WESTMINSTER RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MAY 31, 2013 AND 2012

(Expressed in Canadian dollars)

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SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF WESTMINSTER RESOURCES LTD.

We have audited the accompanying consolidated financial statements of Westminster Resources Ltd., which comprise the consolidated statements of financial position as at May 31, 2013 and 2012, and the consolidated statements of comprehensive loss, changes in equity and cash flows 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Westminster Resources Ltd. as at May 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 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
September 13, 2013

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WESTMINSTER RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at May 31
(Expressed in Canadian dollars)

	2013	2012
	- $ -	- $ -
ASSETS		
Current assets		
Cash and cash equivalents	129,279	562,201
Accounts receivable	424,388	340,326
Prepaids	14,560	6,275
Deposits (Note 5)	36,530	36,530
	604,757	945,332
Deposits (Note 5)	21,829	21,829
Equipment and leaseholds (Note 6)	63,792	81,315
Exploration and evaluation assets (Note 7)	2,860,922	2,339,614
	3,551,300	3,388,090
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	836,664	624,802
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	13,497,045	12,473,182
Reserves	1,755,276	1,661,729
Deficit	(12,537,685)	(11,371,623)
	2,714,636	2,763,288
	3,551,300	3,388,090

Approved on Behalf of the Board of Directors:

"*Glen Indra*"
Glen Indra
Director

"*Glen MacDonald*"
Glen MacDonald
Director

See Notes to Consolidated Financial Statements

WESTMINSTER RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Years Ended May 31
(Expressed in Canadian dollars)

	2013 - $ -	2012 - $ -
Expenses		
Conferences and investor relations	240,028	220,853
Office	230,087	194,028
Management fees	234,000	197,000
Accounting, audit, and legal	137,080	317,696
Share-based payments	102,402	3,820
Travel and entertainment	65,107	127,811
Regulatory and filing fees	46,509	52,567
Consulting fees	30,621	29,500
Amortization	17,523	23,500
Bank charges and interest	2,722	4,943
Financing charges	-	46,715
	1,106,079	1,218,433
Other Items		
Foreign exchange loss	65,547	148,044
Interest income	(5,564)	(6,484)
Write-down of exploration and evaluation assets (Note 7)	-	3,540,000
Net loss and comprehensive loss for year	1,166,062	4,899,993
Loss per share - basic and diluted	0.02	0.07
Weighted average number of common shares outstanding	71,957,862	66,046,780

See Notes to Consolidated Financial Statements

WESTMINSTER RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended May 31
(Expressed in Canadian dollars)

	Share capital		Reserves			
	Number of shares	**Amount**	**Share-based payments reserve**	**Warrants reserve**	**Deficit**	**Total**
		- $ -	- $ -	- $ -	- $ -	- $ -
Balance, May 31, 2011	58,902,846	10,506,468	1,019,539	610,664	(6,471,630)	5,665,041
Share issuances for cash, net of share issuance costs	16,370,000	1,844,420	-	-	-	1,844,420
Share issuances for repayment of loans payable	1,500,000	150,000	-	-	-	150,000
Share-based payments		-	3,820	-	-	3,820
Agent warrants issued with financings	-	(27,706)	-	27,706	-	-
Net loss		-	-	-	(4,899,993)	(4,899,993)
Balance, May 31, 2012	76,772,846	12,473,182	1,023,359	638,370	(11,371,623)	2,763,288
Share issuances for agent warrants exercise	150,080	15,008	-	-	-	15,008
Transfer for warrants exercised		8,855	(8,855)	-	-	-
Share issuances for cash	10,000,000	1,000,000	-	-	-	1,000,000
Share-based payments	-	-	102,402	-	-	102,402
Net loss	-	-	-	-	(1,166,062)	(1,166,062)
Balance, May 31, 2013	86,922,926	13,497,045	1,116,906	638,370	(12,537,685)	2,714,636

See Notes to Consolidated Financial Statements

	2013	2012
	- $ -	- $ -
Cash flows from operating activities		
Loss for the year	(1,166,062)	(4,899,993)
Items not involving cash:		
Write-down of exploration and evaluation assets	-	3,540,000
Share-based payments	102,402	3,820
Amortization	17,523	23,500
Unrealized foreign exchange gain	(5,823)	(8,594)
Net change in non-cash working capital		
Accounts receivable	(84,062)	(34,705)
Prepaid and deposits	(8,285)	31,134
Accounts payable and accrued liabilities	(89,375)	55,005
Cash used in operating activities	(1,233,682)	(1,289,833)
Cash flows from investing activities		
Investment in and expenditures on exploration and evaluation assets	(225,488)	(1,390,064)
Cash used in investing activities	(225,488)	(1,390,064)
Cash flows from financing activities		
Share capital issued for cash, net of costs	1,015,008	1,844,420
Advances from loans payable	-	493,000
Repayment of loans payable	-	(343,000)
Cash provided by financing activities	1,015,008	1,994,420
Foreign exchange effect on cash	11,240	(17,822)
Decrease in cash and cash equivalents	(432,922)	(703,299)
Cash and cash equivalents, beginning	562,201	1,265,500
Cash and cash equivalents, ending	129,279	562,201
Cash and cash equivalents consists of:		
Cash	129,279	412,201
Guaranteed investment certificates	-	150,000
	129,279	562,201
Supplemental cash flow information:		
Exploration and evaluation expenditures accrued in accounts payable	564,625	268,805
Shares issued for repayment of loans payable	-	150,000
Shares issued as finder's fee	-	-
Warrants issued as finders’ fees	-	27,706
Interest	-	10,260
Income taxes	-	-

See Notes to Consolidated Financial Statements

1. Nature and Continuance of Operations

Westminster Resources Ltd. (the "Company" or "Westminster") was incorporated under the *Business Corporations Act* of British Columbia on December 1, 2005. The Company is involved in the acquisition, exploration and development of mineral properties.

The head office, registered address and records office of the Company are located at Suite 488 - 625 Howe Street, Vancouver, British Columbia, Canada V6C 2T6.

These consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. However, there are factors that management has identified that may cast significant doubt on the entities ability to continue as a going concern.

For the year ended May 31, 2013, the Company reported a net loss of $1,166,062 (2012 - $4,899,993) and a deficit of $12,537,685 (2012 - $11,371,623). As at May 31, 2013, the Company had a working capital deficiency of $231,907 (2012 - working capital $320,530). The Company has no source of operating cash flow and relies on issuances of equity to finance operations, including exploration of its exploration and evaluation ("E&E") assets.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including completion of the acquisition, exploration and development of its E&E assets, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and expected growth, if necessary, or alternatively to dispose of its interests in certain properties. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, the Company may be unable to continue as a going concern.

The business of mining exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has significant cash requirements to meet its administrative overhead, pay its liabilities and maintain its E&E assets. The recoverability of amounts shown for E&E assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production or proceeds from disposition of E&E assets.

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that may 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 and commitments in other than the normal course of business and at amounts different from those in the accompanying audited consolidated financial statements.

2. Basis of Presentation

a) Statement of Compliance

The annual consolidated financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements were authorized for issue by the Board of Directors on September 13, 2013.

b) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Minera Westminster, S.A. de C.V. ("Minera Westminster") and Servicios Westminster, S.A. de C.V. ("Servicios Westminster"). All significant intercompany balances and transactions have been eliminated upon consolidation.

2. Basis of Presentation (continued)

c) Basis of Measurement

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

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

d) Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. In particular, significant judgments made by management in the application of IFRS during the preparation of the consolidated financial statements and estimates with a risk of material adjustment are:

(i) *Realization of E&E assets*
The investment in E&E assets comprise a significant portion of the Company's assets. Realization of the Company's investment in the E&E assets is dependent upon the Company obtaining permits, the satisfaction of local governmental requirements, the attainment of successful production from the properties, or from the proceeds upon disposal of the Company's properties. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

(ii) *Environmental*
Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development, the potential for production on the property may be diminished or negated.

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations, are initially recognized and recorded as a liability based on estimated future cash flows discounted at a credit-adjusted risk-free rate.

At May 31, 2013, the Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

2. Basis of Presentation (continued)

d) Use of Estimates and Judgments (continued)

(iii) *Impairment assessment*
At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

At May 31, 2013, there are no indicators that suggest that the Company's assets are impaired.

(iv) *Recoverability of amounts receivable*
The balance in amounts receivable includes value added taxes to be recovered in Mexico. At each financial position reporting date, the carrying amounts of the Company's amounts receivable are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The Company is corresponding with the Mexican government to recover the Mexican value added tax. At May 31, 2013, there are no indicators that suggest that the Company's Mexican value added tax is not recoverable.

(v) *Valuation of share-based payments*
The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions could materially affect the fair value estimate and the Company's earnings and equity reserves.

(vi) *Income taxes*
In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

While management believes that these judgments and estimates are reasonable, actual results could differ from those estimates and could impact future results of comprehensive income and cash flows. The estimates and underlying assumptions are reviewed on an ongoing basis.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The consolidated financial statements, in management's opinion, have been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Financial Instruments

Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or FVTPL. Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date. The Company has classified its cash and cash equivalents as FVTPL.

Financial assets classified as held-to-maturity are initially recognized at fair value and subsequently are measured at amortized cost using the effective interest rate method. Any changes to the carrying amount, including impairment losses, are recognized through profit or loss. The Company has classified its deposits as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income/loss, except for losses in value that are considered other than temporary. The Company has no assets classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as financial liabilities at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the consolidated statement of comprehensive income/loss. The Company has not classified any financial liabilities as FVTPL.

Fair Value Hierarchy

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and financial liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

3. Significant Accounting Policies (continued)

b) Cash Equivalents

Cash equivalents consist of bank deposits or highly liquid investments that are readily convertible to known amounts of cash with original maturities of 90 days or less and which are subject to an insignificant risk of change in value.

c) E&E Assets

Once the legal right to explore a property has been acquired, costs directly related to E&E expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to E&E activities, including general and administrative overhead costs, are expensed in the period in which they occur. The costs are accumulated by exploration area and are not depleted pending determination of technical feasibility and commercial viability.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as E&E assets or recoveries when the payments are made or received.

When a project is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditures, in excess of estimated recoveries, are written off to the consolidated statement of comprehensive loss/income. The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

d) Equipment and Leaseholds

Equipment and leaseholds are recorded at cost, less accumulated amortization and accumulated impairment losses. These assets are amortized using the following annual rates:

Office furniture and equipment	15%-45% declining balance
Leasehold improvements	5 years straight-line over term of the lease

e) Impairment of Non-financial Assets

At the end of each reporting period the carrying amounts of the assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The impairment loss is recognized in the consolidated statement of comprehensive loss/income for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Significant Accounting Policies (continued)

f) Reclamation Obligations

The Company recognizes the fair value of a legal or constructive liability for a reclamation obligation in the period in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for a reclamation obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and a financing expense in the consolidated statement of comprehensive loss/income. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

g) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity.

Valuation of Equity Units issued in Private Placements

Proceeds received on the issuance of units, consisting of common shares and warrants, are first allocated to the fair value of the common shares with any residual value then allocated to warrants. The fair value of the common shares is determined by the closing quoted bid price on the issue date. The balance, if any, is allocated to the attached warrants and recorded in reserves.

h) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive loss/income over the remaining vesting period. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the consolidated statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. **Significant Accounting Policies** (continued)

h) Share-based Payments (continued)

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid. Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

i) Loss per Share

Basic loss per common share is computed by dividing the net loss for the year by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, the weighted average number of common shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the period.

j) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date. Deferred tax assets also result from unused loss carry-forwards, resource related tax pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Foreign Currency Translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the consolidated statement of financial position date. Non-monetary items are translated at the rate of exchange in effect when the amounts were acquired or obligations incurred. Non-monetary items measured at fair value are reported at the exchange rates in effect at the time of the transaction. Exchange differences arising from the translations are recorded as a gain or loss on foreign currency translation in profit or loss.

3. Significant Accounting Policies (continued)

l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

The following new standards and interpretations have been issued by the IASB, but are not yet effective:

IFRS 9 *Financial Instruments*

IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains, but simplifies, the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for the Company beginning June 1, 2015. The Company is in the process of evaluating the impact of the new standard.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard beginning June 1, 2013.

IFRS 11 *Joint Arrangements*

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard beginning June 1, 2013.

IFRS 13 *Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard beginning June 1, 2013.

4. Financial Instruments

The Company has designated its cash and cash equivalents as FVTPL; deposits, as held-to-maturity; and accounts payable and loan payable, as other financial liabilities.

The carrying values of current deposits and accounts payable approximate their fair values due to the short-term maturity of these financial instruments. The fair value of the non-current deposits also approximates its carrying value.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk with respect to its cash and cash equivalents, accounts receivable and deposits. The Company limits exposure to credit risk by maintaining its cash and cash equivalents and deposits with major financial institutions. The Company is not exposed to significant credit risk on its accounts receivable as the entire balance is due from government agencies.

b) Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign currency rates and other price risk.

(i) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

(ii) Currency risk

The Company is exposed to currency risk to the extent that expenditures incurred by the Company are denominated in currencies other than the Canadian dollar (primarily Mexican pesos). The Company does not manage currency risk through hedging or other currency management tools.

The Company's net exposure to foreign currency risk is as follows:

		2013		2012
	Mexican pesos	Canadian dollars	Mexican pesos	Canadian dollars
Cash	466,230	37,718	3,567,979	258,108
VAT receivable	4,719,593	381,815	4,405,136	318,668
Accounts payable	(7,149,172)	(578,368)	(5,028,279)	(363,746)
Net	(1,963,349)	(158,835)	2,944,836	213,030

Based on the above and exchange rate movements for the past twelve months, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the Mexican peso would change the Company's net loss and comprehensive loss by approximately $16,000.

4. Financial Instruments (continued)

b) Market Risk (continued)

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to significant other price risk on its financial instruments.

c) Liquidity risk

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

As at May 31, 2013, the cash balance of $128,279 would not be sufficient to meet the cash requirements for the Company's administrative overhead, maintaining its E&E assets and continuing with its exploration programs in the following twelve months. The Company will be required to raise additional capital in the future to fund its operations.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities at May 31, 2013:

	Within 60 days -$-	Between 61-90 days -$-	More than 90 days -$-
Accounts payable and accrued liabilities	381,826	145,029	309,809

5. Deposits

The Company has pledged a $16,530 (2012 - $16,530) guaranteed investment certificate ("GIC") as site reclamation deposit pursuant to a condition of receiving consent from a government agency to explore its mineral property interest. The GIC earns interest at a rate of 1.35% per annum and is due June 30, 2013. The deposit is refundable if there is no environmental disturbance to the property. The carrying value approximates the fair value of the GIC. It is management's opinion that there is minimal disturbance to the property to date, and accordingly, has not recorded an asset retirement obligation.

The Company has also pledged a $20,000 (2012 - $20,000) GIC as collateral for one corporate Visa credit card issued by a major Canadian bank. The GIC earns interest at a rate of 0.75% per annum and is due October 1, 2013. The carrying value approximates the fair value of the GIC.

The Company has an office premises lease agreement, which requires a security deposit of $21,829 (2012 - $21,829).

6. Equipment and Leaseholds

	Office furniture and equipment	Field equipment	Computer equipment	Leasehold improvements	Total
	- $ -	- $ -	- $ -	- $ -	- $ -
Cost					
Balance, May 31, 2011	94,962	72,229	23,404	12,173	202,768
Additions	-	-	-	-	-
Balance, May 31, 2012	94,962	72,229	23,404	12,173	202,768
Additions	-	-	-	-	-
Balance, May 31, 2013	94,962	72,229	23,404	12,173	202,768
Accumulated amortization					
Balance, May 31, 2011	54,208	18,720	17,917	7,108	97,953
Charge for year	12,226	8,026	2,469	779	23,500
Balance, May 31, 2012	66,434	26,746	20,386	7,887	121,453
Charge for year	8,558	6,823	1,358	784	17,523
Balance, May 31, 2013	74,992	33,569	21,744	8,671	138,976
Net book value					
At May 31, 2012	28,528	45,483	3,018	4,286	81,315
At May 31, 2013	19,970	38,660	1,660	3,502	63,792

7. Exploration and Evaluation Assets

	2011	Addition (recovery/ write-down)	2012	Addition (recovery)	2013
	-$-	-$-	-$-	-$-	-$-
Navojoa Project, Sonora, Mexico:					
Acquisition costs	494,849	110,655	605,504	(5,032)	600,472
Exploration expenditures					
Property maintenance	-	-	-	83,225	83,225
Assays and reports	63,216	5,331	68,547	2,360	70,907
Consulting and engineering	154,411	-	154,411	19,902	174,313
Drilling	160,985	-	160,985	-	160,985
Field expenses	699,707	34,830	734,537	16,144	750,681
Geology and geophysics	22,082	-	22,082	10,000	32,082
Travel	12,263	-	12,263	5,894	18,157
Write-down	-	(1,140,000)	(1,140,000)	-	(1,140,000)
	1,607,513	(989,184)	618,329	132,493	750,822
El Cobre Project, Sonora, Mexico:					
Acquisition costs	151,731	-	151,731	-	151,731
Exploration expenditures					
Property maintenance	255,517	257,169	512,686	82,900	595,586
Assays and reports	145,731	99,825	245,556	-	245,556
Consulting and engineering	230,197	219,307	449,504	-	449,504
Drilling	445,888	406,666	852,554	-	852,554
Field expenses	1,252,518	153,692	1,406,210	6,738	1,412,948
Geology and geophysics	274,740	41,180	315,920	-	315,920
Travel	80,037	46,812	126,849	5,895	132,744
Write-down	-	(2,400,000)	(2,400,000)	-	(2,400,000)
	2,836,359	(1,175,349)	1,661,010	95,533	1,756,543
Cumbral Project, Sonora, Mexico:					
Exploration expenditures					
Assays and reports	-	67,127	67,127	242,922	310,049
Consulting and engineering	-	120,954	120,954	505,675	626,629
Drilling	-	-	-	751,419	751,419
Field expenses	-	189,770	189,770	453,051	642,821
Geology and geophysics	-	152,386	152,386	537,083	689,469
Travel	-	30,038	30,038	103,133	133,171
Recovery of exploration costs (funds received from Capstone)	-	(500,000)	(500,000)	(2,300,000)	(2,800,000)
	-	60,275	60,275	293,283	353,558
	4,443,872	(2,104,258)	2,339,614	521,309	2,860,922

7. Exploration and Evaluation Assets (continued)

Navojoa Project, Sonora, Mexico

The Company, through its wholly-owned Mexican subsidiary, Minera Westminster, has acquired a number of mineral concessions through option agreements and by staking.

(i) Fafy-Yorigiobe Concessions

An exploration and exploitation agreement with purchase option was signed on December 17, 2008, giving Minera Westminster the right to explore as well as to purchase 100% of the Fafy and 100% of the Yorigiobe concessions for total payments of US $500,000 each as follows:

	Cash payments in US $	Fafy concession	Yorigiobe concession
(a)	On signing of agreement	$30,000 (paid)	$30,000 (paid)
(b)	June 17, 2009	$30,000 (paid)	$30,000 (paid)
(c)	December 17, 2009	$35,000 (paid)	$35,000 (paid)
(d)	June 17, 2010	$35,000 (paid)	$35,000 (paid)
(e)	December 17, 2010	$35,000 (paid)	$35,000 (paid)
(f)	June 17, 2011	$35,000 (paid)	$35,000 (paid)
(g)	December 17, 2011	$35,000 (paid)	$35,000 (paid)
(h)	June 17, 2012	$132,500*	$132,500*
(i)	December 17, 2012	$132,500*	$132,500*

* the Company formally terminated the purchase option for both the Fafy and Yorigiobe concessions, and consequently all associated exploration expenditures as well as property payments were written down at May 31, 2012.

There is a 2% net smelter return royalty on each concession with a 1% buy-back option on each concession for US $1 million.

(ii) La Kala Concessions

On June 23, 2009 (amended on June 23, 2010 and February 23, 2012), an assignment, exploration and exploitation agreement with purchase option to acquire a 75% interest in both concessions was entered into with Minera Van Gold, S. de R.L. de C.V. ("Minera VG") whereby Minera Westminster has the right to explore the La Kala Concessions and the La Kala 2 Concessions and by completing the following cash payments and exploration expenditures in US dollars:

	La Kala Concession	La Kala 2 Concession
(a)	$2,000 on December 1, 2009 (paid)	$25,000 on signing (paid)
(b)	$6,000 on June 1, 2010 (paid) and each six-month anniversary thereafter*	$25,000 on June 23, 2010 (paid)

* cash payments will be extinguished if and when Minera Westminster elects to exercise the purchase option for the La Kala Concessions and pay the optionor US $1,000,000.

Property expenditures (combined La Kala and La Kala 2 Concessions) as follows:

(a) US $250,000 on or before June 1, 2010 (completed);
(b) US $100,000 on or before March 1, 2012 (completed);
(c) US $250,000 on or before March 1, 2013 (completed);
(d) US $300,000 on or before March 1, 2014*;
(e) US $400,000 on or before March 1, 2015*; and
(f) US $400,000 on or before March 1, 2016*.

* the property expenditures were formally terminated by the amended agreement dated December 18, 2012 with Minera VG for US $25,000 (paid) for a purchase option to acquire a 100% interest in both concessions for payment of US $100,000 due by December 18, 2013.

7. Exploration and Evaluation Assets (continued)

Navojoa Project, Sonora, Mexico (continued)

(iii) Tres Hermanos Concessions

The Company has acquired by staking the La Mora claims and the Tres Hermanos claims contiguous to the La Kala and Fafy-Yorigiobe concessions.

(iv) Encenada Concessions

The Company has acquired by staking the Encenada concessions.

(v) El Puerto Concessions

The Company has acquired by staking the El Puerto concessions.

El Cobre Project, Sonora, Mexico

The Company has assembled the El Cobre Project, which is located near Obregon in Sonora state, Mexico.

(i) El Cobre concession

On March 17, 2010, an assignment, exploration and exploitation agreement with purchase option to acquire a 100% interest in the above concession was entered into with Manuel Coronel Beltran whereby Minera Westminster has the right to explore the El Cobre concessions by completing the following cash payments.

There is a 2% net smelter return royalty on this concession with a 1% buy-back option for US $1,000,000.

(a) US $25,000 on signing of agreement (paid);
(b) US $50,000 on or before September 17, 2010 (paid);
(c) US $75,000 on or before March 17, 2011 (paid);
(d) US $150,000 on or before March 17, 2012*;
(e) US $200,000 on or before March 17, 2013*;
(f) US $500,000 on or before March 17, 2014*; and
(g) US $500,000 on or before March 17, 2015*.

*In view of the substantial property payments that were required to hold this ground, and the Vendor's unwillingness to renegotiate, the Company formally terminated the purchase option and recognized a $2,400,000 property write-down during the year ended May 31, 2012.

(ii) Douglas, Douglas 1, Douglas 2, Douglas 3, Douglas 4, Douglas 5, Douglas 6, El Cobre 1 and El Cobre 2, El Guayacan 2, San Bartolo 1, San Bartolo 2, La Mula and La Mula 1 concessions were staked by Minera Westminster and are owned 100%.

(iii) Lya 2, Los Amigos, San Bartolo, El Guayacan, Los Alamos and El As3 were purchased outright for cash, for a total of US $70,000. The Lya 2 concession has a 1% net smelter return royalty, which can be purchased for US $500,000.

7. Exploration and Evaluation Assets (continued)

Cumbral – San Bartolo Option Project

On April 17, 2012 the Company signed an option agreement with Capstone Mining Corp. ("Capstone") (TSX:CS) granting Capstone the right to acquire up to a 70% interest in the Cumbral – San Bartolo prospect area of the El Cobre Project through staged exploration expenditures totaling $9.3 million by December 31, 2015, and delivering a scoping study by June 30, 2016. Capstone is required to finance a total of $3,300,000 (Note 14) by December 31, 2013 ($2,800,000 was funded at May 31, 2013) to earn a 49% interest with Westminster to be the operator (Stage One); it can then earn a further 11% interest by expending an additional $3,000,000 on or before December 31, 2014 and a further additional 10% interest by expending $3,000,000 on or before December 31, 2015. In both of these latter stages, no decision has been made as to who will be operator and the funding by Capstone is not a commitment but an option. Following completion of the $9,300,000 in expenditures each party will be responsible for their portion of funding going forward on a proportionate basis. Should the Company elect not to participate beyond the $9,300,000, Capstone will have the exclusive right and option to earn an additional 5% (for a total of 75%) undivided interest in the property by delivering a preliminary economic assessment on the property.

Realization of Assets

The investment in and expenditures on E&E assets comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims are allowed to lapse.

Title to Mineral Property Interests

Although the Company has taken steps to verify the title to mineral properties 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 or transfers and title may be affected by undetected defects.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is unaware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

8. Share Capital and Reserves

a) Authorized – Unlimited number of common shares without par value.

b) Issued

(i) On November 19, 2012, the Company issued 56,640 common shares for the exercise of 56,640 warrants at $0.10 per share for proceeds of $5,664.

(ii) On October 31, 2012 the Company completed a non-brokered private placement with Capstone of 10,000,000 common shares at $0.10 per share to net the Company $1,000,000.

(iii) On August 21, 2012, the Company issued 93,440 common shares for the exercise of 93,440 warrants at $0.10 per share for proceeds of $9,344.

(iv) During the year ended May 31, 2012, the Company issued 1,500,000 common shares at $0.10 per share to repay loans payable.

(v) On April 13, 2012, the Company completed a non-brokered private placement by issuing 5,830,000 common shares at $0.15 per share for gross proceeds of $874,500.

(vi) On November 17, 2011, the Company completed a non-brokered private placement by issuing 10,540,000 common shares at $0.10 per share for gross proceeds of $1,054,000. Finders' fees totaling $84,080 were paid and 469,600 agent warrants with a fair value of $27,706 were issued by the Company. Each agent warrant entitles the holder to acquire one common share at $0.10 until November 17, 2012.

c) Stock Options

The Company has a stock option plan in place that allows for the reservation of common shares issuable under the Plan to a maximum of 10% of the number of issued and outstanding common shares of the Company at any given time. The exercise price of any stock option granted under the plan may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant.

On June 8, 2012, the Company granted 2,440,000 share purchase options with an exercise price of $0.15 per share to directors, consultants and employees of the Company, with the options vesting on the grant date. The options will expire on June 8, 2017.

Details of the status of the Company's stock options and changes during the years then ended are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, May 31, 2011 and 2012	4,720,000	$0.30
Granted	2,440,000	$0.15
Cancelled	(1,840,000)	$0.33
Outstanding, May 31, 2013	5,320,000	$0.23

8. Share Capital and Reserves (continued)

c) Stock Options (continued)

Stock options outstanding as at May 31, 2013 and 2012 are as follows:

		2013		**2012**	
Expiry Date	Exercise Price	Options Outstanding	Options Exercisable	Options Outstanding	Options Exercisable
12-Oct-12	$0.25	-	-	1,090,000	1,090,000
08-Apr-13	$0.40	-	-	200,000	200,000
14-May-14	$0.35	1,020,000	1,020,000	1,120,000	1,120,000
20-Sep-15	$0.25	1,510,000	1,510,000	1,560,000	1,560,000
18-Nov-15	$0.40	350,000	350,000	350,000	350,000
01-Feb-16	$0.50	-	-	400,000	400,000
08-Jun-17	$0.15	2,440,000	2,440,000	-	-
Outstanding, end of year		5,320,000	5,320,000	4,720,000	4,720,000
Weighted average remaining contractual life of options		2.85 years		3.22 years	

d) Share-based Payments

During the year ended May 31, 2013, the Company granted 2,440,000 (2012 - nil) stock options. The fair value of stock options granted in the year was $102,402 (2012 - $nil).

The Company recognized $nil (2012 - $3,820) in share-based payments from vesting of prior year stock options.

The fair value of stock options granted was estimated at the grant date using the Black-Scholes option pricing model, with the following weighted average assumptions for the years ended May 31, 2013 and 2012:

	2013	**2012**
Weighted-average grant date fair value	$0.04	$0.28
Expected annual volatility	66.00%	57.00%
Risk-free interest rate	0.89%	1.29%
Expected life	5 years	3.78 years
Expected dividend yield	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

Expected volatility was determined based on the historical movements in the closing price of the Company's stock for a length of time equal to the expected life of each option.

8. Share Capital (continued)

e) Warrants

Details of the status of the warrants outstanding at May 31, 2013 and 2012 are as follows:

	2013			2012		
Expiry Date	Number of Warrants	Exercise Price	Weighted Average Years to Expire	Number of Warrants	Exercise Price	Weighted Average Years to Expire
29-Jun-12	-	-	-	10,311,103	$0.35	0.08
09-Nov-12	-	-	-	2,578,199	$0.45	0.44
17-Nov-12	-	-	-	469,600	$0.10	0.47
18-Nov-12	-	-	-	6,803,200	$0.45	0.47
03-Dec-12	-	-	-	757,243	$0.47	0.51
14-Dec-12	-	-	-	2,525,280	$0.56	0.54
	-	-	-	23,444,625	$0.41	0.30

Continuity of the warrants outstanding is as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, May 31, 2011	26,342,525	$0.40
Issued	469,600	$0.10
Expired	(3,367,500)	$0.25
Outstanding, May 31, 2012	23,444,625	$0.41
Exercised	(150,080)	$0.10
Expired	(23,294,545)	$0.41
Outstanding, May 31, 2013	-	-

9. Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of the entity, and include all directors and officers. Key management compensation during the years ended May 31, 2013 and 2012 were as follows:

	2013	2012
	-$-	-$-
Short-term benefits	215,400	214,950
Share-based payments	31,920	-
Total	247,320	214,950

10. Income taxes

A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

		2013		2012
Loss for the year	$	(1,166,062)	$	(4,899,993)
Canadian statutory tax rate		25.17%		25.88%
Income tax benefit computed at statutory rates		(293,498)		(1,268,118)
Foreign tax rates different from statutory rates		(1,059)		(1,741)
Items non-deductible for income tax purposes		28,090		42,814
Effect of change in tax rate		(75,108)		11,073
Change in timing differences		12,761		936,736
Foreign exchange effect on tax assets and liabilities		(60,216)		148,775
Unused tax losses and tax offsets not recognized in tax asset		389,030		130,461
	$	-	$	-

In 2009, the Mexican government approved tax reform that includes a 2% increase in the income tax rate in Mexico from 28% to 30% for a three-year period starting in 2010.

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income liabilities at May 31, 2013 and 2012 are presented below:

		2013		2012
Deferred tax assets				
Non-capital losses carried forward	$	30,560	$	99,199
Deferred tax liabilities				
Book value over tax value of E&E assets		(30,560)		(99,199)
Net deferred tax assets	$	-	$	-

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		2013		2012
Tax value over book value of equipment	$	141,411	$	123,888
Tax value over book value of E&E assets		1,392,147		1,262,544
Non-refundable mining credit		66,836		66,836
Cumulative eligible capital deduction		628		628
Share issue costs		212,729		401,236
Non-capital losses		6,407,056		5,030,921
Unrecognized deferred tax amounts	$	8,220,807	$	6,886,053

10. Income taxes (continued)

The Company's unrecognized unused non-capital losses have the following expiry dates:

	Canada	Mexico	Total
2026	$ 56,000	$ -	$ 56,000
2027	228,000	-	228,000
2028	507,000	-	507,000
2029	692,000	2,000	694,000
2030	871,000	24,000	895,000
2031	1,523,000	289,000	1,812,000
2032	1,162,000	40,000	1,202,000
2033	1,151,000	22,000	1,173,000
	$ 6,190,000	$ 377,000	$ 6,567,000

11. Segmented Information

The Company has one operating segment, the exploration of mineral properties and two geographical segments, with all current exploration activities being conducted in Mexico:

			2013			2012
	Canada	Mexico	Total	Canada	Mexico	Total
Non-current assets	$85,621	$2,860,922	$2,946,543	$103,144	$2,339,614	$2,442,758
Total assets	$265,271	$3,286,029	$3,551,300	$470,548	$2,917,542	$3,388,090

12. Commitment

The Company is committed to pay monthly office lease payments of $5,597 per month from August 1, 2013 to July 31, 2018. The lease commitments for the next three fiscal years are:

	- $ -
2014	67,166
2015	67,166
2016	39,180
	173,512

13. Capital Management

The Company defines its capital as shareholders' equity and loan payable. It manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. 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 is dependent upon external financing or the sale of assets to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The approach to capital management has not changed since the prior year, and the Company is not subject to externally imposed capital requirements.

14. Subsequent Events

In June 2013, the Company received $500,000 from Capstone pursuant to the option agreement (Note 7). As a result, Capstone has fully funded $3,300,000 that is required by December 31, 2013 in order to earn a 49% interest in the Cumbral Project.