Consolidated Financial Statements of

# Mammoth Resources Corp.

**For the years ended**
**January 31, 2013 and 2012**
(Expressed in Canadian Dollars)

**Management's Responsibility for Financial Statements**

The accompanying financial statements of Mammoth Resources Corp. (the "Company" or "Mammoth") are the responsibility of management and the Board of Directors.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders. The financial statements have been audited by Davidson & Company LLP. Their report outlines the scope of their examination and opinion on the financial statements.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

DATED this 14 day of May 2013.

MAMMOTH RESOURCES INC.

| | | | |
|---|---|---|---|
| Per: | *(signed) "Tom Atkins"* | Per: | *(signed) "Errol Farr"* |
| | Name: Tom Atkins | | Name: Errol Farr |
| | Title: President & Chief Executive Officer | | Title: Chief Financial Officer |

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Mammoth Resources Corp.

We have audited the accompanying consolidated financial statements of Mammoth Resources Corp., which comprise the consolidated statements of financial position as at January 31, 2013 and 2012 and the consolidated statements of loss and comprehensive loss, statements of cash flows and statements of changes in shareholders' equity for the years then ended, 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.

***Auditors' 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 auditors' 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



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***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Mammoth Resources Corp. as at January 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended 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 conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Mammoth Resources Corp.'s ability to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

May 14, 2013

# Mammoth Resources Corp.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

| | **January 31 2013 $** | January 31 2012 $ |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | **252,904** | 1,238,698 |
| Government taxes recoverable (note 5) | **22,365** | 26,920 |
| Prepaid expenses | **36,452** | 7,257 |
| | **311,721** | 1,272,875 |
| **Non-current** | | |
| Exploration advances | **-** | 15,992 |
| Equipment (note 6) | **20,012** | 13,349 |
| Exploration and evaluation assets (note 7) | **820,789** | 196,059 |
| | **1,152,522** | 1,498,275 |
| **LIABILITIES** | | |
| **Current** | | |
| Trade payables and accrued liabilities | **109,987** | 95,597 |
| Related party account payables (note 10) | **9,984** | 10,855 |
| | **119,971** | 106,452 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital and share-based payment reserves (note 8) | **2,027,786** | 1,903,554 |
| Accumulated deficit | **(995,235)** | (511,731) |
| | **1,032,551** | 1,391,823 |
| | **1,152,522** | 1,498,275 |

*The accompanying notes are an integral part of these financial statements.*
*Nature of operations and going concern (notes 1 and 2)*
*Subsequent events (note 16)*

Approved on behalf of the board on May 14, 2013

(signed) "Tom Atkins"
Director

(signed) "John McBride"
Director

# Mammoth Resources Corp.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

| | For the years ended | |
|---|---|---|
| | **January 31** | January 31 |
| | **2013** | 2012 |
| | **$** | $ |
| **Expenses** | | |
| General and administrative (note 11) | **131,032** | 45,658 |
| Consulting fees | **134,986** | 781 |
| Professional fees | **121,240** | 98,208 |
| Share-based payments (note 6) | **95,447** | 361,101 |
| Depreciation | **698** | - |
| Foreign exchange | **1,808** | 31 |
| **Total operating expenses** | **(485,211)** | (505,779) |
| **Interest income** | **1,707** | 4,077 |
| **Loss and comprehensive loss for the year** | **(483,504)** | (501,702) |
| **Loss per share - basic and diluted (note 9)** | **(0.03)** | (0.04) |
| Weighted average number of shares outstanding - basic and diluted | **15,882,795** | 12,226,712 |

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

# Mammoth Resources Corp.

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

| | For the years ended | |
|---|---|---|
| | **January 31** | January 31 |
| | **2013** | 2011 |
| | **$** | $ |
| **Operating activities** | | |
| Loss for the year | **(483,504)** | (501,702) |
| Adjustments for non-cash items: | | |
| Depreciation | **698** | - |
| Share-based payments | **95,447** | 361,101 |
| Net change in non-cash working capital balances: | | |
| Government taxes recoverable | **4,555** | (26,920) |
| Prepaid expenses | **(29,195)** | (7,257) |
| Trade payables and accrued liabilities | **7,842** | 20,866 |
| Related party account payables | **(871)** | 10,855 |
| Net cash used in operating activities | **(405,028)** | (143,057) |
| **Investing activities** | | |
| Exploration and evaluation assets | **(596,959)** | (107,980) |
| Purchases of equipment | **(12,592)** | (13,497) |
| Exploration advances | **-** | (15,992) |
| Net cash used in investing activities | **(609,551)** | (137,469) |
| **Financing activities** | | |
| Share capital issued | **28,785** | 887,253 |
| Net cash provided by financing activities | **28,785** | 887,253 |
| **Net change in cash** | **(985,794)** | 606,727 |
| Cash, beginning of the year | **1,238,698** | 631,971 |
| **Cash, end of the year** | **252,904** | 1,238,698 |

| **Supplemental disclosure of non-cash investing and financing activities** | | |
|---|---|---|
| Fair value of stock options granted to agent (Note 8) | **-** | 101,937 |
| Shares issued pursuant to property interest option agreement | **-** | 25,000 |
| Transfer to share capital from reserves on exercise of options | **63,983** | - |
| Reclass of exploration advances | **15,992** | - |
| Share issue costs in trade payables | **-** | 1,800 |
| Depreciation capitalized to exploration and evaluation costs | **5,231** | 148 |
| Trade payables and accrued liabilities balances in exploration and evaluation costs | **69,479** | 62,931 |

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

# Mammoth Resources Corp.

## Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

| | Share capital | | Share-based payments reserves | Sub-total | Accumulated deficit | Total |
|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ |
| **Balance, January 31, 2011** | **9,570,000** | **632,000** | **-** | **632,000** | **(10,029)** | **621,971** |
| Issued for cash | 6,180,000 | 783,516 | 101,937 | 885,453 | - | 885,453 |
| Share-based payments | - | - | 361,101 | 361,101 | - | 361,101 |
| Shares issued for exploration and evaluation assets | 100,000 | 25,000 | - | 25,000 | - | 25,000 |
| Net loss for the year | - | - | - | - | (501,702) | (501,702) |
| **Balance, January 31, 2012** | **15,850,000** | **1,440,516** | **463,038** | **1,903,554** | **(511,731)** | **1,391,823** |
| Share-based payments | - | - | 95,447 | 95,447 | - | 95,447 |
| Options exercised | 285,000 | 92,768 | (63,983) | 28,785 | - | 28,785 |
| Net loss for the year | - | - | - | - | (483,504) | (483,504) |
| **Balance, January 31, 2013** | **16,135,000** | **1,533,284** | **494,502** | **2,027,786** | **(995,235)** | **1,032,551** |

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

## 1. Nature of operations

Mammoth Resources Corp. (“Mammoth” or the “Company”) was incorporated on January 7, 2011 under the *Canada Business Corporations Act*, and is involved in the acquisition, exploration and development of mining properties in Mexico. Its stock is listed on the TSX Venture Exchange under the symbol MTH. The head office of the Company is located at The Exchange Tower, 2120-130 King Street West, Toronto, Ontario, Canada M5X 1C8. The registered and records office of the Company is located at Suite 2600, Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, Canada V6E 3X1.

Mammoth is an exploration stage company and currently has interests in mineral exploration properties in Mexico. Substantially all of the Company’s efforts are devoted to financing and developing these properties and/or acquiring new ones. There has been no determination whether the Company's interests in mineral exploration properties contain mineral reserves, which are economically recoverable.

## 2. Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than in the normal course of business and at amounts that may differ from those shown in these financial statements.

For the year ended January 31, 2013, the Company incurred a net loss of $483,504 (2012 - $501,702), had used cash in operations of $405,028 (2011 - $143,057), and as at January 31, 2013, had an accumulated deficit of $995,235 (January 31, 2012 - $511,731) and a working capital surplus of $191,750 (January 31, 2012 - $1,166,423). The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves and the achievement of profitable operations; or the ability of the Company to raise alternative financing; or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. These circumstances comprise a material uncertainty which may lend significant doubt as to the ability of the Company to continue as a going concern. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

## 3. Basis of Preparation

### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) effective for the reporting period ended January 31, 2013.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**Basis of consolidation**
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

| Name of subsidiary | Principal activity | Place of Incorporation | Ownership Interest January 31 2013 | Ownership Interest January 31 2012 |
|---|---|---|---|---|
| Mammoth Resources Canada Corp. | Holding company | Canada | 100% | - |
| Mammoth Resources International Corp. | Holding company | Canada | 100% | - |
| Recursos Mineros Mamut S.A. de C.V. | Mineral exploration | Mexico | 100% | - |

All inter-company balances and transactions, income and expenses have been eliminated upon consolidation.

## 4. Significant accounting policies

**Equipment**
Equipment is recorded at cost and amortized over its estimated useful life according to the straight-line method over an estimated useful life less its estimated residual value. The estimated useful life of the Company's equipment is as follows;

| | |
|---|---|
| Vehicle | 4 years |
| Equipment | 1-2 years |

**Exploration and evaluation assets**
Costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets following an impairment review and amortized using the unit of production method. If it is determined, that capitalized acquisition and exploration costs are not recoverable, or the project is abandoned, these costs are charged to operations in the current period. The Company's management reviews the carrying amounts of assets for impairment on a regular basis, at least annually. Government assistance is applied against deferred exploration expenses.

Where the Company enters into arrangements with a third party to option a working interest in a mineral property held by the Company, in exchange for cash and/or share consideration and/or certain exploration expenditures on the property, the exploration incurred by the third party is not recognized as part of the Company's interest and any cash/share consideration received is offset against the carrying value of the property and property option income is recognized if and when an excess arises.

**Impairment of non-financial assets**
The Company reviews its exploration and evaluation assets on an annual basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration and evaluation assets is dependent

upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write down.

Impairment exists when the carrying amount of the asset, or group of assets, exceeds its recoverable amount. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the statement of loss and comprehensive loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

**Provision for closure and reclamation**
The Company recognizes statutory, contractual or other legal obligations related to the retirement of its mineral properties and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision required for closure and reclamation as at January 31, 2013 and 2012.

**Basic and diluted loss per share**
Basic income or loss per share is calculated using the weighted average number of shares outstanding during the period. In order to determine diluted loss per share, any proceeds from the exercise of dilutive stock options or warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The dilutive effect of convertible securities is reflected in diluted loss per share assuming such conversion occurred at the beginning of the period. The diluted loss per share calculation excludes any potential conversion of stock options or warrants that would decrease loss per share.

**Income taxes**
Income tax on profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at period end.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

**Share-based payment transactions**
The fair value of stock options granted to employees is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted.  At each statement of financial position date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. An individual is classified

as an employee when the individual is an employee for legal or tax purposes (direct employee), or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of share-based payments to non-employees and other share-based payments are based on the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

**Fair value of the warrants issued with common shares**
Proceeds from unit placements are allocated between shares and warrants issued using the residual method to determine the fair value of warrants issued. The proceeds are first attributed to the shares according to the fair market value at the time of issuance and any residual amount is allocated to the warrants.

**Fair value of the warrants issued to brokers**
The Company uses the fair value method based on the Black-Scholes pricing model to determine the fair value of the warrants issued to brokers and to record a debit in share issue expenses with a corresponding credit to warrants.

**Share issuance costs**
Share issuance costs incurred on the issue of the Company's shares are charged directly to share capital.

**Foreign exchange**
Items included in the financial statements of each of the Company’s subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the Company and each of its subsidiaries is the Canadian dollar.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

**Financial instruments**
<u>Financial assets</u>
Financial assets are classified into one of four categories:

- Fair value through profit or loss (“FVTPL”);
- Held-to-Maturity (“HTM”);
- Loans and receivables; and
- Available for sale (“AFS”).

**Financial assets at fair value through profit or loss (“FVTPL”)**
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

**Held to maturity ("HTM")**
These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of the estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

**Loans and receivables**
Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

**Available for sale ("AFS")**
Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of loss and comprehensive loss.

The Company classifies its cash as FVTPL.

Financial liabilities
Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities

Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

**Other financial liabilities**
This category includes trade and other payables, all of which are recognized at amortized cost.

Trade and other payables and accounts payable to related parties are classified as other financial liabilities, which are measured at amortized cost.

**Impairment of financial assets**
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets.

(Expressed in Canadian dollars)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**Financial instruments recorded at fair value:**
Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 — valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 — valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of January 31, 2013, except for cash, none of the Company's financial instruments are recorded at fair value in the statement of financial position. The fair value of cash is based on Level 1 of the fair value hierarchy.

**Critical accounting estimates and judgments**
The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Areas where management uses subjective judgment include, but are not limited to, the recoverability of costs incurred on acquiring, exploring and evaluating the mineral exploration properties, the valuation of share-based payment transactions and the determination of functional currencies for the Company.

## 5. Government taxes recoverable

The Company’s receivables arise from two main sources: harmonized sales tax (“HST”) receivable due from Canadian government taxation authorities and value added tax (“VAT”) due from Mexican government taxation authorities. The receivables balance is broken down as follow:

| | **January 31 2013 $** | January 31 2012 $ |
|---|---|---|
| HST Recoverable | **12,054** | 26,920 |
| Mexican Sales Tax (VAT) | **10,311** | - |
| | **22,365** | 26,920 |

(Expressed in Canadian dollars)

**6. Equipment**

| **As at January 31, 2013** | **Cost beginning of year** $ | **Additions** $ | **Impairment** $ | **Cost end of year** $ |
|---|---|---|---|---|
| Equipment | - | 10,300 | - | 10,300 |
| Vehicles | 13,497 | 2,292 | - | 15,789 |
| | **13,497** | **12,592** | **-** | **26,089** |

| **For the year ending January 31, 2013** | **Accumulated depreciation beginning of year** $ | **Depreciation** $ | **Accumulated depreciation end of year** $ | **Net book value** $ |
|---|---|---|---|---|
| Equipment | - | 2,348 | 2,348 | 7,952 |
| Vehicles | 148 | 3,581 | 3,729 | 12,060 |
| | **148** | **5,929** | **6,077** | **20,012** |

| **As at January 31, 2012** | **Cost beginning of year** $ | **Additions** $ | **Impairment** $ | **Cost end of year** $ |
|---|---|---|---|---|
| Vehicles | 13,497 | - | - | 13,497 |
| | **13,497** | **-** | **-** | **13,497** |

| **For the year ending January 31, 2012** | **Accumulated depreciation beginning of year** $ | **Depreciation** $ | **Accumulated depreciation end of year** $ | **Net book value** $ |
|---|---|---|---|---|
| Vehicles | - | 148 | 148 | 13,349 |
| | | 148 | 148 | 13,349 |

(Expressed in Canadian dollars)

**7. Exploration and evaluation assets**

The Company has incurred the following acquisition costs and deferred exploration costs on its exploration and evaluation assets:

| | **Urique Project** $ | **Tenoriba Project** $ | **Total** **$** |
|---|---|---|---|
| **Acquisition costs, January 31, 2012 and January 31, 2013** | 75,000 | - | **75,000** |
| **Deferred exploration costs, January 31, 2012** | 121,059 | - | **121,059** |
| Additions for year ended January 31, 2013 | | | |
| Administration | 13,727 | - | **13,727** |
| Communications | 200 | - | **200** |
| Depreciation | 3,383 | 1,848 | **5,231** |
| Geology | 218,417 | 53,818 | **272,235** |
| Geochemistry | 17,982 | - | **17,982** |
| Professional fees | - | 8,044 | **8,044** |
| Management fees & services | 21,579 | - | **21,579** |
| Rent | - | 13,709 | **13,709** |
| Supplies | 1,716 | 28,660 | **30,376** |
| Taxes and permitting | 101,904 | 86,667 | **188,571** |
| Travel & accommodation | 48,747 | 4,329 | **53,076** |
| | 427,655 | 197,075 | **624,730** |
| **Deferred exploration costs, January 31, 2013** | 548,714 | 197,075 | **745,789** |
| **Total exploration and evaluation assets, January 31, 2013** | 623,714 | 197,075 | **820,789** |

| | **Urique Project** $ | **Total** **$** |
|---|---|---|
| **Acquisition costs, January 7 and 31, 2011** | - | - |
| Additions during the year | 75,000 | **75,000** |
| **Acquisition costs, January 31, 2012** | 75,000 | **75,000** |
| **Deferred exploration costs, January 7 and 31, 2011** | - | **-** |
| Additions for the year ended January 31, 2012 | | |
| Administration | 509 | **509** |
| Geochemistry | 3,607 | **3,607** |
| Geology | 37,802 | **37,802** |
| Management fees & services | 6,202 | **6,202** |
| Taxes and permitting | 58,586 | **58,586** |
| Supplies | 3,877 | **3,877** |
| Travel & accommodation | 10,476 | **10,476** |
| | 121,059 | **121,059** |
| **Deferred exploration costs, January 31, 2012** | 121,059 | **121,059** |
| **Total exploration and evaluation assets, January 31, 2012** | 196,059 | **196,059** |

**Urique Project**
On September 8, 2011, the Company entered into an option agreement with Yale Resources Ltd. (“Yale”), subsequently amended by an amending agreement dated October 7, 2011 (the “Amending Agreement”), pursuant to which the Company can earn up to an undivided 100% interest in 11 mining concessions, known as the Urique Project, owned by Yale and Yale’s Mexican subsidiary, Minera Alta Vista SA de CV (“Minera AV”) (the “Option Agreement”). The Option Agreement constitutes the Company's QT pursuant to the policies of the Exchange and was approved by the Exchange on December 23, 2011.

On February 20, 2012, the Company and Yale executed an Amended and Restated Option Agreement (the “Amended and Restated Option Agreement”) pursuant to which the Company and Yale agreed to amend and restate the terms of the Option Agreement to reflect the terms of the Amending Agreement and further amendments agreed to by the parties. Under the terms of the Amended and Restated Option Agreement in order to earn an undivided 70% interest in the Property, the Company must (i) pay $50,000 to Yale (paid), (ii) issue a total of 1,700,000 common shares to Yale on or before January 31, 2016, and (iii) incur a total of $3,000,000 in exploration expenditures on the Property on or before January 31, 2016.

In order to earn the remaining 30% interest in the Property from Yale, the Company must issue an additional 500,000 common shares and must have completed a resource estimate on the property delineating at least 300,000 equivalent ounces of gold in the measured and indicated categories on or before January 31, 2018. Furthermore, the Company must issue an additional share for each equivalent ounce of gold within the measured and indicated categories, subject to a minimum of 300,000 shares and a maximum of 2,000,000 shares. There is currently a 2% net smelter return (“NSR”) royalty payable to Dia Bras Exploration Inc., a third party, in connection with 10 of 11 of the mining concessions comprising the Property, 1% of which may be purchased for $1,000,000. Upon the exercise of the remaining 30% interest in the Property, a 2% NSR royalty will be granted on the San Pedro concession and payable to Yale, 1% of which may be purchased for $500,000.

If the Company elects not to proceed to earn the remaining 30% interest in the Property, the parties will form a 70%/30% joint venture and will contribute to further exploration in accordance with their respective joint venture interest.

Pursuant to the Amended and Restated Option Agreement the Company will issue to Yale 1,700,000 common shares as follows:

1. 100,000 common shares upon receipt of approval by the Exchange of the QT (issued with a value of $25,000);
2. 100,000 common shares on or before July 31, 2012 (not issued);
3. 200,000 common shares on or before January 31, 2013 (not issued)
4. 100,000 common shares on or before July 31, 2013;
5. 400,000 common shares on or before January 31, 2014;
6. 400,000 common shares on or before January 31, 2015; and
7. 400,000 shares on or before January 31, 2016.

Yale has agreed to contribute a total of $125,000 towards taxes owing on the concessions comprising the Urique Property during the term of the Amended and Restated Option Agreement. The share issuances in 2, 3 and 4 above are conditional upon receipt of such contributions from Yale. Yale opted not to contribute towards taxes owing during the period and therefore the shares referenced in 2 and 3 above are not issuable.

In addition, pursuant to the Amended and Restated Option Agreement the Company will incur exploration expenditures on the Urique Project of $3,000,000 as follows:

1. $800,000 on or before January 31, 2014;
2. an additional $800,000 on or before January 31, 2015; and
3. an additional $1,400,000 on or before January 31, 2016;

Upon termination of the Amended and Restated Option Agreement, the Company has the obligation to provided funds to Yale to maintain the Urique Project in good standing for the entire tax semester following the date of the termination.

**Tenoriba Project**
On July 3, 2012 the Company signed a definitive agreement to option the Tenoriba gold and silver project located in southwestern Chihuahua State, Mexico (the "Agreement"). The Tenoriba project is comprised of three concessions, Mapy 1, Mapy 2 and Fernanda.

The terms of the Agreement permit the Company to acquire 100% of the Tenoriba property by issuing a total of 900,000 common shares and making total cash payments of $160,000 to the vendors over the four year option period and spending US$1,000,000 in exploration expenditures on or before June 30, 2016. In addition, the Company has paid US$40,000 in property back-taxes owing to the Mexican government. The Agreement also allows for a 2% NSR royalty payable to the vendors upon commercial production. The royalty can be purchased by the Company at any time within a three year period from commencement of commercial production for US$1,500,000.

<u>'Fernanda' Concession Option Details</u>
Pursuant to the Option Agreement the Company will issue 425,000 common shares and make cash payments of US$97,500 as follows:

1. 50,000 common shares and USD$5,000 on or before December 30, 2012 (issued and paid subsequent to year end);
2. 50,000 common shares and USD$5,000 on or before June 30, 2013
3. 50,000 common shares and USD$12,500 on or before December 30, 2013
4. 50,000 common shares and USD$12,500 on or before June 30, 2014;
5. 50,000 common shares and USD$12,500 on or before December 30, 2014;
6. 50,000 common shares and USD$12,500 on or before June 30, 2015
7. 62,500 common shares and USD$18,750 on or before December 30, 2015 and
8. 62,500 common shares and USD$18,750 on or before June 30, 2016

The shares and payment due on or before December 30, 2012 were satisfied on May 10, 2013.

<u>'Mapy' Concession Option Details</u>
Pursuant to the Option Agreement the Company will issue 475,000 common shares and make cash payments of US$62,500 as follows:

1. 75,000 common shares on or before December 30, 2013;
2. 75,000 common shares on or before June 30, 2014;
3. 75,000 common shares and USD$12,500 on or before December 30, 2014;
4. 75,000 common shares and USD$12,500 on or before June 30, 2015;
5. 87,500 common shares and USD$18,750 on or before December 30, 2015 and;
6. 87,500 common shares and USD$18,750 on or before June 30, 2016

**8. Shareholders' equity**

**SHARE CAPITAL**

a) As at January 31, 2013 and 2012, the authorized share capital of the Company was an unlimited number of common shares without par value. All issued shares are fully paid.

   As at January 31, 2013, 4,284,000 shares (2012-6,426,000) are held in escrow. These shares are being released from escrow over a 36 month period from the date of the Initial Public Offering and completion of the Qualifying Transaction completed in fiscal 2011.

b) On May 12, 2011, the Company completed its Initial Public Offering ("IPO") and issued 3,180,000 common shares at a price of $0.10 per share for total gross proceeds of $318,000. The agent was paid a total of $49,908 of which $31,800 is the agent's cash commission in connection with the IPO.

   The agent was also granted 318,000 agent's compensation options with an exercise price of $0.10 and valid until May 12, 2013. The total fair value of the agent's compensation options granted was $56,376 which has been treated as share issuance costs.

   In connection with the IPO financing, the Company incurred additional professional adviser and other related expenses amounting to $20,000.

c) On December 22, 2011, the Company completed a brokered private placement of 3,000,000 units at $0.25 per unit for gross proceeds of $750,000. Each unit is comprised of one common share and one common share purchase warrant exercisable at $0.40 per share until December 22, 2013.

   The Company paid the agent a corporate finance fee of $25,000, a cash commission of $60,000 and issued 300,000 compensation options entitling the agent to purchase 300,000 common shares at a price of $0.25 per share expiring on December 22, 2013. The total fair value of the agent's compensation options is $45,561 which has been treated as share issuance costs.

   In connection with the Private Placement, the Company incurred additional professional adviser and other related expenses amounting to $27,639.

d) On December 23, 2011, pursuant to the Urique Option Agreement, the Company issued 100,000 common shares to Yale valued at $25,000.

**Stock Options**

On May 23, 2012, the shareholders of the Company approved the New Stock Option Plan, to allow for the purchase of shares issuable in connection with stock options granted under the New Stock Option Plan equal to 20% of the current issued and outstanding number of common shares of the Company, being 3,170,000. The terms upon which any options issued under the plan are subject to vesting provisions determined by the board of directors. The term of any options granted may not exceed 10 years and their exercise price and vesting conditions will be determined by the board of directors pursuant to the policies of the TSX Venture Exchange.

(Expressed in Canadian dollars)

A summary of the Company's stock options and compensation stock options at January 31, 2013 is presented below:

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| **Outstanding, January 31, 2011** | - | - |
| Granted | 2,493,000 | 0.17 |
| **Outstanding, January 31, 2012** | 2,493,000 | 0.17 |
| Granted | 1,010,000 | 0.25 |
| Exercised | (285,000) | 0.10 |
| Expired/Forfeited | (585,000) | 0.15 |
| **Outstanding January 31, 2013** | **2,633,000** | **0.20** |
| **Options exercisable at January 31, 2013** | **2,053,000** | **0.18** |

The following table sets out the details of the stock options granted and outstanding:

| Date of grant | Remaining life years | Number of options | Exercise price $ |
|---|---|---|---|
| May 12, 2011 | 3.29 | 605,000 | 0.10 |
| December 22, 2011 | 3.91 | 100,000 | 0.25 |
| January 13, 2012 | 3.96 | 300,000 | 0.25 |
| April 12, 2012 | 4.21 | 450,000 | 0.25 |
| June 30, 2012 | 4.43 | 560,000 | 0.25 |
| | | 2,015,000 | |

The following table sets out the details of the compensation options granted and outstanding:

| Date of grant | Remaining life years | Number of options | Exercise price $ |
|---|---|---|---|
| May 12, 2011 | 0.28 | 318,000 | 0.10 |
| December 23, 2011 | 0.90 | 300,000 | 0.25 |
| | | 618,000 | |

**Share-based payments**
The fair value of the stock options granted for the year ended January 31, 2013 was $84,029 or $0.08 per option (2012 - $392,340 or $0.20 per option). The share-based payments expense for the year was $95,447 (2012 - $361,101). The weighted average assumptions used for the Black-Scholes option-pricing model of stock options during the year are as follows:

| | 2013 | 2012 |
|---|---|---|
| Risk free interest rate | 1.39% | 2.26% |
| Expected life of options | 5.0 years | 5.0 years |
| Annualized volatility | 102% | 120% |
| Dividend rate | 0.00% | 0.00% |
| Forfeiture rate | 0.00% | 0.00% |

(Expressed in Canadian dollars)

The following weighted average assumptions were used for the Black-Scholes valuation of agents' compensation options granted:

| | **2013** | **2012** |
|---|---|---|
| Risk free interest rate | - | 1.32% |
| Expected life of options | - | 2.0 years |
| Annualized volatility | - | 105% |
| Dividend rate | - | 0.00% |

**Warrants**
The following table summarizes information on outstanding warrants as at January 31, 2013:

| | **Date of expiry** | **Number of Warrants** | **Exercise price** $ | **Remaining life** |
|---|---|---|---|---|
| Outstanding, January 31, 2011 | | - | | |
| Granted | December 22, 2013 | 3,000,000 | 0.40 | 0.89 years |
| Outstanding, January 31, 2012 and January 31, 2013 | | 3,000,000 | | |

### 9. Loss Per Share

The calculation of basic loss per share for the year ended January 31, 2013 was based on the loss attributable to common shareholders of $483,504 (2012 - $501,702) and a weighted average number of common shares outstanding of 15,882,795 (2012 – 12,226,712).

### 10. Related party transactions and key management compensation

The Company defines its key management as the Chairman of the Board, Chief Executive Officer and Chief Financial Officer. For the year ended January 31, 2013, key management compensation included $166,916 (2012 - $368,851).

The following table summarizes information on related party transactions:

| **For the year ended January 31** | **2013** **$** | 2012 $ |
|---|---|---|
| Professional fees | **33,589** | 1,500 |
| Consulting fees | **111,330** | 6,250 |
| Share – based payments | **21,997** | 361,101 |
| | **166,916** | 368,851 |

At January 31, 2013 related party account payables was $9,984 (2012 - $10,855).

(Expressed in Canadian dollars)

### 11. General and administrative expenses

The following table illustrates spending activity related to general and administrative expenses for the years ended January 31, 2013 and 2012:

| | For the year ended January 31 | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| Shareholder and investor relations | **10,621** | 3,844 |
| Office costs | **29,500** | 17,048 |
| Communications | **6,770** | 187 |
| Office rent | **33,000** | - |
| Regulatory and filing fees | **17,625** | 23,036 |
| Insurance | **12,850** | 1,543 |
| Travel and entertainment | **20,666** | - |
| | **131,032** | 45,658 |

### 12. Financial instrument risk management

**a) Fair value of financial instruments**

The carrying value of cash and trade and other payables approximates fair value due to the short-term nature of these financial instruments.

**b) Risk management**

**Credit risk**
The Company's credit risk is primarily attributable to its cash and government taxes recoverable. The risk exposure is limited to their carrying values at the statement of financial position date. Cash is held as cash deposits with counterparties that carry investment grade ratings as assessed by external rating agencies. The Company does not invest in asset-backed deposits or investments. Government taxes recoverable consists of input tax credits reimbursable to the Company.

**Interest rate risk**
The Company is not exposed to interest rate risk since it has no interest-bearing debt and its cash balances are not invested in interest-bearing instruments.

**Liquidity risk**
The Company's objective is to ensure that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, against cash. As January 31, 2013, the Company has $252,904 in cash to settle current liabilities of $119,971. As the Company does not have operating cash flow, the Company has and will continue to rely primarily on equity financing to meet its capital requirements.

**Price risk**
The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price

movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

**Currency risk**
The Company operates in Canada and Mexico, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements of purchased any instruments to hedge possible currency risks at this time.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, currency risk and credit risk.

## 13. Capital risk management

The Company's objective when managing capital is to raise sufficient funds to execute its exploration plan and to meet its ongoing administrative costs. At January 31, 2013, the Company's capital consists of items in shareholders' equity, in the amount of $1,032,551 (January 31, 2012 - $1,391,823).

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company does not have any externally imposed capital requirements or covenants.

## 14. Income taxes

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

| | For the year ended January 31 | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| Loss and comprehensive loss | **(483,504)** | (501,702) |
| Expected income tax expense (recovery) | **(121,000)** | (132,000) |
| Permanent differences | **24,000** | 95,000 |
| Effect of reduction in statutory rates | **-** | 2,000 |
| Share issue costs | **-** | (48,000) |
| Change in unrecognized deductible temporary differences and other | **97,000** | 83,000 |
| Total | **-** | - |

(Expressed in Canadian dollars)

The significant components of the Company's temporary differences and unused tax losses are as follows:

| | **Expiry date Range** | For the year ended January 31 **2013** **$** | 2012 $ |
|---|---|---|---|
| Share issue costs | 2014 - 2016 | **110,000** | 146,000 |
| Non-capital losses | 2031 - 2033 | **611,000** | 187,000 |
| Equipment | No expiry | **6,000** | - |
| | | **727,000** | 333,000 |

**15. Segmented Information**

The Company has one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets in Mexico. All of the Company's equipment and exploration and evaluation assets are located in Mexico.

**16. Subsequent Events**

On February 12, 2013, the Company issued 200,000 stock options with an exercise price of $0.12 and expiring February 12, 2015. 100,000 options vested immediately, with the remaining options vesting on February 12, 1014.