CAMINO MINERALS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2013
(Expressed in Canadian Dollars)

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November 26, 2013

Independent Auditor's Report

To the Shareholders of Camino Minerals Corp.

We have audited the accompanying consolidated financial statements of Camino Minerals Corp., which comprise the consolidated statement of financial position as at July 31, 2013 and July 31, 2012 and the consolidated statements of loss, consolidated statements of comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Camino Minerals Corp. as at July 31, 2013 and July 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, British Columbia

CAMINO MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Expressed in Canadian dollars

	Notes	July 31. 2013 $	July 31, 2012 $
ASSETS			
Current assets			
Cash and cash equivalents		1,538,966	2,029,956
Receivables		26,474	25,521
Deposits and prepaid expenses		61,589	82,245
Total current assets		1,627,029	2,137,722
Non-current assets			
Value added tax receivable	9	70,762	-
Fixed assets	7	93,353	115,432
Mineral interests	4	7,216,140	5,894,810
		7,380,255	6,010,242
Total Assets		9,007,284	8,147,964
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		183,976	44,326
Total liabilities		183,976	44,326
EQUITY			
Share capital	5	16,388,981	14,731,000
Reserves	5	12,220,615	12,220,615
Share based payment reserves	5	1,620,256	1,469,812
Warrant reserves	5	458,836	-
Accumulated other comprehensive income (loss)	5	(83,259)	(519,456)
Deficit		(21,782,121)	(19,798,333)
Total equity		8,823,308	8,103,638
Total Equity and Liabilities		9,007,284	8,147,964

These consolidated financial statements are authorized for issuance by the Board of Directors on November 26, 2013.

On behalf of the Board:

James Tutton	*R.E. Gordon Davis*
James Tutton	R.E. Gordon Davis
(Chairman of Audit Committee)	(Director)

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

CAMINO MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF LOSS
Expressed in Canadian dollars

	Notes	Year ended July 31, 2013 $	Year ended July 31, 2012 $
EXPENSES			
Amortization		12,233	11,912
General and administrative		41,890	56,006
General exploration		40,666	32,647
Insurance		37,630	40,486
Investor relations		98,799	98,608
Listing and filing fees		5,771	15,144
Professional fees		123,286	167,210
Rent		123,870	113,007
Salaries and wages		455,020	448,361
Share based compensation	5	107,627	353,212
Shareholder relations		22,548	16,753
Transfer agents		12,517	12,317
Travel		2,073	421
Loss before other items		1,083,930	1,366,084
OTHER ITEMS			
Foreign exchange loss (gain)		13,647	(25,312)
Interest (income)		(26,740)	(40,689)
Mineral interests write-down	4	939,000	1,705,342
VAT write down (recovery)	9	(26,049)	342,591
Net loss for the year		1,983,788	3,348,016
Basic and diluted loss per common share	5	(0.03)	(0.05)

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

CAMINO MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Expressed in Canadian dollars

	Year ended July 31, 2013 $	Year ended July 31, 2012 $
Net loss for the year	1,983,788	3,348,016
Other comprehensive loss for the year:		
Currency translation adjustment	(436,197)	467,143
Net comprehensive loss for the year	1,547,591	3,815,159

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

CAMINO MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in Canadian dollars

	Notes	Year ended July 31, 2013 $	Year ended July 31, 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		$ (1,983,788)	$ (3,348,016)
Items not affecting cash:			
Amortization	7	12,233	11,912
Share-based compensation	5	107,627	353,212
Write-off of mineral interests	4	939,000	1,705,342
VAT recovery	9	(26,049)	342,591
Change in non-cash working capital items:			
Receivables		(953)	(6,608)
Prepaid expenses		20,656	(212)
Accounts payable and accrued liabilities		20,563	(27,236)
Net cash used in operating activities		(910,711)	(969,015)
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in value added tax recoverable	9	(310,413)	(160,453)
VAT received	9	265,700	-
Expenditures on mineral interests	4	(1,643,706)	(2,296,515)
Purchase of property, plant and equipment	7	(5,072)	(1,342)
Net cash used in investing activities		(1,693,491)	(2,458,310)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued	5	2,170,000	-
Share issue costs	5	(53,183)	-
Net cash used in investing activities		2,116,817	-
Foreign exchange gains (losses) on foreign cash held		(3,605)	30,539
Change in cash and cash equivalents for the year		(490,990)	(3,396,786)
Cash and cash equivalents, beginning of year		2,029,956	5,426,742
Cash and cash equivalents, end of year		$ 1,538,966	$ 2,029,956

See note 12 for supplemental cash flow information

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

CAMINO MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Expressed in Canadian dollars

	Common shares							
	Number of shares	Amount $	Reserves $	Share-based payments reserve $	Warrant reserves $	Accumulated currency translation difference $	Deficit $	Total $
Balance – August 1, 2012	65,265,432	14,731,000	12,220,615	1,469,812	-	(519,456)	(19,798,333)	8,103,638
Value assigned to options granted	-	-	-	150,444	-	-	-	150,444
Non-brokered private placement	31,000,000	1,698,000	-	-	471,000	-	-	2,170,000
Share issue costs	-	(41,787)	-	-	(11,396)	-	-	(53,183)
Other comprehensive gain	-	-	-	-	-	436,197	-	436,197
Loss for the year	-	-	-	-	-	-	(1,983,788)	(1,983,788)
Balance – July 31, 2013	**96,265,432**	**16,388,981**	**12,220,615**	**1,620,256**	**458,836**	**(83,259)**	**(21,782,121)**	**8,823,308**

	Common shares						
	Number of shares	Amount $	Reserves $	Share-based payments reserve $	Accumulated currency translation difference $	Deficit $	Total $
Balance – August 1, 2011	64,265,432	14,606,000	12,220,615	1,064,335	(52,313)	(16,450,317)	11,388,320
Value assigned to options granted (property and administration)	-	-	-	405,477	-	-	405,477
Shares issued for properties	1,000,000	125,000	-	-	-	-	125,000
Other comprehensive loss	-	-	-	-	(467,143)	-	(467,143)
Loss for the year	-	-	-	-	-	(3,348,016)	(3,348,016)
Balance – July 31, 2012	**65,265,432**	**14,731,000**	**12,220,615**	**1,469,812**	**(519,456)**	**(19,798,333)**	**8,103,638**

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

1. NATURE OF OPERATIONS

Camino Minerals Corporation ("Camino Minerals" or "the Company") is an exploration stage company that is engaged directly in the exploration and development of mineral properties in Mexico. The Company is incorporated and domiciled in British Columbia, Canada. The address of its registered and head office is 1510-999 West Hastings Street, Vancouver, B.C. V6C 2W2.

The recoverability of the amounts shown for mineral property assets is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and the ability of the Company to obtain the necessary financing to continue the exploration and future development of its mining properties, or realizing the carrying amount through a sale.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated annual financial statements have been prepared on a historical cost basis and includes the accounts of the Company and the entities it controls

b) Basis of Consolidation

These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries Rojo Resources S.A. de C.V. ("RRE") and Recursos Mineros Rojo S.A. de C.V. ("RMR"). All intercompany transactions and balances have been eliminated.

These consolidated financial statements also include the accounts of Compania Minera El Secreto S.A, de C.V. ("CMES"), a Company formed for the purposes of holding the El Secreto property. At present, the Company exercises control over CMES as a result of its option to earn up to an 80% interest. Management applies IFRS 10 - *Consolidation* to determine whether the Company has control over CMES through examining factors such as power, rights to variable returns, and influence. Based on assessment of these factors, management has concluded that the Company has control over CMES and therefore has consolidated CMES in its consolidated financial statements for the fiscal 2013 year.

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Rojo Resources S.A. de C.V.	Mexico	100%	Holds interest in mineral interests in Mexico
Recursos Mineros Rojo S.A. de C.V.	Mexico	100%	Performs payroll function in Mexico

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

c) Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period relate to, but are not limited to, the following:

i. the recoverability of Mexican VAT receivable. Management uses all relevant facts available, such as the development of VAT policies in Mexico, past collectability, and the general economic environment of Mexico to determine if the VAT is impaired;
ii. the recoverability of the carrying value of the investment in mineral interests. The estimation of the impairment indicators involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties and the results of exploration to date

d) Segment Reporting

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral interests.

e) Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated amortization and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use along with the future cost of dismantling and removing the asset. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Amortization is calculated over the useful life of the asset at rates ranging from 15% to 30% per annum once the asset is available for use. Leasehold improvements are amortized over the shorter of their economic lives and the lease term plus lease renewals, if any, only when such renewals are reasonably assured. Amortization charges on assets that are directly related to mineral properties are allocated to that mineral property.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f) Foreign currencies

The Company's functional and reporting currency is the Canadian dollar. The functional currency of each of RRE, RMR and CMES is the Mexican Peso.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of RRE, RMR and CMES are translated into the Canadian dollar using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences are recognized in other comprehensive income and accumulated in equity.

g) Mineral interests

Expenditures on mineral exploration or evaluation incurred in respect of a property before the acquisition of a license to explore are expensed, as incurred, to general mineral exploration. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation assets and classified as a non-current asset.

Mineral property acquisition costs are included in exploration and evaluation and include any cash consideration and advance royalties paid, and the fair market value of shares issued, if any, on the acquisition of the mineral property interest. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made.

Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest, as described in note 2(h). To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

h) Impairment of non-current assets

At each reporting period, management reviews all assets for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of 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. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which that asset belongs.

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in the profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized.

i) Share-based payment transactions

The Company's Stock Option Plan allows employees and consultants to acquire shares of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and recorded as an expense over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the share-based payment is measured using the Black-Scholes option pricing model. The fair value of the share based payment is recognized as an expense or capitalized to mineral interests with a corresponding increase in share-based payment reserves. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payment reserves amount is transferred to share capital.

j) Provision for closure and reclamation

A liability for on-site reclamation is recognized on a discounted cash flow basis when a reasonable estimate of the obligation can be made. The provision is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time, adjustments for changes in the current market-based discount rate and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

k) Loss per share

Loss per common share is calculated using the weighted average number of common shares outstanding. Diluted loss per share is not presented as it is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

l) Value added tax ("VAT")

Valued added tax ("VAT") credit refundable is from the Government of Mexico and is currently calculated as 16% of expenditures in Mexico. VAT receivables are reviewed for impairment at each financial reporting date for collectability. If impairment is determined to exist, the asset will be written down to the estimated recoverable amount.

m) Share Capital

The Company records proceeds from share issuances net of issue costs. Common shares issued for consideration other than cash are valued based on their market value at the date of the agreement to issue shares were concluded. Proceeds, and issue costs, from unit placements are allocated between shares and warrants issued according to their relative fair value. The fair value of the warrant is determined using the Black-Scholes option pricing model, while fair value of the share is based on the market value at the time of issuance. The relative value of the share component is credited to share capital and the relative value of the warrant component is credited to warrant reserves. Upon exercise of the warrant, consideration paid by the warrant holder together with the amount previously recognized in the warrant reserve is recorded as an increase to share capital. For those warrants that expire, the recorded value is transferred from reserve for warrants to contributed surplus.

n) Income taxes

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. 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 at the end of the reporting year applicable to the year of expected realization.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

o) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through income.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost using the effective interest method less any impairment. Loans and receivables are comprised of cash and cash equivalents and trade and other receivables.

iii. Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivative assets that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized in other comprehensive income and classified as a component of equity. AFS assets include marketable securities and other investments consisting of shares of other entities.

Management assesses the carrying value of AFS financial assets at each reporting period and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit or loss.

Financial liabilities

The Company's financial liabilities are classified as borrowings and other financial liabilities.

Borrowings and other financial liabilities are non-derivative liabilities and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

3. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

New standards, amendments and interpretations adopted by the Company

The Company has adopted the following standards for the reporting period beginning August 1, 2012:

- IFRS 10, *Consolidated Financial Statements*, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The adoption of this standard did not have an impact on the Company

- IFRS 11, *Joint Arrangements*, replaces IAS 31, Interests in Joint Ventures. IFRS 11 reduces the types of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires the use of equity accounting for interests in joint ventures, eliminating the existing policy choice of proportionate consolidation for jointly controlled entities under IAS 31. Entities that participate in joint operations will follow accounting much like that for jointly controlled assets and jointly controlled operations under IAS 31. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The adoption of this standard did not have an impact on the Company.

- IFRS 12, *Disclosure of Interests in other Entities*, sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28, *Investments in Associates*. This standard impacts disclosures only.

New standards, amendments and interpretations to existing standards not adopted by the Company

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after January 1, 2013 or later periods.

The following standards are effective for the Company’s annual reporting period beginning August 1, 2013 unless otherwise noted:

- IFRS 9, *Financial Instruments, Classification and Measurement*, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed instrument model having only two categories: amortized cost and fair value through profit or loss IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. The IASB recently deferred the effective date of this standard beyond the previously proposed date of January 1, 2015. The Company anticipates that the adoption of this standard will have no material impact except for additional disclosures.

  IFRS 13, *Fair Value Measurement,* this new standard sets out a framework for measuring fair value and the disclosure requirements for fair value measurements. The Company anticipates that the adoption of this standard will have no material impact on its financial statements.

Expressed in Canadian dollars

4. *MINERAL INTERESTS*

El Secreto

On April 5, 2012, the Company signed a definitive option agreement with Arcelia Gold Corp ("Arcelia"), pursuant to which the Company can acquire from Arcelia up to an 80% interest in the El Secreto Gold, Silver and Copper project ("El Secreto") located Sinaloa State, Mexico. The parties have agreed that the consideration payable by the Company in order to acquire up to a 60% interest in the Property will consist of total cash payments of US$200,000, the issuance of 2,000,000 Camino common shares and incurring exploration expenditures in the amount of USD$4,000,000 over a four year period.

Date of option payment	Amount USD $	Share issuance
On execution of the LOI (paid)	25,000	-
Within five business days of regulatory approval (paid and issued)	50,000	500,000
On or before the 2nd anniversary of the option agreement	25,000	500,000
On or before the 3rd anniversary of the option agreement	50,000	500,000
On or before the 4th anniversary of the option agreement	50,000	500,000
TOTAL:	200,000	2,000,000

Work commitment date	Exploration expenditures USD$
On or before the 1st anniversary of the option agreement (met)	500,000
On or before the 2nd anniversary of the option agreement	1,000,000
On or before the 3rd anniversary of the option agreement	1,000,000
On or before the 4th anniversary of the option agreement	1,500,000
TOTAL:	4,000,000

In addition to earning a 60% interest in the Property, the Company may earn an additional 10% undivided interest upon completion of a NI 43-101 compliant Preliminary Economic Assessment and a further 10% undivided interest upon completion of a NI 43-101 compliant feasibility study (a total of 80% interest in the Property).

Rodeo, El Rincon, and Mecatona Gold projects

On March 16, 2012, the Company purchased the back-in rights that Silver Standard held with respect to each of the El Rincon Gold Project and the Mecatona Gold-Silver Project, and Silver Standard's right of first offer with respect to the Rodeo Gold Projects (collectively, the "Rights"). In consideration for the transfer of the Rights, the Company issued to Silver Standard 500,000 of its common shares.

Rodeo gold project, Durango State, Mexico

In fiscal 2003, the Company entered into a lease with an option to purchase agreement for a 100% interest in the Rodeo property located 150 kilometers north of Durango, Mexico. Under the terms of the agreement with La Cuesta International Inc. ("LCI"), owner of the Rodeo property, the Company may make staged payments of US$5,000 (paid on acquisition); the greater of US$5,000 or 2% of all direct exploration expenditures payable every six months (paid to date) thereafter and a 0.25% net smelter royalty. The maximum amount payable in respect of this agreement is US$500,000. At July 31, 2013, a total of US$134,783 was paid in respect to this agreement. Subsequent to year end, the Company reduced the size of the Rodeo claims.

4. MINERAL INTERESTS (Cont'd)

El Rincon gold project, Durango State, Mexico

In fiscal 2004, the Company acquired, by staking, the El Rincon gold project in Durango, Mexico, subject to a finder's fee to LCI.

Under the terms of the agreement with LCI, the Company is required to pay LCI: US$5,000 on signing the agreement (paid); every six months commencing May 3, 2004, the greater of US$5,000 and 2% of direct exploration expenditures made for the benefit of the property (paid to date); and, on commencement of commercial production on the property, a 0.25% net smelter return royalty; provided that the maximum amount payable to LCI for the El Rincon property is US$2,000,000.

During fiscal 2012, the El Rincon gold project was written-off as the Company had no plans for future exploration.

Mecatona gold-silver project, Chihuahua State, Mexico

In fiscal 2006, the Company acquired, by a combination of option agreements and staking, four claim blocks for a 100% interest in the Mecatona property located in the Mecatona gold/silver district in the state of Chihuahua, Mexico, south of Parral.

For two claims, the Company agreed to pay, under separate option agreements, two private owners an aggregate of US$15,000 on signing (paid). Subsequent option payments for one of these claim blocks are US$10,000 on November 25, 2006 (paid), US$20,000 on November 25, 2007 (paid), US$215,000 on November 25, 2008 (paid) and a 1% net smelter return royalty capped at US$250,000. The Company acquired the remaining two claim blocks that comprise the Mecatona property by staking.

Under the terms of the agreement with LCI, the Company is required to pay LCI: US$5,000 on acquisition of the property (paid); every six months, the greater of US$5,000 and 2% of direct exploration expenditures made for the benefit of the property (paid to date); and, on commencement of commercial production on the property, a 0.25% net smelter return royalty; provided that the maximum amount payable to LCI for the Mecatona property is US$2,000,000. At July 31, 2013, a total of US$85,000 was paid in respect to this agreement. During the year, the Company reduced the size of the Mecatona claim to focus on the core Mecatona property.

4. MINERAL INTERESTS (Cont'd)

Maijoma claim group, Chihuahua State, Mexico

In fiscal 2006, the Company acquired by staking a 100% interest in the Maijoma Prospect located in Chihuahua State, Mexico, subject to the payment of a finder's fee to LCI.

Under the terms of the agreement with LCI, the Company is required to pay LCI: US$5,000 on acquisition of the property (paid); every six months, the greater of US$5,000 and 2% of direct exploration expenditures made for the benefit of the property (paid to date); and, on commencement of commercial production on the property, a 0.25% net smelter return royalty; provided that the maximum amount payable to LCI for the Maijoma property is US$2,000,000. At July 31, 2013, a total of US$75,000 was paid in respect to this agreement.

In fiscal 2006, the Company acquired by staking a 100% interest in the El Alamo Prospect located in Chihuahua State, Mexico, subject to the payment of finder's fees to LCI. The El Alamo prospect is considered to be part of the Maijoma property.

Under the terms of the agreement with LCI, the Company is required to pay LCI for the El Alamo claim block: US$5,000 on acquisition of the property (paid); every six months, the greater of US$5,000 and 2% of direct exploration expenditures made for the benefit of the property (paid to date); and, on commencement of commercial production on the property, a 0.25% net smelter return royalty; provided that the maximum amount payable to LCI for the El Alamo claim block is US$2,000,000. At July 31, 2013, a total of US$65,000 was paid in respect to this agreement.

For the Agua Loca claim block, the Company is also required to pay LCI US$5,000 on acquisition of the property (paid); every six months, the greater of US$5,000 and 2% of direct exploration expenditures made for the benefit of the property (paid to date); and, on commencement of commercial production on the property, a 0.25% net smelter return royalty; provided that the maximum amount payable to LCI for the Agua Loca claim block is US$2,000,000. At July 31, 2013, a total of US$65,000 was paid in respect to this agreement.

During the fiscal year, the Company dropped certain claim blocks in the Maijoma property. A write-down of $939,000 was recognized based on the accumulated costs associated with the claims dropped to reduce the carrying amount of these claims to $nil.

Expressed in Canadian dollars

4. MINERAL INTERESTS (Cont'd)

The Company's mineral interests consist of gold exploration projects in Mexico.

Expenditures on the Company's mineral interests are summarized as follows:

	Rodeo $	Mecatona $	Maijoma $	El Secreto $	Total $
Balance, July 31, 2012	3,196,399	724,362	1,649,553	324,496	5,894,810
Acquisition	-	-	-	-	-
Assaying	-	523	-	175,546	176,069
Amortization	558	139	2,246	20,877	23,820
Claim taxes	29,175	6,877	45,702	6,336	88,090
Community work	-	-	-	4,711	4,711
Consulting	322	237	8,242	195,539	204,340
Drilling	-	-	-	517,540	517,540
Engineering and drafting	1,206	-	-	1,800	3,006
Equipment and supplies	-	-	-	116,437	116,437
Field and office supplies	1,052	379	1,351	112,837	115,619
Finder fees	10,074	10,759	20,346	855	42,034
Geology and prospecting	-	-	88,872	636	89,508
Geophysics ground	-	-	-	42,872	42,872
Miscellaneous	-	-	-	700	700
Salaries	-	-	-	182,748	182,748
Share-based compensation	1,023	255	4,116	38,253	43,647
Subsidiary overhead allocation	1,809	451	7,281	70,130	79,671
Travel	-	-	3,087	95,531	98,618
Exploration costs for the year	45,219	19,620	181,243	1,583,348	1,829,430
Currency translation adjustment	185,724	42,568	98,457	104,151	430,900
Write-down of mineral interests	-	-	(939,000)	-	(939,000)
Balance, July 31, 2013	3,427,342	786,550	990,253	2,011,995	7,216,140

Expressed in Canadian dollars

4. MINERAL INTERESTS (Cont'd)

	Rodeo $	El Rincon $	Mecatona $	Maijoma $	El Secreto $	Total $
Balance, July 31, 2011	2,329,263	1,293,043	713,494	1,490,095	-	5,825,895
Acquisition	23,333	23,334	23,333	-	130,000	200,000
Assaying	135,670	-	-	7,956	25,747	169,373
Amortization	18,689	-	-	3,106	2,612	24,407
Claim taxes	46,591	34,330	11,978	94,688	5,147	192,734
Community work	-	-	-	10,688	-	10,688
Consulting	145,887	9,801	10,109	44,483	25,497	235,777
Drilling	732,622	-	-	-	-	732,622
Engineering and drafting	10,749	-	-	1,400	12,763	24,912
Field and office supplies	71,875	1,830	668	6,682	30,830	111,885
Finder fees	45,482	15,086	10,316	25,519	-	96,403
Geology and prospecting	35,445	-	-	-	12,000	47,445
Geophysics ground	-	-	-	3,912	-	3,912
Miscellaneous	-	-	-	-	6,355	6,355
Salaries	114,317	8,811	9,632	22,847	40,193	195,800
Share-based compensation	34,805	2,123	1,446	6,755	7,027	52,156
Subsidiary overhead allocation	65,458	2,665	777	12,712	1,011	82,624
Travel	48,999	1,898	1,426	19,659	26,257	98,239
Exploration costs for the period	1,506,589	76,544	46,352	260,407	195,439	2,085,332
Currency translation adjustment	(284,486)	(65,879)	(58,817)	(100,949)	(943)	(511,074)
Write-off of mineral interests	(378,300)	(1,327,042)	-	-	-	(1,705,342)
Balance, July 31, 2012	3,196,399	-	724,362	1,649,553	324,496	5,894,810

Expressed in Canadian dollars

5. CAPITAL AND RESERVES

Authorized Share Capital

At July 31, 2013, the authorized share capital consisted of an unlimited number of common shares without par value and an unlimited number of preferred shares with no par value.

On March 28, 2013, the Company completed a non-brokered private placement. The non-brokered private placement consisted of 31,000,000 units at a price of $0.07 per unit for aggregate gross proceeds of $2,170,000. Each unit is comprised of one common share of the Company and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.10 per common share for a period of 24 months after the closing date of the Private Placement. In total, 15,500,000 warrants were granted with the units and 110,000 warrants were granted to brokers.

On March 16, 2012, the Company issued 500,000 shares valued at 0.14/share for the purchase of back in rights from Silver Standard Resources. See note 4.

On April 17, 2012, the Company issued 500,000 shares valued at 0.11/share for the acquisition of the El Secreto property. See note 4.

Basic and diluted loss per share

The calculation of basic and diluted loss per share is based on the following:

	Year ended July 31, 2013	Year ended July 31, 2012
Loss attributable to common shareholders	$ 1,983,788	$ 3,348,016
Weighted average number of common shares outstanding for calculation of loss per share	75,881,870	64,596,033

Share Option Plan

The Company has a share option plan for its employees, directors, officers and consultants. The plan provides for the issuance of incentive options to acquire up to a total of 10% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the minimum prescribed amount allowed under the TSX. The options can be granted for a maximum term of 5 years with vesting provisions determined by the Company.

For the year ended July 31, 2013, the Company granted 1,540,000 stock options at an exercise price of $0.10 (2012-$0.18) to employees, directors and consultants for a life of 5 years and a vesting term of 2 years, with 25% vesting every year from the date of grant.

Expressed in Canadian dollars

5. CAPITAL AND RESERVES (Cont'd)

Continuity of share purchase options for the years ended July 31, 2013, 2012 and 2011 are as follows:

	Options Outstanding	Weighted Average Exercise Price $
At July 31, 2011	3,900,000	0.33
Granted	950,000	0.18
Forfeited	(475,000)	0.23
Exercised	-	-
At July 31, 2012	4,375,000	0.31
Granted	1,540,000	0.10
Forfeited	-	-
Exercised	-	-
At July 31, 2013	5,915,000	0.26

The fair value of stock options granted in 2013 was estimated based on the Black-Scholes option pricing model using a weighted average volatility of 121.74% (2012- 105.39%) risk free interest rate of 1.32% (2012- 1.46%), expected life of 5 years (2012- 5 years) and expected dividend yield of nil (2012 – nil). The weighted average fair value of options granted in 2013 was $0.0515 (2012- $0.134).

Option pricing models require the input of subjective assumptions including the expected price volatility, and expected option life. Changes in these assumptions may have a significant impact on the fair value calculation.

The following table summarizes information about stock options outstanding and exercisable at July 31, 2013:

Exercise Price $	Option Outstanding	Weighted Average Remaining Life (years)	Options exercisable
0.10	1,540,000	4.49	770,000
0.18	950,000	3.26	712,500
0.20	1,800,000	1.52	1,800,000
0.34	100,000	2.05	100,000
0.36	175,000	2.19	175,000
0.40	50,000	2.16	50,000
0.53	1,300,000	2.33	1,300,000
At July 31, 2013	5,915,000	2.79	4,907,500

Expressed in Canadian dollars

5. CAPITAL AND RESERVES (Cont'd)

As part of a non-brokered private placement closed on March 28, 2013, the Company issued 15,500,000 unit warrants and 110,000 broker warrants. Each warrant is exercisable at a price of $0.10 until March 28, 2015. Upon issuance of the warrants, the Company recognized $458,836 in warrant reserves net of share issuance costs.

The fair value of warrants granted in 2013 was estimated based on the Black-Scholes option pricing model using a weighted average volatility of 109.49%, risk free interest rate of 1.13% , expected life of 2 years and expected dividend yield of nil. The weighted average fair value of warrants granted in 2013 was $0.06.

Continuity of share purchase warrants for the year ended July 31, 2013 is as follows:

	Warrants Outstanding	Weighted Average Exercise Price $
At July 31, 2012	-	-
Issued	15,610,000	0.10
Forfeited	-	-
Exercised	-	-
Expired	-	-
At July 31, 2013	15,610,000	0.10

Expressed in Canadian dollars

6. RELATED PARTIES

During the year ended July 31, 2013, the Company was billed $64,500 (2012- $92,500) for external accounting and related fees provided by a private company controlled by an officer of the Company. As at July 31, 2013, $5,775 (2012- nil) was due to this private company.

Any amounts payable to related parties are non-interest bearing and without specific terms of repayment. These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount established and agreed to by the related parties.

Key management personnel compensation

Compensation	2013	2012
	$	$
Employee salaries	445,500	527,762
Share-based payments	113,953	301,385
	559,453	829,147

Key management personnel include the Company's directors and officers.

Expressed in Canadian dollars

7. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Furniture and Office Equipment	Leasehold improvements	Vehicles and machinery	Total
	$	$	$	$	$
Cost					
Balance, July 31, 2011	28,722	46,230	41,583	120,993	237,528
Additions	1,343	-	-	-	1,343
Balance, July 31, 2012	30,065	46,230	41,583	120,993	238,871
Additions	5,071	-	-	-	5,071
Balance, July 31, 2013	35,136	46,230	41,583	120,993	243,942
Accumulated depreciation					
Balance, July 31, 2011	(19,814)	(20,436)	(19,435)	(23,562)	(83,247)
Depreciation for the year	(3,087)	(3,856)	(5,199)	(23,434)	(35,576)
Balance, July 31, 2012	(22,901)	(24,292)	(24,634)	(46,996)	(118,823)
Depreciation for the year	(3,965)	(3,256)	(5,198)	(23,433)	(35,852)
Balance, July 31, 2013	(26,866)	(27,548)	(29,832)	(70,429)	(154,675)
Currency translation adjustments					
July 31, 2011	(29)	(83)	(71)	(315)	(498)
Change for the year	(246)	(761)	(581)	(2,531)	(4,118)
July 31, 2012	(275)	(844)	(652)	(2,846)	(4,617)
Change for the year	654	1,699	1,190	5,160	8,703
July 31, 2013	379	855	538	2,314	4,086
Carrying amounts					
July 31, 2011	8,880	25,711	22,077	97,116	153,783
July 31, 2012	6,889	21,094	16,298	71,151	115,432
July 31, 2013	8,238	18,308	11,516	55,291	93,353

Expressed in Canadian dollars

8. DEFERRED INCOME TAXES

The following is a reconciliation of income taxes using the Canadian federal and provincial statutory income tax rates:

	2013	2012
	$	$
Net loss for the year, before taxes	1,983,788	3,348,016
Statutory tax rate	25%	25%
Expected income tax recovery	495,947	837,004
Net adjustment for non-deductible amounts	(55,564)	(322,200)
		-
Unrecognized benefit of non-capital losses	(440,383)	(514,804)
Income tax expense (recovery), net	-	-

The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	2013	2012
	$	$
Deferred income tax assets (liabilities):		
Mineral interests	(795,032)	(673,545)
Equipment	(9,546)	(9,142)
Tax loss carry-forwards	2,297,855	1,735,582
Amounts not recognized	(1,493,278)	(1,052,895)
Net deferred income tax liabilities	-	-

The Company has Canadian non-capital losses of approximately $3.5 million (2012 - $3 million) and Mexico non-capital losses of approximately $5.2 million (2012- $3.8 million), which are available to reduce future taxable income and which expire between 2030 and 2033.

9. VALUE ADDED TAX ("VAT") RECEIVABLE

During the year ended July 31, 2013, the Company recovered approximately $265,700 of IVA that had previously written-off. Due to delays in obtaining IVA refunds, the Company has also allowed for a write-down of certain VAT balances of $239,651, for a net recovery of $26,049 for the year ended July 31, 2013 and a VAT receivable balance of $70,762 at July 31, 2013.

10. FINANCIAL RISK MANAGEMENT

(a) Overview

The Company has exposure to credit risk, liquidity risk and interest rate risk from its use of financial instruments.

This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(b) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets recorded in the financial statements (excluding cash) represents the Company’s maximum exposure to credit risk

The Company limits its exposure to credit risk on liquid financial assets through investing its cash and cash equivalents with high-credit quality financial institutions.

None of the financial assets of the Company are either past due or impaired.

(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 ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents.

(d) Interest Rate Risk

The Company is subject to interest rate risk with respect to its investments in cash and cash equivalents. The Company’s current policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash and cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when cash and cash equivalents mature impact interest income earned. As at the statement date, a 1% change in interest rates would not be material to the financial statements.

10. FINANCIAL RISK MANAGEMENT (Cont'd)

(e) Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, which comprises of share capital, net of accumulated deficit. The Company manages its capital structure through the preparation of operating budgets, which are approved by the Board of Directors.

The Company is not subject to any externally imposed capital requirements.

(f) Fair Value

The carrying value of the Company's financial assets and liabilities approximate their fair value due to their short-term maturity or capacity of prompt liquidation.

(g) Foreign Currency Risk

Foreign exchange risk is the risk arising from changes in foreign currency fluctuations. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency rates. The Company operates projects in more than one country. As a result a portion of the Company's cash, accounts receivable, accounts payable and accruals are denominated in U.S. Dollars and Mexican Pesos and are therefore subject to fluctuation in exchange rates. As at July 31, 2013, a 1% change in the exchange rate between the Canadian and U.S. dollar or the Canadian dollar and Mexican Peso would not be material.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable and accounts payable. They are designed as follows:

- Loans and receivables: cash and cash equivalents, amounts receivable
- Other financial liabilities: accounts payable

Fair value hierarchy

Financial instruments recognized at fair value on the consolidated balance sheets must be classified into one of the three following fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2 – measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset or liability;

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

The Company currently does not have any financial instruments recorded at fair value. The carrying value of cash, accounts receivable and accounts payable approximate fair value.

Expressed in Canadian dollars

12. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended July 31, 2013, the Company capitalized $43,647 (2012- $52,156) of shared-based compensation and $23,820 (2012-$24,407) of capital asset amortization to mineral properties. These items have been excluded from the Company's cash flows for the year.

At July 31, 2013, the Company accrued $119,087 (2012- nil) of mineral property expenditures in accounts payable. This item was reclassified from operating to investing cash flows for the year ended July 31, 2013.

Cash and cash equivalents are comprised of $1,005,734 (2012- $1,365,739) held in an investment account with cash available on demand and $533,232 (2012- $664,217) in various business accounts held at major financial institutions.

13. SEGMENT INFORMATION

The Company operates in the acquisition and exploration of mineral properties. Non-current segment assets by geographic location are as follows:

	Total non-current assets at	
	July 31, 2013 $	July 31, 2012 $
Canada	41,964	45,153
Mexico	7,338,291	5,965,088
Total	7,380,255	6,010,241

14. COMMITMENTS

As at July 31, 2013, the Company has committed to payments under contractual obligations as follows:

	Less than 1 year $	1-3 years $	4-5 years $	Total $
Office lease obligations	132,000	14,000	-	**146,000**