TELSON RESOURCES INC.

FINANCIAL REPORTS:

CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

Nine months ended

November 30, 2013

TELSON RESOURCES INC.

CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under the National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Telson Resources Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of the Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

TELSON RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – Expressed in Canadian dollars)

	November 30, 2013	February 28, 2013
ASSETS		
Current assets		
Cash (Note 4)	$ 14,461	$ 26,882
Receivables (Note 5)	52,178	80,464
Prepaid expenses and advances (Note 6)	17,883	13,850
	84,522	121,196
Exploration and evaluation assets (Note 7)	576,525	797,551
Equipment (Note 8)	51,170	67,889
	$ 712,217	$ 986,636
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Trade and other payables (Note 9)	$ 782,196	$ 802,330
Advances (Note 15)	198,000	227,165
Loans (Note 10)	306,000	303,000
Obligation under share purchase agreement (Note 7)	212,000	200,000
	1,498,196	1,532,495
Non-current liabilities		
Reclamation and remediation provision (Note 11)	177,390	176,295
	1,675,586	1,708,790
Shareholders' deficiency		
Share capital (Note 12)	43,370,509	43,032,599
Share subscriptions received	420,000	-
Share-based payments reserve (Note 13)	1,526,112	1,579,552
Deficit	(46,279,990)	(45,334,305)
	(963,369)	(722,154)
	$ 712,217	$ 986,636

Nature of operations and going concern (Note 1)
Commitments (Note 19)

On behalf of the Board:

"*Ralph Shearing*"	Director	"*John Lynch*"	Director
Ralph Shearing		John Lynch	

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

TELSON RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian dollars)

	Three months ended November 30, 2013	Three months ended November 30, 2012 (Restated - Note 3)	Nine months ended November 30, 2013	Nine months ended November 30, 2012 (Restated - Note 3)
EXPENSES				
Amortization	$ 4,273	$ 6,543	$ 15,205	$ 19,630
Business promotion (recovery)	(5,000)	-	(5,000)	5,602
Communications	2,769	3,326	12,347	10,841
Consulting and financial services	5,250	9,750	5,250	70,957
Exploration and evaluation expenditures (Note 7)	70,027	120,092	314,714	475,930
Foreign exchange loss (gain)	12,862	11,208	32,724	12,701
Insurance	6,895	9,424	26,034	30,922
Interest and finance charges	333	429	1,248	1,143
Interest on loans	9,153	14,888	26,920	51,588
Office and miscellaneous	2,634	4,135	13,693	12,161
Professional fees	50,938	66,246	153,767	189,827
Property investigations (Note 7)	-	-	120,707	-
Regulatory fees	525	15,135	4,270	28,184
Rent	23,577	22,724	71,454	68,709
Salaries and benefits	38,840	77,964	155,499	219,240
Share-based payments (Note 13)	-	5,960	-	27,815
Transfer agent	1,292	1,424	5,312	3,721
Travel	-	685	-	7,751
	(224,188)	(369,933)	(954,144)	(1,236,722)
Write-down of exploration and evaluation assets	-	-	(221,026)	-
Interest income	188	145	514	3,561
Gain on disposal of equipment	2,131	-	2,131	-
Loss and comprehensive loss for the period	$ (221,869)	$ (369,788)	$ (1,172,525)	$ (1,233,161)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.05)
Weighted average number of common shares outstanding	39,696,616	26,636,585	37,048,471	26,088,766

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

TELSON RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian dollars)

	Three months ended November 30, 2013	Three months ended November 30, 2012 (Restated - Note 3)	Nine months ended November 30, 2013	Nine months ended November 30, 2012 (Restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (221,869)	$ (369,788)	$ (1,172,525)	$ (1,233,161)
Items not affecting cash				
Amortization	4,273	6,543	15,205	19,630
Bonus shares included in interest	-	6,713	-	27,464
Gain on disposal of equipment	(2,131)	-	(2,131)	-
Share-based payments expensed	-	5,960	-	27,815
Unrealized foreign exchange loss (gain)	7,162	8,256	16,095	2,831
Write-down of exploration and evaluation assets	-	-	221,026	-
Changes in non-cash working capital items:				
Receivables	29,066	7,822	28,287	276,358
Prepaid expenses and advances	(5,375)	10,600	(4,033)	45,938
Trade and other payables	83,548	115,230	(20,135)	125,612
Net cash used in operating activities	(105,326)	(208,664)	(918,211)	(707,513)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares	-	-	518,000	400,000
Share issue costs	-	-	(6,690)	(14,007)
Share subscriptions received	20,000	49,500	420,000	49,500
Advances (repayments),net	9,500	158,165	(29,165)	193,165
Net cash from financing activities	29,500	207,665	902,145	628,658
CASH FLOWS USED IN INVESTING ACTIVITIES				
Equipment sale (purchase)	3,645	-	3,645	(516)
Net cash used in investing activities	3,645	-	3,645	(516)
Change in cash during the period	(72,181)	(999)	(12,421)	(79,371)
Cash, beginning of period	86,642	6,976	26,882	85,348
Cash, end of period	$ 14,461	$ 5,977	$ 14,461	$ 5,977

Supplemental disclosure with respect to cash flows (Note 14)

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

TELSON RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian dollars)

For the Nine months ended November 30, 2013 and 2012

	Issued Number of Shares[1]		Share Amount		Share Subscriptions Received		Share-based payments reserve		Deficit[2] (Restated – Note 3)		Total
Balance, February 28, 2013	31,136,616	$	43,032,599	$	-	$	1,579,552	$	(45,334,305)	$	(722,154)
Share units issued (Note 12)	8,560,000		344,600		-		173,400		-		518,000
Share units issue costs (Note 12)	-		(6,690)		-		-		-		(6,690)
Share units subscriptions received	-		-		420,000		-		-		420,000
Share-based payments - option expiry (Note 13)	-		-		-		(2,400)		2,400		-
Share-based payments - warrants expiry (Note 13)	-		-		-		(224,440)		224,440		-
Loss and comprehensive loss for the period	-		-		-		-		(1,172,525)		(1,172,525)
Balance, November 30, 2013	39,696,616	$	43,370,509	$	420,000	$	1,526,112	$	(46,279,990)	$	(963,369)
Balance, February 29, 2012	24,999,116	$	42,411,856	$	350,000	$	1,374,770	$	(44,054,950)	$	81,676
Share units issued	1,562,500		312,500		(750,000)		437,500		-		-
Share units issued – finder fee	75,000		15,000		-		21,000		-		36,000
Share units issue costs	-		(50,007)		-		-		-		(50,007)
Share units subscriptions received	-		-		449,500		-		-		449,500
Share-based payments - options (Note 13)	-		-		-		27,815		-		27,815
Share-based payments - option expiry (Note 13)	-		-		-		(232,893)		232,8932		-
Share-based payments - warrants expiry							(96,000)		96,000		-
Loss and comprehensive loss for the period	-		-		-		-		(1,233,161)		(863,372)
Balance, November 30, 2012	26,636,616	$	42,689,349	$	49,500	$	1,532,192	$	(42,863,179)	$	(318,388)

(1) After retrospective effect of 8:1 share consolidation on January 16, 2013; including adjustments for fractional shares.
(2) After retrospective effect of change in accounting policy for exploration expenditures.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Telson Resources Inc. (the “Company”) was incorporated on April 11, 1986 under the laws of British Columbia, Canada. The Company’s head office address is Suite 250, 1090 West Georgia Street, Vancouver, BC, V6E 3V7, Canada. The registered and records office address is Suite 700, 595 Burrard Street, Vancouver, BC, Canada, V7X 1S8. The Company is a reporting issuer in the provinces of British Columbia and Alberta, Canada, and trades on the TSX Venture Exchange (TSX-V) under the symbol “TSN”.

Effective January 16, 2013, the Company consolidated its common share capital on an eight to one basis, and at the same time the Company changed its name to Telson Resources Inc. All share and per share amounts have been restated to reflect the 8:1 share consolidation, where applicable.

The condensed interim consolidated financial statements of the Company as at and for the period ended November 30, 2013 comprise the accounts of the Company and its subsidiaries. The Company is the ultimate parent.

The Company is engaged in the identification, acquisition, exploration and, if warranted, development of exploration and evaluation assets consisting of mineral resource projects in Mexico (“mineral properties”). In conducting operations in Mexico, the Company is subject to considerations and risks not typically associated with companies operating in Canada. These include risks such as the political, economic and legal environments in an emerging market. Among other things, the Company’s results may be adversely affected by changes in political and social conditions in Mexico, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

The Company is considered to be in the exploration stage as it has not placed any of its mineral properties into production. The Company has not generated any production revenue since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts spent for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise additional funds to continue operations and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

These condensed interim consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The Company believes it does not have sufficient cash on hand to finance operations through the next twelve months without additional financing. The Company’s ability to continue on a going concern basis depends on its ability to successfully raise additional financing for the substantial expenditures required to achieve planned principal operations. These matters indicate that there is material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent 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"). The accounting policies and methods of computation applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements as at and for the year ended February 28, 2013. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company's February 28, 2013 annual consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on January 28, 2014.

Basis of consolidation

These consolidated financial statements includes the accounts of Telson Resources Inc. and its following listed subsidiaries;

Subsidiary name	Incorporation jurisdiction	Ownership
Samarkand de Mexico S.A. de C.V. ("Samarkand")	Mexico	100%
Sierra Soleada S.A. de C.V. ("Sierra")	Mexico	100%
Sacramento de la Plata S.A. de C.V. ("Sacramento")	Mexico	99%
531607 BC Ltd	BC, Canada	100%

3. SIGNIFICANT ACCOUNTING POLICIES

Change in accounting policy – Exploration and evaluation expenditures

During fiscal 2013, the Company changed its accounting policy with respect to exploration and evaluation expenditures. In prior years the Company's policy was to capitalize by property all costs directly related to the exploration and evaluation of mineral properties classified as exploration and evaluation assets. The Company has elected to change this accounting policy to now charge to operations exploration expenditures as incurred, effective with the presentation of the February 28, 2013 consolidated financial statements, on a retrospective basis. Accordingly, certain 2012 comparative amounts have been restated from the amounts presented last year to reflect this change of accounting policy.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective as of November 30, 2013 and have not been applied in preparing these consolidated financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Effective for annual periods beginning on or after January 1, 2013:

IFRS 10 *Consolidated Financial Statements*

This new standard provides a new single consolidation model that identifies control as the basis for consolidation for all types of entities, and replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*.

IFRS 12 *Disclosure of Interests in Other Entities*

This new standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 *Fair Value Measurement*

Provides single source guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements.

Amendments to IAS 27 *Consolidated and Separate Financial Statements*

The amendments provide guidance on the accounting and disclosure requirements for subsidiaries, jointly controlled entities, and associates in separate, or unconsolidated, financial statements.

Amendments to IAS 28 *Investments in Associates*

The amendments provide guidance on the application of the equity method to associates, subsidiaries and joint ventures.

Effective for annual periods beginning on or after January 1, 2015:

IFRS 9 *Financial Instruments*

This new standard partially replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standards; however, enhanced disclosure requirements are expected.

4. CASH

All cash balances are denominated in Canadian dollars and held in deposits at both Canadian and Mexican banks.

5. RECEIVABLES

The Receivable amounts are denominated in Canadian dollars and relate to both Canadian and Mexican refundable value added taxes.

6. PREPAID EXPENSES AND ADVANCES

The Prepaid expenses and Advances amounts are denominated in Canadian dollars and relate to both Canadian and Mexican vendor deposits, tax installments, and employee advances.

7. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets (or "mineral properties") involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Tahuehueto Project

In 1997, pursuant to a share purchase agreement through Samarkand, the Company acquired 90% of the issued and outstanding capital stock of Sacramento. In March 2007 the Company converted a portion of inter-company debt between Samarkand and Sacramento into equity, thereby increasing its ownership in Sacramento from 90% to 99%. Sacramento holds a 100% interest in the Tahuehueto mineral property, located in Durango State, Mexico. A portion of the property is subject to a 1.6% net smelter return royalty ("NSR").

Pursuant to the share purchase agreement, the Company is obligated to make final payments of US$200,000 to the vendors of the Sacramento shares.

In 2006, the Company entered into an agreement for surface access rights to certain areas of the Tahuehueto project, expiring in May 2016. Under the terms of this agreement the Company must pay an annual fee escalating at 5% per annum. The fee due for the 2013 fiscal year of US$26,801 was paid in July 2012. Fees for the 2014 fiscal year have not yet been paid.

Jocuixtita Project

During the year ended February 28, 2010 the Company acquired mineral properties by staking and entered into two option agreements to explore and acquire a 100% interest in mineral properties located in Jocuixtita, Sinaloa, Mexico. The option agreements were amended on January 31, 2011. Pursuant to the amended option agreements, the Company must make option payments totaling US$1,010,000 over a period of six years, of which a maximum of US$372,660 may be paid by issuing common shares to the vendors. A portion of the optioned property is subject to a 2% NSR. The Company may acquire 1.75% of the 2% NSR by making a cash payment of US$612,500 to the vendors.

(Unaudited - Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Jocuixtita Project (continued)

Due to an internal dispute amongst local residents the Company enforced a Force Majeure clause in the option agreements and suspended the January 31, 2012 payment due of US$150,000. During the year ended February 28, 2011, the Company paid the vendors US$75,000 and issued 480,483 common shares valued at $49,730 (US$50,000). During 2012 and 2013 the Company had elected to suspend exploration activities at the Jocuixtita Project until the dispute amongst local residents is resolved. In July 2013 the Company decided to terminate the Jocuixtita option agreements. Accordingly, the related acquisition costs of $221,026 were written-off effective May 31, 2013. The Company still owns the mineral properties staked by its subsidiary Samarkand.

In May 2011, the Company entered into an agreement for surface access rights to certain areas of the Jocuixtita project, expiring in May 2041. Under the terms of this agreement the Company must pay an annual fee based on the area occupied, adjusted annually for inflation. Fees for the 2014 fiscal year have not been paid as the Company did not carry on any onsite exploration activities.

Exploration and evaluation assets

	Tahuehueto	Jocuixtita	Total
Acquisition costs; February 29, 2012, and February 28, 2013	$576,525	$221,026	$797,551
Write-down of exploration and evaluation assets	-	(221,026)	(221,026)
Acquisition costs; November 30, 2013	$576,525	-	$576,525

Exploration and evaluation expenditures charged to operations were incurred as follows:

	November 30, 2013		
	Tahuehueto	Jocuixtita	Total
Assays, data and maps	$ 7,449	$ -	$ 7,449
Equipment and supplies	19,791	-	19,791
Insurance	1,721	2,588	4,309
Mineral concession taxes, licences, and fees	40,410	8,346	48,756
Project office	66,339	688	67028
Transportation, travel, and lodging	319	-	319
Wages and benefits	167,062	-	167,062
	$ 303,091	$ 11,623	$ 314,714

(Unaudited - Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation expenditures

	November 30, 2012		
	Tahuehueto	Jocuixtita	Total
Assays, data and maps	$ 14,702	$ -	$ 14,702
Equipment and supplies	75,537	127	75,664
Geological consulting	3,785	-	3,785
Insurance	2,984	-	2,984
Mineral concession taxes, licences, and fees	74,812	9,584	84,396
Project office	102,147	3,769	105,916
Transportation, travel, and lodging	7,225	561	7,786
Wages and benefits	178,912	1,785	180,697
	$460,104	$15,826	$475,930

Property investigations

In April 2013 the Company signed a Letter of Intent (LOI) to enter into an agreement to acquire certain assets of a Mexican mining company, including mineral properties and mining equipment. Under the terms of the LOI, the Company was obligated to make three payments to the vendor of US$60,000 each over the LOI term of 90 days. During the LOI period the Company carried out additional due diligence on this mineral property and mining equipment. The Company made the first two scheduled payments totaling $120,707 (US$120,000) before deciding not to proceed with this project.

(Unaudited - Expressed in Canadian dollars)

8. EQUIPMENT

	Vehicles	Exploration equipment	Camp equipment	Computer equipment	Office equipment	Leasehold improve-ments	Total
Cost							
February 28, 2013	$ 76,848	$141,404	$8,696	$38,286	$96,521	$48,978	$410,733
Disposal	(14,709)	-	-	-	-	-	(14,709)
November 30, 2013	$ 62,139	$141,404	$8,696	$38,286	$96,521	$48,978	$396,024
Accumulated amortization							
February 28, 2013	$53,100	$126,941	$7,026	$31,172	$75,626	$48,978	$342,844
Disposal	(13,195)	-	-	-	-	-	(13,195)
Amortization for the period	3,957	4,288	501	1,995	3,678	-	15,205
November 30, 2013	$43,862	$131,229	$7,527	$33,167	$79,304	$48,978	$344,854
Net book value							
February 28, 2013	$23,748	$14,463	$1,670	$7,113	$20,895	-	$67,889
November 30, 2013	$18,277	$10,175	$1,169	$5,119	$17,217	-	$51,170

9. TRADE AND OTHER PAYABLES

In Canadian dollars	November 30, 2013	February 28, 2013
Trade payables	$ 309,078	$ 389,294
Accrued liabilities	217,354	232,034
Interest	69,721	42,106
Salaries payable	70,555	37,646
Employment, withholding, and value-added taxes	115,488	101,250
	$ 782,196	$ 802,330

10. LOANS

In Canadian dollars	November 30, 2013	February 28, 2013
Loan #1 - A loan from a director of the Company in the amount of US$100,000 (Cdn$104,000) is unsecured, due on September 29, 2013, and bears interest at a rate of 10% per annum, compounded monthly. In connection with this loan the Company agreed to issue the lender 37,125 (297,000 pre-consolidation) shares with a value of $17,820 as a loan bonus.(1)	$ 106,000	$ 103,000
Loan #2 - A loan from a director of the Company in the amount of $100,000 is unsecured, due on November 10, 2013, and bears interest at a rate of 10% per annum, compounded monthly. In connection with this loan the Company agreed to issue the lender 35,750 (286,000 pre-consolidation) shares with a value of $11,440 as a loan bonus.(1)	100,000	100,000
Loan #3 - A loan from a director of the Company in the amount of $100,000 is unsecured, due on December 21, 2013, and bears interest at a rate of 10% per annum, compounded monthly. In connection with this loan the Company agreed to issue the lender 35,750 (286,000 pre-consolidation) shares with a value of $11,440 as a loan bonus.(1)	100,000	100,000
	306,000	303,000
Value of loan bonus shares issued	-	(40,700)
Amortized to interest expense	-	40,700
Unamortized value of loan bonus shares	-	-
Net book value	$ 306,000	$ 303,000

(1) The value of the loan bonus shares is a financing cost and is amortized to interest expense over the term of the loan.

(Unaudited - Expressed in Canadian dollars)

11. RECLAMATION AND REMEDIATION PROVISION

		Reclamation and Remediation Provision
Balance, February 28, 2013	$	176,295
Change in liability estimate		1,095
Balance, November 30, 2013	$	177,390

The Company makes full provision for the future cost of site reclamation and remediation on a discounted basis at the time the exploration and evaluation activities take place. The reclamation and remediation provision represents the present value of reclamation and remediation costs relating to exploration and evaluation activities that have occurred to date.

12. SHARE CAPITAL

Authorized:
Unlimited common shares without par value
100,000,000 Class A preference shares with a par value of $1 per share
100,000,000 Class B preference shares with a par value of $5 per share

Effective January 16, 2013, the Company consolidated its common share capital on an eight to one basis. All share and per share amounts have been restated to reflect the 8:1 share consolidation, where applicable.

Fiscal 2014 Transactions

a) Completed a non-brokered private placement of 1,800,000 units of the Company. Each unit is priced at $0.10 per unit for total gross proceeds of $180,000. Each unit is comprised of one common share of the Company and one half of a two year transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at $0.10 within two years of its date of issuance.

b) Completed a non-brokered private placement of 6,760,000 units of the Company. Each unit is priced at $0.05 per unit for total gross proceeds of $338,000. Each unit is comprised of one common share of the Company and one two year transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at $0.10 within two years of its date of issuance.

c) Initiated a non-brokered private placement of 8,400,000 units of the Company. Each unit is priced at $0.05 per unit for total gross proceeds of $420,000. Each unit is comprised of one common share of the Company and one two year transferable share purchase warrant. Each share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at $0.10 within two years of its date of issuance. At November 30, 2013, the Company had received subscription payments of $420,000 relating to this private placement financing. These units have not yet been issued and this transaction is subject to regulatory approval.

12. SHARE CAPITAL (continued)

Fiscal 2013 Transactions

The Company completed a non-brokered private placement of 12,500,000 units of the Company. Each unit is priced at $0.06 per unit for total gross proceeds of $750,000. A value of $437,500 has been allocated to warrants to reflect the residual value of the warrant portion of the unit. Each unit is comprised of one common share of the Company and one half of a two year transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at $0.10 within two years of its date of issuance. At February 29, 2012, the Company had received subscription payments of $350,000 relating to this private placement financing and during the period ended May 31, 2012 the Company received the remaining $400,000 proceeds to completed this private placement.

In connection with this financing; the Company paid finder's fees by issuing 600,000 units valued at $36,000, with the same terms as the private placement units; and incurred additional share issue costs of $14,007.

13. SHARE-BASED PAYMENTS RESERVE

A 2013 Stock Option Plan (the "Plan") was approved by the shareholders on December 19, 2013, at the Company's annual general meeting. Under the Plan, the Company is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company, on a rolling basis. Options may be granted at an exercise price of not less than a 25% discount of the market price on the date of the grant, or such higher price as determined by the board of directors. Options can be granted for a maximum term of 5 years. Vesting is not required but may be set on an individual basis as determined by the board of directors.

Share-based payments

During the period ended November 30, 2013 no stock options were granted. During the period ended November 30, 2012 the Company granted 106,250 post-consolidation stock options. The options granted in fiscal 2013 vested 100% upon the date of grant. The options have a term of 5 years.

For the period ended November 30, 2012 the total fair value of options granted using the Black-Scholes option pricing model was $16,130. A total of $27,815 was charged to operations; all offset to share-based payments reserve. The weighted average fair value of the options granted during the November 30, 2012 period was $0.02 per option.

During period ended November 30, 2013, 6,250 options previously issued as share-based payments with a fair value of $2,400 were cancelled without being exercised. During period ended November 30, 2012 103,125 post-consolidation options previously issued as share-based payments with a fair value of $173,972 expired without being exercised. The previously recorded historical fair value of these options was transferred from reserve to deficit.

(Unaudited - Expressed in Canadian dollars)

13. SHARE-BASED PAYMENTS RESERVE (continued)

Share-based payments (continued)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	November 30, 2013	February 28, 2013
Risk-free interest rate	-	1.49%
Expected life of options/warrants	-	5 Years
Annualized volatility	-	132.43%
Dividend rate	-	0%

As at November 30, 2013 the Company had outstanding stock options as follows:

Number of Shares	Number Vested and Exercisable	Exercise Price	Weighted average remaining life (years)	Expiry Date
396,875	396,875	$0.80	0.30	March 20, 2014
53,125	53,125	$0.80	0.42	May 1, 2014
68,750	68,750	$0.80	1.75	September 1, 2015
62,500	62,500	$0.80	0.00	December 1, 2013[(1)]
40,625	40,625	$0.80	2.00	December 1, 2015
603,125	603,125	$0.92	2.17	February 1, 2016
6,250	6,250	$0.80	2.34	April 1, 2016
34,375	34,375	$0.80	2.67	August 1, 2016
62,500	62,500	$0.80	2.84	October 1, 2016
75,000	75,000	$0.80	3.01	December 1, 2016
56,250	56,250	$0.80	3.42	May 1, 2017
50,000	50,000	$0.80	3.76	September 1, 2017
1,509,375	1,509,375		1.69	

(1) Subsequent to the period end, these options expired without being exercised.

(Unaudited - Expressed in Canadian dollars)

13. SHARE-BASED PAYMENTS RESERVE (continued)

Share-based payments (continued)

Stock option transactions are summarized as follows:

	Number of Options(1)	Weighted Average Exercise Price(1)
Balance, February 29, 2012	1,605,000	$ 0.88
Granted	106,250	$ 0.80
Expired/cancelled	(195,625)	$ 0.82
Balance, February 28, 2013	1,515,625	$ 0.85
Expired/cancelled	(6,250)	$ 0.80
Balance, November 30, 2013	1,509,375	$ 0.85
Exercisable, November 30, 2013	1,509,375	$ 0.85

(1) After retrospective effect of 8:1 share consolidation on January 16, 2013.

Warrants

As at November 30, 2013 the following share purchase warrants were outstanding:

Number of Shares(1)	Exercise Price(1)	Weighted average remaining life (years)	Expiry Date
818,750	$0.80	0.50	June 1, 2014
1,900,000	$0.10	1.17	January 30, 2015
350,000	$0.10	1.24	February 27, 2015
900,000	$0.10	1.29	March 15, 2015
6,760,000	$0.10	1.53	June 13, 2015
10,728,750	$0.15	1.36	

(1) After retrospective effect of 8:1 share consolidation on January 16, 2013.

(Unaudited - Expressed in Canadian dollars)

13. SHARE-BASED PAYMENTS RESERVE (continued)

Warrants (continued)

Warrant transactions are summarized as follows:

	Number of Warrants(1)	Weighted Average Exercise Price(1)
Balance, February 28, 2013	3,978,125	$ 0.54
Granted	7,660,000	$ 0.10
Expired	(909,375)	$ 1.40
Balance, November 30, 2013	10,728,750	$ 0.15

(1) After retrospective effect of 8:1 share consolidation on January 16, 2013.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	November 30, 2013	November 30, 2012
Cash paid during the year for interest	$ 1,248	$ 1,143
Cash paid during the year for income taxes	$ -	$ -

Significant non-cash transactions during the period ended November 30, 2013 included:

a) The reallocation of $2,400 for expired options from share-based payments reserve to deficit.
b) The reallocation of $224,440 for expired warrants from share-based payments reserve to deficit.

Significant non-cash transactions during the period ended November 30, 2012 included:

a) The reallocation of $232,893 for expired options from share-based payments reserve to deficit.
b) The reallocation of $96,000 for expired warrants from share-based payments reserve to deficit.
c) The issuance of 75,000 (600,000 pre-consolidation) units valued at $36,000 for a finder’s fee.
d) The reallocation of $350,000 from share subscriptions received to share capital.
e) The accrual of share issue costs of $19,076.

(Unaudited - Expressed in Canadian dollars)

15. RELATED PARTY TRANSACTIONS

The Company's related parties consist of key management personnel including individuals who are executive officers and/or directors of the Company, or are directly related to a director of the Company.

The Company incurred the following fees and expenses in connection with compensation of individuals who are key management and directors.

	November 30, 2013	November 30, 2012
Interest on loans	$ 26,920	$ 51,588 (1)
Professional fees	69,700	88,000
Salaries and benefits	82,000	117,000
Share-based payments	-	8,956
	$ 178,620	$ 265,544

(1) Including $27,464 charged to interest expense in the period ended November 30, 2012 for the amortized value of loan bonus shares issued in fiscal 2012.

Trade and other payables includes $176,948 (February 29, 2013 - $123,378) owed to related parties.

At February 28, 2013 the Company had received cash advances totalling $227,165 from directors of the Company. During the period ended November 30, 2013 the Company received additional cash advances of $74,808 from directors of the Company, and made repayments of $103,973. These cash advances are unsecured, non interest-bearing and have no fixed terms of repayment.

During the year ended February 29, 2012 the Company received three loans from two directors of the Company (Note 10.) There were no similar loans during the period ended November 30, 2013.

16. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of mineral property interests in Mexico. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets located in Mexico and equipment located in both Mexico and Canada.

Geographical information is as follows:

	November 30, 2013	February 28, 2013
Capital assets are located in:		
Mexico	$ 617,221	$ 852,894
Canada	10,474	12,546
	$ 627,695	$ 865,440

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instrument risk exposure and risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, trade and other payables, advances, and loans approximate their fair value because of the short-term nature of these instruments.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial instrument risk exposure and risk management (continued)

Interest rate risk
The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is nominally exposed to interest rate risk. The Company's bank account earns interest income at variable rates.

Foreign currency risk
The Company is exposed to foreign currency risk on currency fluctuations related to monetary items with a settlement currency other than Canadian dollars. The Company operates in foreign jurisdictions which use both the United States Dollar ("US$") and the Mexican Peso ("MXN$"). The Company does not use derivative instruments to reduce upward and downward risk associated with foreign currency fluctuations. The effect of a 1% change in foreign exchange rates would be approximately $7,400.

Commodity price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

18. CAPITAL RISK MANAGEMENT

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consist of cash on hand and balances with banks. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents and the fair value approximates carrying value.

There have been no changes to the Company's approach to capital management during the period ended November 30, 2013. The Company is not subject to externally imposed capital requirements.

19. COMMITMENTS

The Company has the following commitments at November 30, 2013:

- The Company rents its office premises under an operating lease until June 2014. The operating lease commitment, including rent plus estimated common area costs, is approximately $100,000 per annum.