agreement, the Company would be the operator for all exploration and development activities on the Charay Project.

On September 28, 2012, the terms of the Option Agreement were amended (the "Amended Agreement"). The Amended Agreement was made among the Company, Musgrove, Musgrove's wholly owned subsidiary, Minerales Jazz SA de CV, Tektite Financial Inc. ("Tektite") and Tektite's wholly owned subsidiary, Jaznico Exploraciones SA de CV.

Under the terms of the Amended Agreement, the Company had the exclusive right and option to acquire a 100% interest in an additional mineral concession (the "Jazzy Mineral Concession") by:

- Paying to Musgrove and Tektite an aggregate of $210,000 over three years;
- Paying to Tektite an aggregate of $90,000, payable in monthly installments ($10,000 paid). The amount payable to Tektite would remain binding on the Company if the Amended Agreement was terminated (notes 8 and 18);
- Issuing to Musgrove and Tektite an aggregate of 225,000 common shares of the Company over two years;
- Incurring an aggregate of $1,300,000 in exploration expenditures on the Jazzy Mineral Concession by the fourth anniversary of the Amended Agreement.

The Jazzy Mineral Concession was subject to an aggregate 2% NSR royalty payable to Tektite and Musgrove upon commencement of commercial production.

On January 28, 2013, the Company terminated the Amended Agreement and recorded a write down of $2,326,764 related to the Charay Project and the Jazzy Mineral Concession (notes 5 and 13).

(all amounts are expressed in Canadian dollars)

8. Accounts payable and accrued liabilities

		2014		2013
Operating accounts payable	$	556,715	$	656,063
Accrued liabilities		22,000		25,000
Amounts due to related parties (note 10)		117,783		136,960
	$	696,498	$	818,023

During the year ended July 31, 2014, the Company settled certain accounts payable of $366,456 (2013 - $nil) by issuing 7,329,112 (2013 – nil) common shares, of which 309,600 common shares were issued to settle interest payable related to the convertible debenture (notes 9, 11 and 13). Included in the $366,456 was $127,530 settled to related parties (notes 10, 11 and 13).

During the year ended July 31, 2014, a vendor forgave accounts payable in the amount of $8,770 (2013 - $nil) (notes 5 and 13).

During the year ended July 31, 2014, the Company wrote off accounts payable in the amount of $nil (2013 - $31,558) related to amounts that had remained unpaid for over a year without any claims being made by these creditors against the Company. Management does not consider that these amounts are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these balances in the future. This write down has been recorded as a recovery of expenses and a decrease in accounts payable (notes 13 and 18).

Included in accounts payable and accrued liabilities as at July 31, 2014 is $80,000 (2013 - $65,000) related to a commitment to make payments to Tektite pursuant to the terms of the Amended Agreement. As at July 31, 2014, the Company is in default related to certain terms of the Amended Agreement (notes 7 and 18).

The Company is in the process of completing certain of its income tax filings and has accrued $6,549 (2013 - $5,771) as at July 31, 2014 related to the subsidiary for potential tax, interest and penalties associated with these filings. However, there is no assurance that additional tax, interest and penalties will not be assessed (notes 14 and 18).

9. Convertible debenture

Pursuant to the Option Agreement, the Company assumed Musgrove’s indebtedness and entered into a loan agreement (the “Loan Agreement”) dated February 22, 2012 (note 7). Under the terms of the Loan Agreement, the Company issued a convertible debenture in the principal amount of $258,000 (the “Loan”). The Loan bears interest at a rate of 8% per annum, being $1,720 per month, calculated and payable monthly, is unsecured and matures on February 1, 2013. An initial fee of $7,749 was paid to the creditor as part of 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.

The creditor may convert the Loan, in whole and not in part, by providing notice (the “Conversion Notice”) to the Company into common shares of the Company at a price of $1.30 per common share (the “Original Conversion Price”) until February 1, 2013. Within 14 days following the receipt by the Company of the Conversion Notice, the Company 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 Loan 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.

(all amounts are expressed in Canadian dollars)

9. Convertible debenture (*continued)*

The Company 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 creditor.

For accounting purposes, the Loan contains both a liability component and an equity component, being the creditor'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%.

As at July 31, 2013, the Company was in default related to certain terms of the Loan Agreement. The Company accrued $7,740, being 3% of the outstanding principal amount, to extend the maturity date of the Loan to February 1, 2014 (the "Amended Maturity Date").

On February 1, 2014, the Amended Maturity Date was extended to December 31, 2014. On April 24, 2014, the maturity date of December 31, 2014 was extended to April 24, 2015. The Company incurred an extension fee of $20,000, of which $358 was allocated to common shares and the remaining amount of $19,642 to finance expense (note 11(c)). The conversion terms remained unchanged from the original agreement. The discounted present value of the cash flows under the new terms was not at least 10% different than the present value of the remaining cash flow of the original loan using the original effective interest rate. As such, the extensions of the term did not lead to an extinguishment of the debt.

On April 30, 2014, the Original Conversion Price was amended to $0.05 per common share. Under the new terms, a loss in the amount of $297,692, equal to the difference between the fair value of the consideration the holder receives on conversion under the revised terms and the fair value under the original terms, was recognized in profit or loss with a corresponding increase in equity (note 13).

During the year ended July 31, 2014, the Company accrued interest expense of $15,480 (2013 - $20,640) related to the Loan, of which $nil (2013 - $5,160) has been paid. In April 2014, the Company converted the principal amount into 5,160,000 common shares. The Company also settled interest payable by issuing 309,600 common shares (notes 8, 11(c) and 13).

The convertible debenture is made up as follows:

	2014	2013
Equity component (note 11)	$ -	$ 4,691
Liability component, beginning of year	258,000	255,088
Accretion	-	2,912
Conversion	(258,000)	-
Liability component, end of year	$ -	$ 258,000

(all amounts are expressed in Canadian dollars)

10. Related party transactions

The following amounts due to related parties are included in accounts payable and accrued liabilities (note 8):

	2014	2013
Companies controlled by executives of the Company	$ 117,783	$ 136,960

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

During the year ended July 31, 2014, the Company settled certain amounts payable to related parties in the amount of $127,530 by issuing 2,550,600 common shares (notes 8, 11 and 13).

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

	2014	2013
Short-term employee benefits – accounting, management, and consulting fees	$ 76,625	$ 205,850

The following amount due to a related party is included in current liabilities:

	2014	2013
Shareholder loan	$ 86,263	$ 76,798

The amount is unsecured, bears interest at 15% per annum and is repayable on July 31, 2014. During the year ended July 31, 2014, the Company accrued interest expense of $9,465 (2013 - $10,050). As at July 31, 2014, the Company is in default related to certain terms of the loan (notes 12, 13 and 18).

11. Share capital and reserves

(a) Authorized:

Unlimited number of common shares without nominal or par value.

(b) Share consolidation:

On March 3, 2014, the Company consolidated its share capital on one (1) new common share without par value for every two (2) two common shares without par value. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation (note 2).

(all amounts are expressed in Canadian dollars)

11. Share capital and reserves (*continued)*

(c) Issued:

Share capital:

Common shares	Number		Amount
Balance, July 31, 2012	8,075,108	$	3,293,812
Private placement	794,800		357,660
Share issuance costs	-		(30,936)
Balance, July 31, 2013	8,869,908	$	3,620,536
Issued on settlement of accounts payable	7,329,112		366,456
Issued on settlement of shareholder loans	280,000		14,000
Issued on conversion of convertible debenture	5,160,000		262,691
Transaction costs on convertible debenture	-		(358)
Balance, July 31, 2014	21,639,020	$	4,263,325

On July 3, 2014, the Company issued 7,329,112 common shares at $0.05 per share to certain vendors for the settlement of accounts payable, which included interest payable (notes 8, 9 and 13).

On July 3, 2014, the Company issued 5,160,000 common shares at $0.05 per share to the holder of the convertible debenture for settlement of the principal amount of the debenture. The balance of $4,691 under equity component of convertible debenture was reclassified to share capital upon conversion of the debenture (notes 9 and 13).

On July 3, 2014, the Company issued 280,000 common shares at $0.05 per share to a shareholder for settlement of shareholder loan (notes 12 and 13).
On August 15, 2012, a private placement consisted of 794,800 Units at a price of $0.50 per Unit for gross proceeds of $397,400 has been closed ($225,000 of the total proceeds were received during the year ended July 31, 2012). Each Unit consists of one Share and one-half of one Warrant. Each Warrant entitles the holder to acquire one additional common share of the Company at a price of $0.70 until August 15, 2014. The Company paid arm's length finders a total cash commission of $23,750 and issued to the finders 47,500 Finder's Warrants. Each Finder's Warrant entitles the holder to purchase one common share of the Company at a price of $0.70 until August 15, 2014.

(all amounts are expressed in Canadian dollars)

11. Share capital and reserves (*continued)*

(d) Warrants:

The changes in warrants during the years ended July 31, 2014 and 2013 are as follows:

	July 31, 2014		**July 31, 2013**	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Warrants outstanding, beginning of the year	444,900	$ 0.70	514,382	$ 1.70
Warrants granted	-	-	444,900	0.70
Warrants expired	-	-	(514,382)	1.70
Warrants outstanding, end of the year	444,900	$ 0.70	444,900	$ 0.70

The following table summarizes the warrants outstanding at July 31, 2014 (note 19):

Number of warrants	Exercise price	Expiry date
397,400	$ 0.70	Aug 15, 2014
47,500	$ 0.70	Aug 15, 2014
444,900		

(e) 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.

(all amounts are expressed in Canadian dollars)

11. Share capital and reserves (*continued)*

The changes in options during the years ended July 31, 2014 and 2013 are as follows:

	July 31, 2014		July 31, 2013	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning of year	-	$ -	745,000	$ 1.08
Options cancelled	-	-	(62,500)	0.50
Options cancelled	-	-	(200,000)	0.80
Options cancelled	-	-	(75,000)	1.06
Options cancelled	-	-	(22,500)	1.20
Options cancelled	-	-	(385,000)	1.30
Options outstanding, end of the year	-	$ -	-	$ -
Options exercisable, end of the year	-	$ -	-	$ -

The Company had no stock options outstanding as at July 31, 2014 or 2013.

(f) Loss per share

The calculation of basic and diluted loss per share for the year ended July 31, 2014 was based on the weighted average number of common shares outstanding of 9,884,440 (2013 – 8,838,116).

Diluted loss per share did not include the effect of 444,900 (2013 – 444,900) warrants as the effect would be anti-dilutive.

12. Shareholder loans

During the year ended July 31, 2014, the Company received a loan from a shareholder for $14,000 (2013 – $nil). The amount is unsecured, bears interest at 1% per month and is repayable on demand. The Company settled the loan by issuing 280,000 (2013 – nil) common shares as at July 31, 2014 (note 11(c)).

As at July 31, 2014, the Company has a shareholder loan outstanding in the amount of $86,263 (2013 - $76,798). The amount is unsecured, bears interest at 15% per annum and is repayable on July 31, 2014. During the year ended July 31, 2014, the Company accrued interest expense of $9,465 (2013 - $10,050). As at July 31, 2014, the Company is in default related to certain terms of the loan (notes 10, 13 and 18).

(all amounts are expressed in Canadian dollars)

13. Supplemental information with respect to cash flows

Changes in non-cash working capital

		2014		2013
Continuing Operations:				
Accounts receivable	$	(10,176)	$	79,025
Accounts payable and accrued liabilities		251,875		129,195
	$	241,699	$	208,220

The following cash payments have been made for the years ended July 31, 2014 and 2013:

		2014		2013
Taxes	$	-	$	-
Interest	$	-	$	5,160

During the year ended July 31, 2014, the Company wrote off accounts payable in the amount of $nil (2013 - $31,558) related to amounts that had remained unpaid for over a year without any claims being made by these creditors against the Company. Management does not consider that these amounts are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these balances in the future. This write down has been recorded as a recovery of expenses and a decrease in accounts payable (notes 8 and 18).

During the year ended July 31, 2014, a vendor forgave accounts payable in the amount of $8,770 (2013 - $nil) (notes 5 and 8).

During the year ended July 31, 2014, the Company issued 12,769,112 common shares for the settlement of accounts payable, a shareholder loan and the convertible debenture (notes 8, 9, 11 and 12).

During the year ended July 31, 2014, the Company accrued total interest expense of $24,945 (2013 - $30,690) related to the convertible debenture and shareholder loan (notes 9, 10 and 12).

During the year ended July 31, 2014, the Company wrote down $nil (2013 – write down of $2,326,764) related to the Charay Project and the Jazzy Mineral Concession (note 7).

During the year ended July 31, 2014, the Company recorded a loss in the amount of $297,692 (2013 - $nil) related to the modification of the Original Conversion Price related to the convertible debenture (note 9).

14. Income taxes

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at July 31, 2014 at 27.79% (2013 – 27.38%) to income before income taxes.

(all amounts are expressed in Canadian dollars)

14. Income taxes (*continued)*

A reconciliation of the differences is as follows:

		2014		2013
Net loss before income taxes	$	(558,890)	$	(2,846,120)
Computed income taxes		(155,316)		(779,268)
Increase (decrease) in taxes:				
Permanent differences		103,412		23,703
Deductible share issue costs		(20,783)		(20,476)
Mineral property write off		-		637,068
Change in prior year provision to actual		1,487		(3,101)
Change in enacted tax rates		4,682		(2,650)
Unrecognized benefit of non-capital losses		66,518		144,724
Income tax recovery	$	-	$	-

The components of the deferred tax asset (liability) are as follows:

		2014		2013
Deferred income tax asset (liability):				
Non-capital loss carry forwards	$	625,566	$	539,603
Share issue costs		11,762		31,207
		637,328		570,810
Less: valuation allowance		(637,328)		(570,810)
Deferred income tax asset (liability)	$	-	$	-

The Company has Canadian non-capital losses carried forward for income tax purposes of approximately $2,406,021 (2013 - $2,075,399) which can be applied against future years' taxable income. These losses will expire through to 2034. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these consolidated financial statements. The Company has Mexican non-capital losses carried forward for income tax purposes of approximately $nil (2013 - $nil) which can be applied against future years' taxable income, the benefit of which has been recognized.

The Company is in the process of completing certain of its income tax filings and has accrued $6,549 (2013 - $5,771) as at July 31, 2014 related to the subsidiary for potential tax, interest and penalties associated with these filings. However, there is no assurance that additional tax, interest and penalties will not be assessed (notes 8 and 18).

15. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

15. Financial risk management (*continued)*

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) 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 receivable.

(b) 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, 2014, the Company's liabilities consisted of accounts payable and accrued liabilities of $696,498, and a shareholder loan of $86,263. The Company's cash and cash equivalents of $3,657 at July 31, 2014, 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.

As at July 31, 2014, the entire Company's non-derivative financial liabilities are due within one year.

15. Financial risk management (*continued)*

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

(i) Foreign currency exchange 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 and US dollars 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 and US dollars:

	2014	**2013**
Cash and cash equivalents	$ 1,717	$ 1,926
Accounts payable and accrued liabilities	$ 261,018	$ 268,320

As at July 31, 2014, with other variables unchanged, a +/- 10% change in the foreign currency to Canadian dollar exchange rate would impact the Company's net loss by $25,930 (2013 - $26,639).

(ii) 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, 2014, with other variables unchanged, a +/- 1% change in interest rates would impact the fair value of convertible debenture by $nil (2013 - $1,077).

(iii) Commodity price risk

The Company does not hold any financial instruments that have direct exposure to other price risks at July 31, 2014 and 2013.

(all amounts are expressed in Canadian dollars)

15. Financial risk management (*continued)*

(d) Fair value of financial instruments

Financial instruments included in the statements of financial position are measured at fair value upon initial recognition and are adjusted to their fair value at July 31, 2014. The carrying amount of financial instruments classified as current approximates fair value due to their short-term to maturity. Long-term debt was initially measured at fair value and subsequently recorded at amortized cost using the effective interest rate method.

	2014	2013
Financial assets		
FVTPL, at fair value		
Cash and cash equivalents	$ 3,657	$ 6,993
Total financial assets	$ 3,657	$ 6,993

	2014	2013
Financial liabilities		
Other liabilities, at amortized cost		
Accounts payable	$ 674,498	$ 793,023
Shareholder loan	86,263	76,798
Convertible debenture	-	258,000
Total financial liabilities	$ 760,761	$ 1,127,821

Fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. For the purposes of estimating the fair value of derivative contracts, quoted market prices are utilized and if not available, estimates from third party brokers. These broker estimates are corroborated with external sources or observable market data using assumptions that market participants would use when pricing the asset or liability. In the absence of quoted market prices and broker estimates, fair value is determined upon valuation models. Fair values determined by valuation models require the use of assumptions. In developing assumptions, the Company uses external readily observable market inputs. In circumstances market inputs are not available, the Company uses input data that is not based upon market data.

The Company classifies fair value of derivatives according to the following hierarchy on the amount of observable inputs used to value the instruments.

Level I – Quoted prices are available in active markets for identical assets or liabilities at the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on a consistent basis. These derivatives include financial instruments traded on merchant exchanges.

(all amounts are expressed in Canadian dollars)

15. Financial risk management (*continued)*

Level II – Pricing inputs used are other than prices in active markets included in Level I. Fair values in Level II are determined by using quoted market prices in active markets and adjusted for factors specific to the asset or liability. Level II valuations are based on inputs, including quoted forward prices for commodities and interest rates, time value, volatility factors and broker quotations, which can be substantially observed or corroborated in the market place for over-the-counter derivatives.

Level III – Fair values are determined using inputs for the asset or liability that are not readily observable or are unavailable. These derivatives may include items based upon pricing services or broker quotes where the observations of inputs are unavailable to the Company. In these instances, internal methodologies are used to determine fair value with inputs based upon historical data, forward pricing curves, time value of money, and market risk including counterparty default.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level I to III based on the degree to which the inputs used to determine the fair value are observable.

As at July 31, 2014	Level I	Total
Financial assets at fair value		
Cash and cash equivalents	$ 3,657	$ 3,657

As at July 31, 2013	Level I	Total
Financial assets at fair value		
Cash and cash equivalents	$ 6,993	$ 6,993

16. Capital disclosures

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors.

The Company's objectives when managing capital are:

(a) to safeguard the Company's ability to continue as a going concern and provide returns for shareholders; and

(b) to facilitate the acquisition or development of projects in Canada consistent with the growth strategy of the Company.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results.

(all amounts are expressed in Canadian dollars)

16. Capital disclosures (*continued)*

The Company considers the following items capital:

(a) convertible debentures net of cash;
(b) shareholder loan; and
(c) shareholders' equity (deficiency).

The following table represents the net capital of the Company:

	2014	2013
Convertible debenture	$ -	$ 258,000
Shareholder loan	86,263	76,798
Less: Cash	(3,657)	(6,993)
Net debt net of cash	82,606	327,805
Shareholders' deficiency	(750,803)	(1,127,703)
Total capital	$ (668,197)	$ (799,898)

The Company does not have any externally imposed requirements on its capital.

There have been no changes in the Company's approach to capital management from the previous years.

17. Segmented information

At July 31, 2014, the Company operates in two geographical areas, being Canada and Mexico and corporate administrative activities are conducted in Canada. Discontinued operations consist of operations conducted by the Company's wholly-owned subsidiary (note 5).

The following is an analysis of the revenues, net income (loss), total assets and liabilities by reportable segment:

As at July 31, 2014	Canada	Discontinued operations	Total
Net income (loss) and comprehensive income (loss) for the year	$ (565,983)	$ 7,093	$ (558,890)
Current assets	30,241	1,717	31,958
Exploration and evaluation assets	-	-	-
Total liabilities	521,743	261,018	782,761

As at July 31, 2013	Canada	Discontinued operations	Total
Net loss and comprehensive loss for the year	(2,234,768)	(611,352)	(2,846,120)
Current assets	23,192	1,926	25,118
Exploration and evaluation assets	-	-	-
Total liabilities	884,501	268,320	1,152,821

18. Commitments and contingencies

Included in accounts payable and accrued liabilities as at July 31, 2014 is $80,000 (2013 - $65,000) related to a commitment to make payments to Tektite pursuant to the terms of the Amended Agreement. As at July 31, 2014, the Company is in default related to certain terms of the Amended Agreement (notes 7 and 8).

As at July 31, 2014, the Company is in default related to certain terms of the shareholder loan. The Company is in the process of renegotiating the terms with the creditor (notes 10 and 12).

During the year ended July 31, 2013, the Company had commenced a claim against a third party regarding an acquisition of certain mineral rights. The pleadings have closed and the parties are in the process of conducting document discovery. The Company had claimed return of a deposit paid during the year ended July 31, 2013 as well as general punitive damages for, among other causes, fraudulent misrepresentation and breach of contract. During the year ended July 31, 2014, the Company received $12,000 for settlement.

During the year ended July 31, 2014, the Company wrote off accounts payable in the amount of $nil (2013 - $31,558) related to amounts that had remained unpaid for over a year without any claims being made by these creditors against the Company. Management does not consider that these amounts are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these balances in the future. This write down has been recorded as a recovery of expenses and a decrease in accounts payable (notes 8 and 13).

The Company is in the process of completing certain of its income tax filings and has accrued $6,549 (2013 - $5,771) as at July 31, 2014 related to the subsidiary for potential tax, interest and penalties associated with these filings. However, there is no assurance that additional tax, interest and penalties will not be assessed (notes 8 and 14).

19. Subsequent events

On August 15, 2014, 444,900 warrants with an exercise price of $0.70 expired (note 11).

On October 15, 2014, the Company issued 2,000,000 common shares at a price of $0.05 per share for gross proceeds of $100,000.