MAMMOTH RESOURCES CORP.
(formerly Mammoth Capital Corp.)

FINANCIAL STATEMENTS
(Expressed in Canadian Funds)

For the Year Ended January 31, 2012 and the Period from Incorporation on January 7, 2011 to January 31, 2011

DAVIDSON & COMPANY LLP — Chartered Accountants — A Partnership of Incorporated Professionals

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Mammoth Resources Corp.
(formerly Mammoth Capital Corp.)

We have audited the accompanying financial statements of Mammoth Resources Corp. (formerly Mammoth Capital Corp.), which comprise the statements of financial position as at January 31, 2012 and 2011 and the statements of comprehensive loss, changes in shareholdersô equity and cash flows for the year ended January 31, 2012 and for the period from incorporation on January 7, 2011 to January 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Mammoth Resources Corp. (formerly Mammoth Capital Corp.) as at January 31, 2012 and 2011 and its financial performance and its cash flows for the for the year ended January 31, 2012 and for the period from incorporation on January 7, 2011 to January 31, 2011 in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 27, 2012

NEXIA INTERNATIONAL

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MAMMOTH RESOURCES CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Funds)

	January 31, 2012	January 31, 2011
	$	$
ASSETS		
Current		
Cash	**1,238,698**	631,971
Trade and other receivables	**26,920**	-
Prepaid expenses and advances	**7,257**	-
	1,272,875	631,971
Non-current		
Exploration advances	**15,992**	-
Equipment (note 4)	**13,349**	-
Exploration and evaluation assets (note 5)	**196,059**	-
	1,498,275	631,971
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade payables and accrued liabilities	**95,597**	10,000
Related party account payables (note 9)	**10,855**	-
	106,452	10,000
Shareholders' equity		
Share capital (note 6)	**1,440,516**	632,000
Share-based payments reserve	**463,038**	-
Accumulated deficit	**(511,731)**	(10,029)
	1,391,823	621,971
	1,498,275	631,971

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 13)

Approved and authorized by the Board on April 27, 2012:

"Edward Farrauto" Director *"Nigel Kirkwood"* Director

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

MAMMOTH RESOURCES CORP.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Funds)

	For the Year Ended January 31, 2012	For the Period from January 7, 2011 to January 31, 2011
	$	$
EXPENSES		
Accounting and audit (note 9)	**30,810**	5,000
Bank fees	**302**	
Consulting fees (note 9)	**781**	-
Due diligence costs	**13,155**	-
Foreign exchange loss	**31**	-
Insurance	**1,543**	
Legal	**67,398**	5,000
Office and miscellaneous	**3,778**	29
Share-based payments (note 6)	**361,101**	-
Shareholder relations	**3,844**	-
Transfer agent and regulatory fees	**23,036**	-
Loss before other income	**(505,779)**	(10,029)
OTHER INCOME		
Interest income	**4,077**	-
Loss and comprehensive loss for the year and period	**(501,702)**	(10,029)
Loss per share - basic and diluted (note 7)	**(0.04)**	(0.00)
Weighted average number of common shares outstanding (Note 2 (l)):	**12,226,712**	-

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

MAMMOTH RESOURCES CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Funds)
FOR THE PERIOD FROM JANUARY 7, 2011 (DATE OF INCORPORATION) TO JANUARY 31, 2012

	Share Capital				
	Number of shares	Amount	Share-based Payment Reserves	Accumulated Deficit	Total
		$	$	$	$
Balance, January 7, 2011	**-**	**-**	**-**	**-**	**-**
Issued for cash	9,570,000	632,000	-	-	632,000
Net loss for the period	-	-	-	(10,029)	(10,029)
Balance, January 31, 2011	**9,570,000**	**632,000**	**-**	**(10,029)**	**621,971**
Issued for cash	6,180,000	783,516	101,937		885,453
Share-based payments			361,101		361,101
Share issued for exploration and evaluation assets	100,000	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**	**(511,731)**	**1,391,823**

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

MAMMOTH RESOURCES CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Funds)

	For the Year Ended January 31, 2012	For the Period from January 7, 2011 to January 31, 2011
	$	$
CASH PROVIDED BY (USED IN):		
Operating activities:		
Loss for the year / period	**(501,702)**	(10,029)
Non-cash items:		
Share-based payments	**361,101**	-
Net changes in non-cash working capital components:		
Increase in trade and other receivables	**(26,920)**	-
Increase in prepaid expenses and advances	**(7,257)**	-
Increase in trade payables and accrued liabilities	**20,866**	10,000
Increase in related party account payables	**10,855**	-
	(143,057)	(29)
Investing activities:		
Exploration and evaluation assets	**(107,980)**	-
Purchases of equipment	**(13,497)**	-
Exploration advances	**(15,992)**	-
	(137,469)	-
Financing activities:		
Shares issued for cash, net of $180,747 (2011 - $Nil) share issue costs	**887,253**	632,000
Net increase in cash	**606,727**	631,971
Cash - beginning of year / period	**631,971**	-
Cash - end of year / period	**1,238,698**	631,971

Supplemental Disclosure of Non-cash Investing and Financing Activities		
Fair value of stock options granted to agent (Note 6 (c) and (d))	**101,937**	-
Shares issued pursuant to property interest option agreement (Note 6 (e))	**25,000**	-
Share issue costs in trade payables	**1,800**	-
Depreciation capitalized to exploration and evaluation costs	**148**	-
Trade payables balances in exploration and evaluation costs	**62,931**	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the provisions of the *Business Corporations* Act (British Columbia) on January 7, 2011. The head office of the Company is located at Suite 1610, Oceanic Plaza 1066 West Hastings Street, Vancouver, British Columbia, Canada V6E 3X1. The registered and records office of the Company is located at Suite 2610, Oceanic Plaza 1066 West Hastings Street, Vancouver, British Columbia, Canada V6E 3X1.

From the date of its incorporation until December 27, 2011, the Company was classified as a Capital Pool Company and its principal business was the identification and evaluation of companies, assets or businesses with a view to completing a Qualifying Transaction (ñQTò) in accordance with Policy 2.4 of the TSX Venture Exchange (the ñExchangeò). On September 8, 2011, the Company entered into an option agreement and subsequent amending agreements with Yale Resources Ltd. (ñYaleò) 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 Yaleôs Mexican subsidiary, Minera Alta Vista SA de CV (ñMinera AVò) (Note 5). On December 23, 2011 the Exchange approved the option agreement as the Company's QT pursuant to the policies of the Exchange and the Company was no longer considered a Capital Pool Company and at that time the Company changed its name to Mammoth Resources Corp.

These financial statements have been prepared using International Financial Reporting Standards (ñIFRSò) applicable to a going concern which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At January 31, 2012, the Company had not yet achieved profitable operations, has accumulated losses of $511,731 since its inception. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

At the date of the financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Companyôs operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (ñIFRSò) which include International Accounting Standards and Interpretations (ñIFRICò and ñSICò) adopted by the International Accounting Standards Board.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (contôd.)

c) Financial instruments

<u>Financial assets</u>

Financial assets are classified into one of four categories:

- Fair value through profit or loss (ñFVTPLò);
- Held-to-Maturity (ñHTMò);
- Loans and receivables; and
- Available for sale (ñAFSò).

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 Companyôs 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 Companyôs management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs 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 estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of 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 comprehensive loss.

<u>Financial liabilities</u>

Financial liabilities are classified into one of two categories:

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

2. SIGNIFICANT ACCOUNTING POLICIES (contôd.)

c) Financial instruments (contôd.)

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 comprehensive loss.

Other financial liabilities

This category includes trade and other payables, all of which are recognized 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 impacted.

For all financial assets objective evidence of impairment could include:

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

For certain categories of financial assets, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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.

d) Equipment

Equipment is recorded at historical cost less accumulated depreciation and impairment charges. Equipment is depreciated using the straight line method over the estimated useful lives of the equipment at the following annual rates, commencing when the related assets are available for use:

Transportation equipment	4 years

The Companyõs equipment is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the assetõs recoverable amount is estimated. Impairment losses are recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (contœd.)

d) Equipment (contœd)

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assetœs carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

e) Exploration and evaluation assets

All property payments and all costs related to the exploration and development of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units (ñCGUò) for the purpose of determining future mineral reserves and impairments.

Management reviews the capitalized costs on its exploration and evaluation assets at least annually to consider if there is an impairment value to take into consideration from current exploration results and managementœs assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and accumulated exploration and evaluation costs are written off to profit or loss. If the carrying value of a project exceeds its estimated value, an impairment provision is recorded.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the mineral property is considered to be a mine under development and is classified as ñMining Assetsò. Exploration and evaluation expenditures accumulated are also tested for impairment before the property costs are transferred to mining assets.

f) Provision for environmental rehabilitation

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation 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 Companyœs estimates of reclamation 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 the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company has no known restoration, rehabilitation or environmental costs related to its exploration and evaluation assets.

2. SIGNIFICANT ACCOUNTING POLICIES (contõd.)

g) Foreign exchange

Items included in the Companyõs financial statements are measured using the currency of the primary economic environment in which the entity operates (the ñfunctional currencyò). The functional currency of the Company 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.

h) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. The Company records proceeds from the exercise of stock options and warrants as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

i) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Expected volatility is estimated by considering historical average share price volatility in the same industry. Compensation expense is recognized over the trancheõs vesting period by increasing share-based payments reserve based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

j) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants (ñWarrantsò). Depending on the terms and conditions of each equity financing agreement (ñAgreementò), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are assigned value based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

k) Income taxes

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 enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 date of 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

l) Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

m) Significant Accounting Estimates and Judgments

The preparation of the 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 statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the 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.

Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

m) Significant Accounting Estimates and Judgments (contôd)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

1. the recoverability of receivables;
2. whether or not an impairment has occurred in its exploration and evaluation assets;
3. the inputs used in the accounting for share-based payments expense in deficit;
4. the inputs used in the accounting for options and compensation options in share capital and equity reserves; and
5. the estimated useful lives of the equipment and whether or not an impairment has occurred.

Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

Standards issued but not yet effective up to the date of issuance of the Companyôs financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material.

Financial Instruments

In November 2009, the IASB published IFRS 9, ñFinancial Instrumentsò, which covers the classification and measurement of financial assets as part of its project to replace IAS 39, ñFinancial Instruments: Recognition and Measurement.ò In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 15, 2015. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact to the Company upon implementation of the issued standard.

Presentation of Financial Statements

In June 2011, the International Accounting Standards Board (ñIASBò) issued IAS 1, *Presentation of Items of OCI: Amendments to IAS 1Presentation of Financial Statements.* These amendments stipulate the presentation of net earnings and OCI and also require the Company to group items with OCI based on whether the items may be subsequently reclassified to profit or loss. Amendments to IAS 1 are effective for fiscal years beginning on or after July 31, 2012 with retrospective application and early adoption permitted. The Company does not expect to early adopt this standard nor does it expect the adoption of the amendments to this standard to a have a material impact on its financial statements.

Joint Arrangements

IFRS 11, *Joint Arrangements*, was issued by the IASB in May 2011 and is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. Parties to a joint operation retain the rights and obligations to individual assets and liabilities of the operation, while parties to a joint venture have rights to the net assets of the venture.

(Expressed in Canadian Funds)

3. FUTURE CHANGES IN ACCOUNTING POLICIES (contôd)

Investments in Associates and Joint Ventures

The IASB issued amendments to IAS 28, *Investments in Associates and Joint Ventures*, which are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. Amendments to IAS 28 provide additional guidance applicable to accounting for interests in joint ventures or associates when a portion of an interest is classified as held-for-sale or when the Company ceases to have joint control or significant influence over an associate or joint venture. When joint control or significant influence over an associate or joint venture ceases, the Company will no longer be required to re-measure the investment at that date. When a portion of an interest in a joint venture or associate is classified as held-for-sale, the portion not classified as held-for-sale shall be accounted for using the equity method of accounting until the sale is completed, at which time the interest is reassessed for prospective accounting treatment. The Company does not expect the amendments to IAS 28 to have a material impact on the financial statements nor does it expect to adopt this guidance early.

Fair Value Measurement

The IASB published IFRS 13, *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 replaces fair value measurement guidance contained in individual IFRS guidance, providing a single source of fair value measurement guidance. The standard provides a framework for measuring fair value and establishes new disclosure requirements to enable readers to assess the methods and inputs used to develop fair value measurements and for recurring valuations that are subject to measurement uncertainty, the effect of those measurements on the financial statements. The extent of the impact of adoption of IFRS 13 has not yet been determined.

4. EQUIPMENT

	Transportation equipment
Cost	**$**
Balance, January 7 and 31, 2011	-
Additions	13,497
Disposals	-
Balance, January 31, 2012	13,497
Accumulated depreciation	
Balance, January 7 and 31, 2011	-
Depreciation	(148)
Disposals	-
Balance, January 31, 2012	(148)
Carrying amounts	
As at January 31, 2011	-
As at January 31, 2012	**13,349**

5. EXPLORATION AND EVALUATION ASSETS

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

Subsequent to the year end, the Company and Yale executed an Amended and Restated Option Agreement (the ñAmended and Restated Option Agreementò) 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 into 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 (ñNSRò) 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;
3. 200,000 common shares on or before January 31, 2013;
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.

(Expressed in Canadian Funds)

5. EXPLORATION AND EVALUATION ASSETS (contöd)

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;

The Company has incurred the following expenditures on the Urique Project:

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

During the year ended January 31, 2012, the Company incurred $13,155 in due diligence costs associated with the Property. These amounts were expensed on the Statement of Comprehensive Loss for the year.

6. SHARE CAPITAL

Authorised Share Capital:

As at January 31, 2012 and 2011, the authorized share capital of the Company was an unlimited number of common shares without par value. All issued shares are fully paid.

Share Issuances

a) During the period ended January 31, 2011, the Company issued 6,500,000 common shares at $0.05 per common share and 3,070,000 common shares at $0.10 per common share. Total gross proceeds from the share issuance amounted to $632,000. The 6,500,000 common shares issued at $0.05 per common share and 640,000 common shares issued at $0.10 per common share are subject to an escrow agreement. Under the terms of the escrow agreement, 10% of the escrowed shares were released from escrow on the issuance of the Final Exchange Bulletin (the Exchangeôs acceptance of the QT) and 15% will be released every six months following the initial release over a period of thirty six months. As at January 31, 2012, there were 6,426,000 shares held in escrow.

b) On May 12, 2011, the Company completed its Initial Public Offering (ñIPOò) 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 agentôs cash commission in connection with the IPO.

   The agent was also granted 318,000 agentôs compensation options with an exercise price of $0.10 and valid until May 12, 2013. The total fair value of the agentôs 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 fees 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 agentôs compensation options is $45,561 which has been treated as share issuance costs.

   In connection with the Private Placement, the Company incurred additional professional fees 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

The Company adopted a 10% rolling stock option plan. Under the terms of the stock option plan the Company is authorized to grant options to executive officers and directors, employees and consultants equal to 10% of the issued and outstanding common shares of the Company. 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 Funds)

6. SHARE CAPITAL (contôd)

Stock Options (contôd)

A summary of the Companyôs stock options and compensation stock options at January 31, 2012 is presented below:

Exercise price	Balance at January 31, 2011	Granted	Exercised	Balance at January 31, 2012	Expiry date	Remaining contractual life in years	Number of options vested
$0.10	-	318,000	-	318,000	May 12, 2013	1.28	318,000
$0.10	-	1,275,000	-	1,275,000	May 12, 2016	4.28	1,275,000
$0.25	-	300,000	-	300,000	December 22, 2013	1.89	300,000
$0.25	-	300,000	-	300,000	December 23, 2016	4.89	300,000
$0.25		300,000		300,000	January 13, 2017	4.96	75,000
	-	2,493,000	-	2,493,000			2,268,000

The total share-based payments calculated under the fair value method for options granted during the year was $392,340 or $0.21 per option (2011 ï $Nil). The share-based payments expense for the year was $361,101 (2011 - $Nil). The weighted average assumptions used for the Black-Scholes option-pricing model of stock options granted during the year are as follows:

	2012	2011
Risk-free interest rate	2.26%	-
Expected life of options	5.0 years	-
Annualized volatility	120%	-
Dividend rate	0.00%	-

The following weighted average assumptions were used for the Black-Scholes valuation of agentsô compensation options granted in relation to the IPO and private placement completed during the year:

	2012	2011
Risk-free interest rate	1.32%	-
Expected life of warrants	2.0 years	-
Annualized volatility	105%	-
Dividend rate	0.00%	-

Warrants

A summary of the Companyôs warrants outstanding at January 31, 2012 is presented below:

Exercise price	Balance at January 31, 2011	Granted	Exercised	Expired / Cancelled	Balance at January 31, 2012	Expiry date	Remaining contractual life in years
$0.40	-	3,000,000	-	-	3,000,000	December 22, 2013	1.89
	-	3,000,000	-	-	3,000,000		

(Expressed in Canadian Funds)

7. LOSS PER SHARE

The calculation of basic loss per share for year ended January 31, 2012 was based on the loss attributable to common shareholders of $501,702 (period from January 7 to 31, 2011 - $10,029) and a weighted average number of common shares outstanding of 12,226,712. 7,140,000 common shares out of the total outstanding shares as of January 31, 2011 were contingently cancellable and have been excluded from the weighted average number of shares outstanding.

Diluted loss per share for year ended January 31, 2012 did not include the effect of 2,493,000 stock options and agentôs compensation options and 3,000,000 warrants as they are anti-dilutive.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial Instruments by Category

The following provides the carrying and fair values of each classification of financial instrument as at January 31, 2012:

		FVTPL		Loans and receivables		Other financial liabilities
Financial assets						
Cash	$	1,238,698	$	-	$	-
Trade and other receivables	$	-	$	26,920	$	-
Financial liabilities						
Trade and other payables	$	-	$	-	$	95,597
Related party accounts payable	$	-	$	-	$	10,855

The following provides the carrying and fair values of each classification of financial instrument as at January 31, 2011:

		FVTPL		Loans and receivables		Other financial liabilities
Financial assets						
Cash	$	631,971	$	-	$	-
Financial liabilities						
Trade and other payables	$	-	$	-	$	10,000

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures there is sufficient capital to meet short-term business requirements. One of managementôs goals is to maintain an optimal level of liquidity through the active management of the Companyôs assets, liabilities, and cash flows. The Companyôs cash is held as cash deposits which are available on demand to fund the Companyôs short-term financial obligations.

(c) Credit Risk

The Companyôs credit risk is primarily attributable to its cash and trade and other receivables. 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. Trade and other receivables consist of input tax credits reimbursable to the Company.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS (contôd)

(d) 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 Companyôs assets and liabilities.

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

(e) 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.

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

(f) Interest Rate Risk

The Companyôs interest rate risk arises primarily from the interest earned on cash. Deposits are invested on a short-term basis to enable adequate liquidity for payment of operational and capital expenditures. The Companyôs other financial assets and liabilities are not subject to interest rate risk since they do not bear interest.

9. RELATED PARTY TRANSACTIONS

During the year ended January 31, 2012 and for the period from January 7 to 31, 2011, the Company carried out the following transactions with related parties:

a) Purchase of services:

	2012	2011
	$	$
Accounting fees paid to a company controlled by an officer and director of the Company	1,500	-
Consulting fees paid to a company controlled by an officer of the Company of which $5,469 (2011 - $Nil) is capitalized to Exploration and evaluation costs	6,250	-
Share-based payments to officers and directors of the Company	361,101	-

(Expressed in Canadian Funds)

9. RELATED PARTY TRANSACTIONS (contôd)

b) Accounts payable to related parties:

	January 31, 2012	January 31, 2011
	$	$
Fees and out-of-pocket expenses owing to companies controlled by officers and/or directors of the Company	10,855	-

10. CAPITAL MANAGEMENT

The Companyôs objectives in managing its capital resources are to safeguard the entityôs ability to continue as a going concern and, thereby, maximize returns to shareholders in the context of the market. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing equity issues, as necessary, based on the prevailing economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. The Companyôs principal source of capital is from the issuance of common shares. To meet the objectives, management monitors the Companyôs ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements on a case by case basis. The Company is not subject to any externally imposed capital requirements. The capital structure of the Company consists of equity attributable to common shareholders, comprising issued capital, share-based payment reserves, and accumulated deficit.

11. INCOME TAX

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

		2012		2011
Loss and comprehensive loss for the period	$	(501,702)	$	(10,029)
Combined federal and provincial statutory tax rate		26%		28%
Income tax expense (recovery) at statutory tax rate	$	(132,000)	$	(2,800)
Non-deductible expenditures and non-taxable revenues		95,000		-
Impact of future income tax rates applied versus current statutory rates		2,000		-
Share issue costs		(48,000)		-
Change in unrecognized deductible temporary differences		82,000		2,800
Other		1,000		-
Total	$	-	$	-

The significant components of the Companyôs temporary differences and unused tax losses are as follows:

		2012		2011	Expiry date range
Share issue costs	$	146,000	$	-	2013 - 2016
Non-capital losses		187,000		3,000	2031 - 2032
Unused temporary differences	$	333,000	$	3,000	

12. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets in Mexico.

13. SUBSEQUENT EVENT

After the year end, the Company granted its new President & CEO 450,000 stock options with an exercise price of $0.25 exercisable for five years from the date of the grant.