



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Shown in Canadian Dollars

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of El Tigre Silver Corp.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the El Tigre's external auditors.

We draw attention to Note 1 in the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

April 27, 2015

"Wade Anderson"

Wade Anderson, CEO

"Lisa Dea"

Lisa Dea, CFO

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **El Tigre Silver Corp.**:

We have audited the accompanying consolidated financial statements of El Tigre Silver Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of comprehensive loss, changes in equity, and cash flows 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of El Tigre Silver Corp. and its subsidiaries as at December 31, 2014 and 2013, and the results of their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of these financial statements, which states that El Tigre Silver Corp. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of El Tigre Silver Corp. to continue as a going concern.



April 27, 2015

Vancouver, British Columbia

Chartered Accountants

EL TIGRE SILVER CORP.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Canadian Dollars

		As at	
	Note	December 31 2014	December 31 2013
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 64,973	\$ 192,059
Amounts receivable	(6)	121,827	206,805
Prepaid amounts and deposits		27,605	75,950
		214,405	474,814
Non-Current Assets			
Equipment	(7)	17,502	44,782
Resource property	(8)	4,255,351	4,255,351
		4,272,853	4,300,133
		\$ 4,487,258	\$ 4,774,947
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 156,047	\$ 209,456
Non-Current Liabilities			
Decommissioning liability	(9)	92,305	90,495
Directors loans	(10)	286,986	-
		379,291	90,495
		535,338	299,951
EQUITY			
Share capital	(11)	14,882,300	13,457,193
Contributed surplus – options	(11)	879,431	894,750
Contributed surplus – warrants	(11)	778,291	599,732
Deficit		(12,588,102)	(10,476,679)
		3,951,920	4,474,996
		\$ 4,487,258	\$ 4,774,947
Nature of operations and going concern (1) Contingent liability (17)			
Related party transactions (10, 11, 13) Subsequent event (10, 17)			

These consolidated financial statements were approved by the Board of Directors on April 27, 2015 and were signed on its behalf by:

“Wade Anderson”
Wade Anderson, Director

“Ernie Elko”
Ernie Elko, Director

EL TIGRE SILVER CORP.
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
Canadian Dollars

		Year Ended December 31 2014	Year Ended December 31 2013
	Note		
Resource property	(8)	\$ 877,599	\$ 1,891,413
General and administrative			
Shareholder relations		179,794	194,043
Wages and management fees	(13)	537,240	470,997
Professional fees		240,385	169,865
Share-based payments	(11)	24,533	66,000
Depreciation	(6)	27,280	46,922
Office rent		66,308	46,679
Travel		22,682	31,076
Transfer agent and filing fees		34,833	19,475
Office and general		44,780	32,110
Insurance		22,549	18,750
Accretion expense	(9)	1,810	1,774
Bank charges and interest		6,850	992
Foreign exchange (gain) loss		24,780	19,844
Loss from operating activities being comprehensive Loss		\$ 2,111,423	\$ 3,009,940
Loss per common share – basic and diluted		\$ (0.03)	\$ (0.06)
Weighted average number of shares outstanding		61,083,678	53,083,256

EL TIGRE SILVER CORP.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Canadian Dollars

	Note	Shares	Amount	Warrants	Amount	Options	Amount	Deficit	Shareholders' Equity
BALANCE AT DECEMBER 31, 2012		50,869,109	\$ 12,343,081	22,927,489	\$ 522,277	4,212,500	\$ 828,750	\$ (7,466,739)	\$ 6,227,369
Private placement issuances		4,828,000	1,129,545	2,414,000	77,455	-	-	-	1,207,000
Share issuance costs		-	(15,433)	-	-	-	-	-	(15,433)
Share based payments		-	-	-	-	905,000	66,000	-	66,000
Options expired		-	-	-	-	(500,000)	-	-	-
Expiration of warrants		-	-	(14,087,569)	-	-	-	-	-
Net loss for the period		-	-	-	-	-	-	(3,009,940)	(3,009,940)
BALANCE AT DECEMBER 31, 2013		55,697,109	\$ 13,457,193	11,253,920	\$ 599,732	4,617,500	\$ 894,750	\$ (10,476,679)	\$ 4,474,996
Private placement issuances	(11)	6,000,000	1,321,441	3,000,000	178,559	-	-	-	1,500,000
Share issuance costs		-	(20,996)	-	-	-	-	-	(20,996)
Share based payments	(11)	-	-	-	-	175,000	24,533	-	24,533
Option exercised	(11)	468,000	124,662	-	-	(468,000)	(39,852)	-	84,810
Options forfeited		-	-	-	-	(355,000)	-	-	-
Options expired		-	-	-	-	(275,000)	-	-	-
Warrants expired		-	-	(3,621,920)	-	-	-	-	-
Net loss for the period		-	-	-	-	-	-	(2,111,423)	(2,111,423)
BALANCE AT DECEMBER 31, 2014		62,165,109	\$ 14,882,300	10,632,000	\$ 778,291	3,694,500	\$ 879,431	\$ (12,588,102)	\$ 3,951,920

EL TIGRE SILVER CORP.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Canadian Dollars

		Year Ended December 31 2014	Year Ended December 31 2013
	Note		
OPERATING ACTIVITIES			
Loss for the Period		\$ (2,111,423)	\$ (3,009,940)
Items not Affecting Cash			
Depreciation	(6)	27,280	46,992
Share-based payments	(11)	24,533	66,000
Accretion and interest expense	(9)	3,796	1,774
		(2,055,814)	(2,895,244)
Net Change in Non-cash Working Capital			
Amounts receivable		84,978	22,336
Prepaid amounts and deposits		48,345	(18,709)
Accounts payable and accrued liabilities		(53,409)	112,677
		(1,975,900)	(2,778,940)
INVESTING ACTIVITIES			
Acquisition of equipment	(6)	-	(27,039)
Acquisition of resource property	(8)	-	(63,671)
			(90,710)
FINANCING ACTIVITIES			
Issuance of common shares	(11)	1,382,810	1,129,545
Issuance of warrants	(11)	202,000	77,455
Share issuance costs	(11)	(20,996)	(15,433)
Proceeds from directors loans	(10)	285,000	-
		1,848,814	1,191,567
Net Increase (Decrease) in Cash		(127,086)	(1,678,083)
Cash position – beginning of period		192,059	1,870,142
Cash Position – End of Period		\$ 64,973	\$ 192,059
Supplementary Disclosure of Cash Flow Information			
Cash paid for interest		\$ -	\$ 357
Cash paid for income taxes		\$ -	\$ -
Cash and cash equivalents is comprised of:			
Cash		\$ 59,973	\$ 187,059
Guaranteed investment certificates		\$ 5,000	\$ 5,000

1) Nature of operations and going concern

El Tigre Silver Corp. (the “Company”) was incorporated in the Province of British Columbia, Canada on December 10, 2007; its registered office is located at Suite 1000 – 355 Burrard Street, Vancouver, BC, Canada, V6C 2G8. The Company is in the exploration stage and in the process of exploring mineral properties in Mexico. The Company has not yet determined whether the properties contain economic reserves. The Company is listed on the TSX Venture Exchange, the OTCQX, and the Frankfurt Stock Exchange.

These consolidated financial statements (“financial statements”) have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue its operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. During the year ended December 31, 2014, the Company had a net loss of \$2,111,423 (2013 - \$3,009,940) and negative cash flow from operations of \$1,975,900 (2013 - \$2,778,940). As at December 31, 2014, the Company had working capital of \$58,358 (2013 – \$265,358) and an accumulated deficit of \$12,588,102 (2013 - \$10,476,679). Further, the Company has significant on-going cash requirements to meet its overhead and maintain its mineral interests. These conditions may raise significant doubt about the Company’s ability to continue as a going concern.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of resource properties is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

The continuation of the Company as a going concern is dependent on its ability to obtain necessary financing to satisfy liabilities as they come due, complete development activities and ultimately to achieve profitable operations. While the Company has been successful in raising capital in the past, and since December 31, 2014, has raised \$888,870 in loans from the Company’s directors and settled \$42,000 of debt through the issuance of 168,000 common shares, there is no assurance it will be successful in closing further financing transactions in the future. If the Company is unable to obtain adequate financing, the Company will need to curtail exploration operations, reduce general operation expenses, and may be required to reduce the size of its mineral concessions in Mexico. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern and these adjustments could be material.

2) Basis of preparation and 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”), effective as of December 31, 2014. IFRS comprises IFRSs, International Accounting Standards (“IASs”), and interpretations issued by the IFRS Interpretations Committee (“IFRICs”) and the former Standing Interpretations Committee (“SICs”). The Company’s significant accounting policies are described in note 3.

3) Significant accounting policies

The significant accounting policies applied in preparing these financial statements are as follows:

(a) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value as described in the significant accounting policies. All information is expressed in Canadian dollars unless otherwise stated and are prepared in accordance with the significant accounting policies outlined below.

(b) Foreign currency

The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the parent. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency, both the parent and its subsidiaries use the Canadian dollar as their functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the end of reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognized in the statement of comprehensive income and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets, such as investments in equity securities, classified as available-for-sale are reported as part of the fair value gain or loss and are included in equity.

(c) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

- Pacemaker Silver Mining, S.A. de C.V. ("Pacemaker"), which was incorporated in Mexico.
- Compania Minera Talaman S.A. de C.V., which was incorporated in Mexico and is 100% owned by Pacemaker.
- Somining Mexico S.A. de C.V., which was incorporated in Mexico.
- El Tigre de Plata S.A. de C.V., which was incorporated in Mexico.
- 0874346 B.C. Ltd., which was incorporated in British Columbia, Canada.

All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation. The Company consolidates subsidiaries where there is ability to exercise control. Control of an investee is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through the Company's power over the investee. Specifically, The Company controls an investee if, and only if, it has all of the following: power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interests" in the equity section of the consolidated balance sheet. Profit for the period that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary.

(d) Measurement uncertainty

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas that require estimates are detailed in note 3(f).

The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. These estimates require extensive judgement about the nature, cost and timing of the work to be completed, and may change with future changes to costs, laws and regulations. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

(e) Significant accounting judgements

The preparation of financial statements in conformity with IFRS requires management to apply judgements that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounting judgements that have the most significant effect on the amounts recognized in the Company's financial statements include but are not limited to the following:

- Determination of functional currency for the Company

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgements to determine the primary economic environment and the Company reconsiders the functional currency if there is a change in events and conditions that determined the primary economic environment.

- Going concern evaluation

As discussed in Note 1, these financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material. The Company reviews the going concern assessment at the end of each reporting period.

- Review of asset carrying value and impairment assessment

In accordance with our policy (note 3k), each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If such an indication exists, which is often judgemental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying value exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell or value in use.

- Contingencies

Contingencies can be either possible assets or liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occurs or fails to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

The judgements are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

(f) Significant accounting estimates

The preparation of financial statements requires management to make estimates and assumptions of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the Company's financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to accounting estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Significant accounts that require estimates as the basis for determining the stated amounts include but are not limited to the following:

- Decommissioning liability

The estimated costs for decommissioning are reviewed annually by management including changes in the discount rate, estimated timing of decommissioning costs, or cost estimates.

- Share based payments

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 3. The fair value of stock options granted is measured using the Black-Scholes Option Pricing Model ("Black-Scholes"), which was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and changes in the highly subjective input assumptions can materially affect the calculated values. The fair value of stock options granted using the Black-Scholes do not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

- Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

(g) Cash

Cash consists of cash on hand, deposits in the bank and highly liquid investments with an original maturity date of three months or less.

(h) Income taxes

The Company uses the liability method of accounting for income taxes. Current and deferred tax expense or recovery are recognized in net earnings except when they arise as a result of items recognized in other comprehensive income or directly in equity in the current or prior periods, in which case the related current and deferred income taxes are also recognized in other comprehensive income or directly in equity, respectively.

Current tax expense for each taxable entity is based on the local taxable income at the local statutory tax rate enacted or substantively enacted by the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to unused tax loss carry forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the related assets are realized or the liabilities are settled.

The effect on deferred tax assets and liabilities of the change in tax rates is recognized in net earnings in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in the recognition of deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill; and
- investments in subsidiaries and associates and interests in joint ventures where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

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

(i) Financial instruments

All financial assets and financial liabilities are initially recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they incurred. Upon inception, all financial assets and financial liabilities are designated into one of five categories and measured as follows:

Classification	Subsequent measurement
Fair-value-through-profit-or-loss ("FVTPL")	Fair value
Available-for-sale	Fair value
Held to maturity	Amortized cost
Loans and receivables	Amortized cost
Other financial liabilities	Amortized cost

Financial assets classified as available-for-sale are measured at fair value with gains and losses recognized in other comprehensive income (loss) except for impairment losses.

The effective interest method calculates the amortized cost of a financial asset or financial liability and allocates the effective interest income or interest expense over the term of the financial asset or financial liability, respectively. The effective interest rate discounts estimated future cash receipts or payments throughout the term of the financial instrument to the net carrying amount of the financial asset or financial liability.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial assets and liabilities classified as FVTPL include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial assets and liabilities classified as FVTPL are recognized through the statement of loss and comprehensive loss.

(j) Property and equipment

Plant and equipment assets are depreciated using the straight-line method based on estimated useful lives, which generally range from 3 to 5 years. Land is not depreciated.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The depreciation method, useful life and residual values are assessed annually.

(k) Resource property

The Company is currently in the exploration stage with all of its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination.

Exploration and evaluation expenditures are expensed in the period they are incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or an asset acquisition. Significant property acquisition costs are capitalized only to the extent that such costs can be directly attributed to an area of interest where it is considered likely to be recoverable by future exploitation or sale. Development costs relating to specific properties are capitalized once management has made a development decision.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

(l) Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets, other than those at FVTPL may be impaired. If such evidence exists, the estimated recoverable amount of the asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount as follows: the carrying amount of the asset is reduced to its discounted estimated recoverable amount, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the year.

When there is objective evidence that an impairment loss on a financial asset measured at amortized cost has been incurred, an impairment loss is recognized in net earnings for the period and measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) as discounted at the financial asset's effective interest rate at initial recognition. Foreign exchange gain and losses on monetary items are recognized in the statements of comprehensive loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised. With respect to available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(m) Environmental

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of on-going current programs to prevent and control pollution is charged against profit and loss as incurred.

(n) Provisions and decommissioning liabilities

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Decommissioning liabilities include an estimate of the future cost associated with the abandonment and reclamation of property and equipment, discounted to its present value, and capitalized as part of the cost of that asset. The estimated costs are based on the present value of the expenditure expected to be incurred. Changes in the discount rate, estimated timing of decommissioning costs, or cost estimates are dealt with prospectively by recording a change in estimate, and a corresponding adjustment to equipment. The accretion on the decommissioning provision is included in the consolidated statement of comprehensive loss.

Actual expenditures incurred are charged against the decommissioning liability.

(o) Share based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Board of Directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense in the statement of comprehensive loss with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

(p) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange gains and losses on foreign currency borrowings.

(q) Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net income (loss) such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income (loss), components of other comprehensive income, and cumulative translation adjustments are presented in the Statement of Comprehensive Loss and the Statement of Changes in Equity. For the period ending December 31, 2013, the Company had no comprehensive profit or loss.

(r) Loss per share

Basic earnings (loss) per share are computed using the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive share equivalents, such as stock options and share purchase warrants and assumes the receipt of proceeds upon exercise of the options to determine the number of shares assumed to be purchased at the average market price during the period. In periods of loss, diluted loss per share is the same as basic loss per share as the effect would be anti-dilutive. As at and for the period ended December 31, 2014, there were no potentially dilutive instruments outstanding.

(s) Recently adopted accounting standards

The following new and amended IFRS pronouncements were adopted during 2014:

Levies imposed by governments

International Financial Reporting Interpretations Committee's ("IFRIC") Interpretation 21, *Levies* ("IFRIC 21"), an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments, was effective for annual periods beginning on January 1, 2014. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Impairment of assets

IAS 36, *Impairment of assets*, was amended to clarify disclosure requirements when a recoverable amount is determined based on FVLCTD. The amendment was effective for annual periods beginning on January 1, 2014.

The IASB also made certain amendments to the following IFRSs and IASs effective January 1, 2014:

- IFRS 10 – *Consolidated Financial Statements*
- IFRS 12 – *Disclosure of Interests in Other Entities*
- IAS 27 – *Separate Financial Statements*
- IAS 32 – *Financial Instruments: Presentation*
- IAS 36 – *Impairment of Assets*
- IAS 39 – *Financial Instruments: Recognition and Measurement*

The amendments did not have an impact on the Company's consolidated financial statements. The Company has not early adopted any other amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

4) Accounting standards issued but not yet effective

IFRS 9, Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9") to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

IFRS 15, Revenue recognition

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") which supersedes IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers*, and SIC 31 – *Revenue – Barter Transactions involving Advertising Services*. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cashflows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

5) Financial instruments and risk management

Financial instrument classification and measurement

Financial instruments of the Company carried on the consolidated statement of financial position are carried at amortized cost with the exception of cash, which is carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at December 31, 2014 due to the immediate or short-term maturities of the financial instruments.

The fair value of the Company's cash is quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy:

Level 1 – quoted prices in active markets for identical financial instruments.

Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's cash and cash equivalents have been assessed on the fair value hierarchy described above and classified as Level 1.

Fair values of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, amounts receivable, deposits, accounts payable and accrued liabilities, loans from directors and decommissioning liability. At December 31, 2014, the carrying value of cash and cash equivalents is fair value. Amounts receivable, and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with a major Canadian bank, accordingly the Company believes it is not exposed to significant credit risk.

Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is nominally exposed to interest rate risk.

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Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its on-going exploration expenditures. The Company is not exposed to significant foreign currency risk, as a 5% shift in foreign exchange rates would result in an impact of approximately \$1,000. At December 31, 2014, the Company held currency approximately totalling the following:

Canadian (Dollars)	US (Dollars)	Mexican (Pesos)
\$39,000	\$13,000	\$165,000

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. As the Company has no significant source of cash flows this is a significant risk.

6) Amounts receivable

Amounts receivable are comprised of:

	December 31 2014	December 31 2013
IVA recoverable	\$ 90,473	\$ 186,119
GST recoverable	21,482	8,880
Other receivables	9,872	11,806
	\$ 121,827	\$ 206,805

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7) Equipment

	Vehicle	Computers Equipment	Equipment	Camp Buildings	Total
COST OR DEEMED COST					
Balance at January 1, 2013	\$ 95,755	\$ 5,160	\$ 7,031	\$ 64,898	\$ 172,844
Additions	23,516	-	3,523	-	27,039
Balance at December 31, 2013 and 2014	\$ 119,271	\$ 5,160	\$ 10,554	\$ 64,898	\$ 199,883
ACCUMULATED DEPRECIATION					
Balance at January 1, 2013	\$ 51,427	\$ 3,612	\$ 2,519	\$ 50,621	\$ 108,179
Depreciation for the period	29,160	1,548	2,625	13,589	46,922
Balance at December 31, 2013	\$ 80,587	\$ 5,160	\$ 5,144	\$ 64,210	\$ 155,101
Depreciation for the period	24,196	-	2,396	688	27,280
Balance at December 31, 2014	\$ 104,783	\$ 5,160	\$ 7,450	\$ 64,898	\$ 182,381
CARRYING AMOUNTS					
At December 31, 2013	\$ 38,684	\$ -	\$ 5,410	\$ 688	\$ 44,782
At December 31, 2014	\$ 14,488	\$ -	\$ 3,014	\$ -	\$ 17,502

Equipment is stated, in the consolidated statement of financial position, at cost less accumulated depreciation and accumulated impairment losses.

Assets in the course of construction are carried at cost less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of equipment includes directly attributed incremental costs incurred in their acquisition and installation.

During the year ended December 31, 2014, the Company capitalized \$Nil (December 31, 2013 - \$27,039) related to acquisition of vehicles and equipment.

Depreciation is charged so as to write off the cost of the asset using the straight-line method over the estimated useful lives as follows:

Vehicles	3-5 years
Computer Equipment	1-3 years
Equipment	3-5 years
Camp Buildings	3-5 years

8) Resource property

Title to mineral properties involves inherent risks due to difficulties of determining the validity of certain mineral claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mining 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.

Acquisition of property

On February 28, 2010, the Company acquired all of the issued and outstanding shares of Pacemaker Silver Mining S.A. de C.V. ("Pacemaker") for 11,500,000 common shares of the Company valued at \$4,025,000.

Pacemaker holds a 100% interest in certain mineral concessions located in Sonora, Mexico.

During the year ended December 31, 2014, the Company capitalized \$Nil (December 31, 2013 - \$38,532) related to the decommissioning liability of the resource property.

Acquisition of tailings

On September 30, 2011 the Company signed an option agreement with Martin Lopez Lauterio (the "Option Agreement"), the owner of the surface land and tailings, to exploit the extensive surface tailings which resulted from the former Lucky Tiger Combination Gold Mining Company mine in the Sierra El Tigre. The tailings are located on the concessions that are part of El Tigre's 215 square kilometre concession ownership in Sonora, Mexico. Under the terms of the Option Agreement, the Company has up to two years to evaluate the tailings and design a procedure to extract the contained silver (completed).

In order to exercise its option, the Company will pay the Owner \$20,000 US upon signing of the Option Agreement (completed) and has agreed to spend \$30,000 US in engineering work (completed) during the two year term. Upon exercise of the option, the Owner will receive a further 100,000 common shares of the Company and \$20,000 US. The Owner will also receive a royalty of 10% of net profit on the tailings project.

On November 14, 2013, the Company amended the Option agreement whereby the Owner will receive a payment of \$40,000 US upon exercise of the Option in lieu of the 100,000 common shares for a total payment on exercise of \$60,000 US. Concurrently with the signing of the amended option agreement, the Company elected to exercise its option and pay the Owner \$60,000 US through a cash payment of \$45,000 US and the forgiveness of a \$15,000 US promissory note to the Company. In the third quarter of 2014, the Company negotiated an extension of the required commencement date for production to July 2019. The Company has now made all payments, completed all work necessary and has exercised its option. The Company's only obligation now is to pay the 10% net profit royalty payments to be paid from production of the tailings.

PROPERTY ACQUISITION COSTS

Balance at January 1, 2013	\$ 4,154,922
Acquisitions	63,671
Increase in decommissioning asset	36,758
Balance at December 31, 2013 and December 31, 2014	\$ 4,255,351

Resource property expenses

A summary of exploration expenditures of the year ended December 31, 2014 and 2013 are as follows:

	Year Ended December 31 2014	Year Ended December 31 2013
EXPLORATION EXPENDITURES		
Geological	\$ 565,745	\$ 810,687
Surface access	139,231	233,997
Management and camp costs	66,686	97,683
Field transport	34,164	50,140
Drilling	-	591,614
Assaying	71,773	107,292
	\$ 877,599	\$ 1,891,413

9) Environmental and decommissioning liability

The Company has an obligation to undertake restoration, rehabilitation, and environmental work when environmental disturbance is caused by the development and eventual production of a mining property, as well as decommissioning of the plant and other restoration work. A provision for environmental rehabilitation has been estimated based on the Company's interpretation of current regulatory requirements and is recognized at the present value of such costs. The present value of the reclamation liability may be subject to change based on management's current estimates, changes in remediation technology, or change in the applicable laws and regulations. The Company anticipates these costs to be incurred in 10 years. The undiscounted amount of the estimated costs at December 31, 2014 was \$106,000 (December 31, 2013 - \$106,000). The estimated costs have been discounted at a rate of 2.00%.

The following table reconciles the Company's total decommissioning liability for the current reporting years:

	December 31 2014	December 31 2013
Balance – Beginning of year	\$ 90,495	\$ 51,963
Liabilities acquired	-	36,758
Accretion of interest	1,810	1,774
Balance – End of period	\$ 92,305	\$ 90,495

10) Loans

Between November 12, 2014 and December 29, 2014, two of the Company's directors loaned the Company a total of \$285,000, on an interim basis (the "Bridge Loans"). The proceeds from such Bridge Loans have been utilized by the Company to fund its current operations, liabilities and other current financial obligations. Such Bridge Loans mature on February 12, 2016 (the "Maturity Date") and bear interest at 10% per annum, with all accrued interest payable on repayment of the Bridge Loans on or before the Maturity Date. As at December 31, 2014, the Company has accrued \$1,986 in interest with respect to these Bridge Loans. The Company may repay the Bridge Loans at any time prior to the Maturity Date with no penalty.

Subsequent to December 31, 2014, an additional \$888,870 has been loaned to the Company by its directors, pursuant to the same terms and conditions of the original Bridge Loans and mature on April 6, 2016. Combined with the Bridge Loans, the Company's Directors have provided the Company a total of \$1,173,870 in interim financing (the "Director Loans")

11) Share capital

Authorized:

Unlimited common shares without par value.

Issued or allotted and fully paid:

Between October 2, 2014 and Nov 17, 2014, 430,000 and 38,000 share purchase options were exercised by two directors and an employee, respectively, of the Company into 468,000 common shares of the Company for gross proceeds of \$84,810.

On February 14, 2014, the Company announced that it closed a non-brokered private placement for an aggregate of 6,000,000 units of the Company ("Units") at a price of \$0.25 per Unit for aggregate cash proceeds of \$1,500,000. Each Unit is comprised of one common share and one-half of a common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to acquire an additional common share of the Company for a period of 24 months from the date of issue at a price of \$0.38, provided that, if over a period of 20 consecutive trading days after the expiry of the hold period on the warrants the daily volume weighted average trading price of the common shares of the Company on the TSX Venture Exchange is greater than \$0.50, then at the Company's discretion, it may, within 10 days of such 20 day period, accelerate the expiry date of the Warrants to a date 30 days after the date of the notice.

On December 12, 2013, the Company extended the expiry of 2,232,000 share-purchase warrants from December 30, 2013 to December 30, 2014 and January 25, 2014 to January 26, 2015 respectively. All other terms of the warrants remained the same. The warrants expired unexercised.

On October 30, 2013, the Company announced that it closed the first and second tranches of its previously announced non-brokered private placement consisting of 2,828,000 Units for gross proceeds of \$200,000 and \$507,000 respectively. Each Unit consists of a common share of the Company and one-half of a common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share of the Company for a period of 24 months from the date of issue at a price of \$0.38 per share, provided that, if over a period of 20 consecutive trading days after the expiry of the hold period on the warrants, the daily volume weighted average trading price of the common shares of the Company on the TSX Venture Exchange (or such other stock exchange on which such shares are listed) is greater than \$0.50, then at the Company's discretion, it may, within 10 days of such 20 day period, accelerate the expiry date of the warrants to a date 30 days after the date of the notice. These common shares, together with the shares issued on the exercise of the warrants, will be restricted from trading for a period of four months and a day from the date of issuance of the Units, being March 1, 2014, in compliance with TSX Venture Exchange policies and securities legislation.

On March 8, 2013, the Company announced that it has closed its previously announced non-brokered private placement for an aggregate of 2,000,000 units of the Company for aggregate gross proceeds of \$500,000. Each Unit consists of a common share of the Company and one-half of a common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share of the Company for a period of 24 months from the date of issue at a price of \$0.38 per share, provided that, if over a period of 20 consecutive trading days after the expiry of the hold period on the warrants, the daily volume weighted average trading price of the common shares of the Company on the TSX Venture Exchange (or such other stock exchange on which such shares are listed) is greater than \$0.50, then at the Company's discretion, it may, within 10 days of such 20 day period, accelerate the expiry date of the Warrants to a date 30 days after the date of the notice.

Contributed surplus

Contributed surplus stock option activity during the period is summarized as follows:

CONTRIBUTED SURPLUS		Options		Warrants		Total
Balance at January 1, 2013	\$	828,750	\$	522,277	\$	1,351,027
Share-based payments – exploration and evaluation		10,575		-		10,575
Share-based payments – general and administrative		55,425		-		55,425
Private placement issuances		-		77,455		77,455
Balance at December 31, 2013	\$	894,750	\$	599,732	\$	1,494,842
Private placement issuances		-		178,559		178,559
Share-based payments – general and administrative		24,533		-		24,533
Exercise of Stock Options		(39,852)				(39,852)
Balance at December 31, 2014	\$	879,431	\$	778,291	\$	1,657,722

Stock options and share-based payments

The Company adopted a stock option plan ("the Plan") whereby it can grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company. Vesting will be determined by the Board of Directors.

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Stock option activity during the period is summarised as follows:

STOCK OPTION ACTIVITY	December 31 2014	Weighted Average Exercise Price	December 31 2013	Weighted Average Exercise Price
Balance – beginning of year	4,617,500	\$ 0.27	4,212,500	\$ 0.30
Granted	175,000	0.25	905,000	0.17
Forfeited	(355,000)	0.26	-	-
Expired	(275,000)	0.26	(500,000)	0.35
Exercised	(468,000)	0.18	-	-
Balance – end of period	3,694,500	\$ 0.28	4,617,500	\$ 0.27

Details of stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	December 31 2014	December 31 2013
December 1, 2014	\$ 0.26	-	275,000
February 18, 2015	\$ 0.35	900,000	900,000
June 17, 2015	\$ 0.35	175,000	175,000
January 5, 2016	\$ 0.35	290,000	290,000
March 17, 2016	\$ 0.45	250,000	250,000
August 11, 2016	\$ 0.33	360,000	535,000
December 24, 2017	\$ 0.20	1,012,500	1,287,500
July 8, 2018	\$ 0.17	532,000	905,000
April 1, 2019	\$ 0.25	175,000	-
		3,694,500	4,617,500

	December 31 2014	December 31 2013
The outstanding options have a weighted-average exercise price of:	0.28	0.27
The weighted average remaining life of the outstanding options is:	1.90	2.88
The weighted average share price at date of exercise is:	0.28	-
The number of vested options is:	3,694,500	4,617,500
As at December 31, 2014 the number of in the money options was:	1,544,500	-

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of options issued. The Black-Scholes Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values. Management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

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Share-based payments for options granted and vested during the period are as follows:

	December 31 2014	December 31 2013
Number of options	175,000	905,000
Fair value of share-based payments	\$ 34,839	\$ 66,000

The fair value of share-based payments has been estimated using the Black-Scholes Model using the following assumptions:

	December 31 2014	December 31 2013
Exercise price	\$ 0.25	\$ 0.17
Risk free interest rate	1.72%	1.79%
Expected dividend yield	-	-
Expected stock price volatility	134%	61%
Expected option life in years	3.50	3.50

Warrants

Warrant activity during the period is summarized as follows:

WARRANT ACTIVITY	December 31 2014	Weighted Average Exercise Price	December 31 2013	Weighted Average Exercise Price
Balance – beginning of period	11,253,920	\$ 0.39	22,927,489	\$ 0.39
Issued	3,000,000	0.38	2,414,000	0.38
Expired	(3,621,920)	0.40	(14,087,569)	0.56
Balance – end of period	10,632,000	\$ 0.38	11,253,920	\$ 0.39

Details of warrants outstanding as at December 31, 2014 are as follows:

Expiry Date	Exercise Price	December 31 2014	December 31 2013
July 25, 2014	\$ 0.40	-	2,144,000
October 19, 2014	\$ 0.25	-	9,920
December 30, 2014	\$ 0.40	-	1,468,000
October 19, 2015 ^(a)	\$ 0.38	1,954,000	1,954,000
November 15, 2015 ^(a)	\$ 0.38	2,500,000	2,500,000
January 26, 2015	\$ 0.40	764,000	764,000
March 8, 2015	\$ 0.38	1,000,000	1,000,000
September 20, 2015	\$ 0.38	400,000	400,000
October 30, 2015	\$ 0.38	1,014,000	1,014,000
February 14, 2016	\$ 0.38	3,000,000	-
		10,632,000	11,253,920

^(a) During the year ended December 31, 2014, the Company extended 4,454,000 warrants with original expiry dates of October 19, 2014 and November 15, 2014 for one year to October 19, 2015 and November 15, 2014 respectively.

	December 31 2014	December 31 2013
The outstanding warrants have a weighted-average exercise price of:	0.38	0.39
The weighted average remaining life of the outstanding warrants is:	0.80	0.98

12) Capital disclosures

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is in the business of mineral exploration and has no source of operating revenue. Operations are financed through the issuance of capital stock. Capital raised is held in cash in an interest bearing bank account until such time as it is required to pay operating expenses or resource property costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the period ended December 31, 2014.

13) Related party transactions

Key management includes directors and officers of the Company. In addition to related party transactions described elsewhere in the notes to the financial statements, the Company had the following expenses paid to key management:

RELATED PARTY DISCLOSURE

Name and Principal Position		Remuneration or Fees⁽¹⁾	Included in Accounts Payable	Share-based payments
A company owned or controlled by the President and CEO – management fees	2014 2013	\$ 216,000 233,500	\$ 3,900 -	- 25,400
Consulting fee and salary paid to the Company's CFO	2014 2013	90,000 -	- -	24,533 -
A company owned or controlled by the former CFO – management and professional fees	2014 2013	97,632 80,353	⁽²⁾ 42,000 6,292	- -
The former VP of Exploration – consulting fees	2014 2013	- 177,489	- 32,386	- 5,800

(1) Amounts disclosed were paid or accrued to the related party during the years ended December 31, 2014 and 2013.

(2) See subsequent events (note 17)

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On October 17, 2014, three of the Company's five directors, including Mr. Stuart R. Ross ("Mr. Ross"), the Company's President and Co-CEO, resigned from such directorships and were replaced by three new directors, thereby effecting a change of the majority of the Company's Board as of that date.. Pursuant to the terms of the Company's consulting agreement with Mr. Ross' company, SRR Consulting Ltd. ("SRR"), if a majority of the members of the Board changes within a consecutive two year period then either the Company or SRR, with three months written notice to the Company, can terminate such agreement (the "SRR Consulting Agreement") within one year from such triggered change of control event, and as a result of any such termination, SRR will then be entitled to receive a termination payment consisting of: (a) any earned fees that that may still be due under the SRR Consulting Agreement; (b) a payment equal to the value of twenty-four times the monthly fees of \$18,000.00 payable to SRR under its consulting agreement with the Company, or \$432,000; (c) the equivalent amount of any discretionary bonuses that may have been paid to SRR over the preceding thirteen month period; and (d) the immediate vesting of any outstanding options held by SRR. As at December 31, 2014, the Company had not given any written notice to SRR nor has it received from any written notice from SRR terminating or indicating an intention to terminate the SRR Consulting Agreement. (See Note 17)

These transactions were in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

14) Segmented disclosure

The following table provides segmented disclosure on assets and liabilities as reviewed by management regularly:

(Rounded to 000's)	Canada	Mexico	Total
December 31, 2014			
Current assets	\$ 93,000	\$ 129,000	\$ 222,000
Non-Current Assets			
Equipment	-	18,000	18,000
Resource properties	-	4,255,000	4,255,000
Liabilities			
Current liabilities	121,000	39,000	160,000
Non-current liabilities	287,000	92,000	379,000
December 31, 2013			
Current assets	\$ 256,000	\$ 219,000	\$ 475,000
Non-Current Assets			
Equipment	-	45,000	45,000
Resource properties	-	4,255,000	4,255,000
Liabilities			
Current liabilities	85,000	124,000	209,000
Non-current liabilities	-	90,000	90,000

15) Income taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian and Mexican statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2014 and 2013:

	31 December 2014	31 December 2013
(Rounded to 000')		
Income (loss) before taxes	\$ (2,111,000)	\$ (3,010,000)
Statutory income tax rate	26.00%	25.75%
Expected income tax (recovery)	(549,000)	(775,000)
Differences resulting from:		
Non-deductible items	62,000	20,000
Change in estimates	293,000	478,000
Foreign tax rate difference	(115,000)	(77,000)
Change in enacted tax rate	-	(64,000)
Share issuance costs	(5,000)	(4,000)
Change in deferred tax asset not recognized	314,000	422,000
Provision for income taxes	\$ -	\$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax assets (liabilities) at December 31, 2014 and 2013 are comprised of the following:

	December 31 2014	December 31 2013
(Rounded to 000')		
Deferred tax assets - Canada		
Non-capital loss carry forwards	\$ 1,613,565	\$ 1,319,938
Financing costs	11,929	28,250
Resource properties	-	45,863
	1,625,452	1,394,051
Canadian deferred tax asset not recognized	(1,625,494)	(1,394,051)
Net Deferred tax asset	-	-
Deferred tax assets and liabilities – Mexico		
Non-capital loss carry forwards	917,461	835,257
Mineral property	(45,620)	(45,620)
Decommissioning liability	27,692	27,149
Property and equipment	7,331	7,304
Mexican deferred tax asset not recognized	906,864	824,090
Deferred tax asset not recognized	(906,575)	(824,090)
Net Deferred tax asset	\$ -	\$ -

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars

The Company has Canadian non-capital loss carryforwards of approximately \$6,206,018, which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year of Expiry (Rounded to 000')	Taxable Loss
2027	\$ 11,095
2028	198,402
2029	395,071
2030	740,158
2031	1,191,331
2032	1,298,180
2033	1,194,282
2034	1,177,499
Total	\$ 6,206,018

The Company has Mexican non-capital loss carryforwards of approximately \$253,831 which may be carried forward to apply against future year income tax for Mexican income tax purposes, subject to the final determination by taxation authorities.

Year of Expiry (Rounded to 000')	Taxable Loss
2021	\$ 47,905
2022	35,232
2023	82,913
2024	87,781
Total	\$ 253,831

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that deferred taxable profit will be available against which the Company can utilize such deferred tax assets.

16) Contingent liability

Through its wholly owned subsidiary, the Company entered into a consulting agreement (the "Agreement") with a third party (the "Consultant"), whereby, the Consultant will identify and introduce lending agencies to provide debt financing of up to \$4,450,000 US. The Company will pay the Consultant a success fee of 1.5% for every \$1,000,000 USD or a portion thereof accepted by the Company. In the event that the transaction is not concluded, the Company will pay a maximum penalty of \$17,500 (222,500 Mexican Pesos) to the Consultant. On October 3, 2014 the Consultant terminated the contract, with no fees paid and no further obligation to the Consultant.

On February 17, 2014, the Company entered into an agreement with Conseil Advisory Services Inc. ("Conseil"), whereby Conseil will advise the Company on various financing alternatives and assist in negotiations with potential financing sources. The Company terminated the contract on January 5, 2015, with no fees paid and no further obligation to Conseil.

On August 28, 2014, the Company entered into an agreement with Wealthcorp LLC ("Wealthcorp") to provide financial advisory services to assist the Company with identifying financing alternatives. Under the agreement, the Company will pay Wealthcorp a monthly work fee of US\$20,000, a cash success fee of 1.5% and compensation warrants equal to 5% of the aggregate number of shares or units sold under any financing transaction in excess of \$5 million (collectively the "Compensation"). On, January 19, 2015, the Company terminated the contract with Wealthcorp for non-performance of the contract. The Company had paid Wealthcorp \$88,224 (US\$80,000) prior to the termination of the contract and has filed a civil lawsuit with the Supreme Court of British Columbia requesting an order that the contract has been terminated with no further compensation payable to Wealthcorp. Wealthcorp filed a counter claim against the Company on March 6, 2015 for \$160,000 and unpaid expenses. As at December 31, 2014, no amount has been accrued, as the results of the litigation are currently indeterminable.

On September 1, 2014, the Company entered into a one year lease for the Company's offices and office services for a monthly rent payment of \$5,355. Subsequent to the initial term, the Company will be on a month to month lease with no further commitment subsequent to August 31, 2015. As at December 31, 2014, the Company had a remaining commitment on the lease of \$42,680.

17) Subsequent events

On January 8, 2015, the Company entered into a debt settlement agreement with the former CFO of the Company whereby the Company issued 168,000 common shares at a deemed price of \$0.25 per share in settlement of \$42,000 for management services over a three-year period.

On March 24, 2015, the Company issued 562,791 common shares to three of its directors as a bonus (the "Bonus Shares") related to \$605,000 of the total outstanding Directors Loans (note 10).

On April 1, 2015, SRR, the company under which Mr. Ross provided co-CEO services to the Company, and the Company (jointly, the "Parties") mutually agreed to terminate SRR's consulting agreement with the Company (the "Termination Agreement") and Mr. Ross resigned as Co-CEO of the Company. As part of the Termination Agreement, the Parties agreed to mutually release each other from any potential claims that either Party may have had, including any financial obligations that the Company may have had to either SRR and/or Mr. Ross pursuant to the SRR Consulting Agreement. Further, the Parties also mutually agreed that no amounts are owing or will be paid under such Termination Agreement.

Also on April 1, 2015, SRR and Mr. Ross (jointly, "RossSRR") agreed to certain non-compete provisions with the Company (the "Non-Compete") which prevents RossSRR from competing with the Company's mine dump silver tailings project in Sonora, Mexico through March 31, 2016. On April 2, 2015, the Company paid RossSRR a lump-sum payment of \$130,000.00 for such Non-Compete. The Company obtained a loan from its Chairman and Chief Executive Officer in order to make such Non-Compete Payment (see Note 10).