CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and Nine months ended September 30, 2014 and 2013

Unaudited

(Expressed in United States dollars, unless otherwise stated)

CAYDEN RESOURCES INC.
Condensed Consolidated Interim Statements of Financial Position

Unaudited - (Expressed in United States dollars)

		At September 30, 2014		At December 31, 2013
				(Audited)
Assets				
Current assets:				
Cash and cash equivalents	$	8,957,735	$	7,849,587
Amounts receivable		1,629,830		1,271,806
Prepaid expenses and deposits		53,902		98,263
		10,641,467		9,219,656
Non-current assets:				
Equipment (note 3)		75,396		95,811
Mineral property interests (note 4 (c))		45,406,096		38,355,315
Total assets	**$**	**56,122,959**	**$**	**47,670,782**
Liabilities and Equity				
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	$	1,469,848	$	1,663,933
Current income taxes		–		142,087
Warrant liability (note 5 (d))		–		380,752
		1,469,848		2,186,772
Non-current liabilities:				
Deferred income tax		5,758,826		5,633,738
		7,228,674		7,820,510
Equity				
Share capital (note 5)		60,390,813		45,442,909
Equity reserves (note 5)		6,357,540		6,536,195
Deficit		(17,854,068)		(12,128,832)
		48,894,285		39,850,272
Total liabilities and equity	**$**	**56,122,959**	**$**	**47,670,782**

Subsequent events (note 11)

Approved on behalf of the Board of Directors:

"Ivan Bebek"
Director

"Steve Cook"
Director

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

CAYDEN RESOURCES INC.

Condensed Consolidated Interim Statements of Comprehensive (loss) Income

Unaudited - (Expressed in United States dollars, unless otherwise stated)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Administration expenses:				
Amortization (note 3)	$ 13,799	$ 14,673	$ 40,787	$ 43,299
Consulting fees, directors' fees, wages and benefits (note 8)	438,180	385,215	1,198,036	1,153,555
Legal and professional fees	62,776	146,931	283,369	324,809
Regulatory, transfer agent and shareholder information	11,703	7,586	83,555	48,598
Office and administration	82,476	59,683	279,954	193,023
Rent	25,285	41,662	133,443	135,163
Share-based compensation (note 5 (c))	55,284	122,194	160,116	266,511
Travel, promotion and investor relations	167,558	123,517	668,341	490,716
Bank charges	2,073	2,451	7,362	6,174
	859,134	903,912	2,854,963	2,661,848
Other expenses (income):				
Transaction related costs (note 10)	594,260	–	594,260	–
Other income	(16,219)	(2,704)	(37,004)	(22,187)
Gain on sale of mineral property interests	–	–	–	(5,362,268)
Revaluation of warrant liability (note 5 (d))	1,439,721	1,081,209	2,033,910	(152,978)
Foreign exchange loss (gain)	236,984	(138,386)	154,019	64,849
	2,254,746	940,119	2,745,185	(5,472,584)
Net (loss) income for the period before income taxes	(3,113,880)	(1,844,031)	(5,600,148)	2,810,736
Current income tax (expense) recovery	–	421,121	–	(319,171)
Deferred income tax recovery (expense)	178,931	273,332	(125,088)	949,105
	178,931	694,453	(125,088)	629,934
Comprehensive (loss) income for the period	**$ (2,934,949)**	**$ (1,149,578)**	**$ (5,725,236)**	**$ 3,440,670**
(Loss) income per share				
Basic	$ (0.06)	$ (0.03)	$ (0.12)	$ 0.08
Diluted	$ (0.06)	$ (0.03)	$ (0.12)	$ 0.08
Weighted average number of common shares outstanding				
Basic	49,186,038	41,564,484	46,088,456	41,544,972
Diluted	49,186,038	41,564,484	46,088,456	41,854,856

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

CAYDEN RESOURCES INC.

Condensed Consolidated Interim Statements of Changes in Equity

Unaudited - (Expressed in United States dollars, unless otherwise stated)

	Number of common shares		Share capital		Equity reserves		Deficit		Total
Balance at December 31, 2012	**41,494,841**	**$**	**45,292,283**	**$**	**5,978,404**	**$**	**(11,755,088)**	**$**	**39,515,599**
Common shares issued for finder's fee (note 4 (b))	44,543		31,758		–		–		31,758
Share-purchase warrants exercised (note 5 (b))	25,000		37,403		–		–		37,403
Fair value of warrants allocated to shares issued on exercise (note 5 (b))	–		10,348		(10,348)		–		–
Share-based compensation (note 5 (c))	–		–		377,706		–		377,706
Net income for the period	–		–		–		3,440,670		3,440,670
Balance at September 30, 2013	**41,564,384**	**$**	**45,371,792**	**$**	**6,345,762**	**$**	**(8,314,418)**	**$**	**43,403,136**
Balance at December 31, 2013	**41,609,127**	**$**	**45,442,909**	**$**	**6,536,195**	**$**	**(12,128,832)**	**$**	**39,850,272**
Common shares issued for cash, net of costs (note 5 (b))	5,301,500		7,179,469		140,756		–		7,320,225
Common shares issuable for concession costs (note 4 (b))	204,348		335,023		–		–		335,023
Share-purchase warrants exercised (note 5 (b))	2,929,736		4,065,784		–		–		4,065,784
Stock options exercised (note 5 (b))	281,250		398,510		–		–		398,510
Fair value of investor warrants allocated to shares issued on exercise (note 5 (b))	–		2,431,017		–		–		2,431,017
Fair value of broker warrants allocated to shares issued on exercise (note 5 (b))	–		229,678		(229,678)		–		–
Fair value of stock options allocated to shares issued on exercise (note 5 (b))	–		308,423		(308,423)		–		–
Share-based compensation (note 5 (c))	–		–		218,690		–		218,690
Net loss for the period	–		–		–		(5,725,236)		(5,725,236)
Balances at September 30, 2014	**50,325,961**	**$**	**60,390,813**	**$**	**6,357,540**	**$**	**(17,854,068)**	**$**	**48,894,285**

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

CAYDEN RESOURCES INC.

Condensed Consolidated Interim Statements of Cash Flows

Unaudited - (Expressed in United States dollars)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Cash used in:				
Operating activities:				
Net (loss) income for the period	$ (2,934,949)	$ (1,149,578)	$ (5,725,236)	$ 3,440,670
Items not involving cash:				
Amortization	13,799	14,673	40,787	43,299
Revaluation of warrant liability (note 5 (d))	1,439,721	1,081,209	2,033,910	(152,978)
Share-based compensation (note 5 (c))	55,284	122,194	160,116	266,511
Unrealized foreign exchange	212,989	26,695	160,483	38,583
Deferred income tax	(178,931)	(273,332)	125,088	(949,105)
Gain on disposal of mineral property interests	–	–	–	(5,362,268)
Changes in non-cash working capital:				
Amounts receivable	(127,575)	(143,405)	(394,115)	(147,764)
Prepaid expenses and deposits	19,484	43,495	47,350	(32,788)
Income taxes payable	(142,087)	(421,121)	(142,087)	319,171
Accounts payable and accrued liabilities	338,387	44,990	(868,807)	(291,161)
Cash used in operating activities	(1,303,878)	(654,180)	(4,562,511)	(2,827,830)
Investing activities:				
Purchase of equipment	–	(591)	(20,372)	(3,243)
Mineral property expenditures	(1,792,613)	(969,607)	(5,970,492)	(4,373,177)
Proceeds from sale of mineral property interests	–	–	–	7,872,000
Cash (used in) provided by investing activities	(1,792,613)	(970,198)	(5,990,864)	3,495,580
Financing activities:				
Common shares issued for cash, net of issue costs (note 5(b))	8,737	–	7,320,225	37,403
Stock options and share purchase warrants exercised (note 5(b))	3,819,363	–	4,464,294	–
Cash provided by financing activities	3,828,100	–	11,784,519	37,403
Effect of foreign exchange rate changes on cash and cash equivalents	(168,634)	(8,973)	(122,996)	(30,256)
Increase (decrease) in cash and cash equivalents	562,975	(1,633,351)	1,108,148	674,897
Cash and cash equivalents, beginning of period	8,394,760	3,653,809	7,849,587	1,345,561
Cash and cash equivalents, end of period	**$ 8,957,735**	**$ 2,020,458**	**$ 8,957,735**	**$ 2,020,458**

Supplemental cash flow information (note 7)

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

1. Nature of operations

Cayden Resources Inc. (the "Company") was incorporated on September 10, 2008, under the laws of the Province of British Columbia, Canada, under the name Vistech Capital Corp. ("Vistech"). On September 24, 2010, Vistech changed its name to Cayden Resources Inc.

The Company's principal business activities include the acquisition, exploration and development of resource properties in the Americas. The head office and principal address of the Company are located at 600 – 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5.

On September 8th, 2014, the Company entered into an agreement pursuant to which Agnico Eagle Mines Limited ("Agnico Eagle") will acquire 100% of Cayden's issued and outstanding common shares, including shares issuable under outstanding options and warrants, under a plan of arrangement (the "Arrangement"). The Arrangement is expected to close by the end of November 2014, see note 10 for further details.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, obtaining the necessary mining permits, and on future profitable production or the proceeds from the disposition of the mineral property interests.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent audited consolidated financial statements for the year ended December 31, 2013, except for new accounting standards adopted commencing January 1, 2014 as described in note 2(e). These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013.

These condensed consolidated interim financial statements were authorized for issue and approved by the Board of Directors of the Company on November 26, 2014.

(b) Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Company has power over an 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 the amount of the Company's returns.

All material intercompany balances and transactions have been eliminated and where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other entities in the Company.

2. Significant accounting policies and basis of presentation (continued)

(c) Critical estimates and judgement

The preparation of consolidated interim financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions about future events that affect the amounts reported in the condensed consolidated interim financial statements and related notes. Actual results may differ from those estimates. Information about areas of judgment and key sources of uncertainty and estimation is contained in the accounting policies and the notes to the Company's audited consolidated financial statements for the year ended December 31, 2013.

(d) Foreign currency

The financial statements of the Company and each of its subsidiaries are prepared in its functional currency denominated based on the primary economic environment in which such entities operate. The functional and presentation currency of the Company and all of its subsidiaries is the United States dollar ("US dollar"). Amounts in Canadian dollars are denoted with ("C$") and Mexican Pesos with ("Mxp$").

(e) Changes in accounting policies

New and revised accounting standards adopted by the Company

i. IAS 32 – Financial instruments, Presentation. IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The adoption of this new standard, commencing January 1, 2014, did not have an impact on these condensed consolidated interim financial statements.

ii. IAS 36 – Impairment of Assets. IFRS 36 was amended by *recoverable amount disclosures for non-financial assets.* The amendments apply retrospectively for annual periods beginning on or after 1 January 2014. The adoption of this new standard, commencing January 1, 2014, did not have an impact on these condensed consolidated interim financial statements.

iii. IFRIC 21 – Levies. IFRIC 21 clarifies and provides guidance on when to recognize 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. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The change in accounting standard does not have a significant impact on the Company's consolidated financial statements.

Changes to accounting standards not yet effective

iv. IFRS 9 – Financial Instruments: Classification and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial instruments and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact on its consolidated financial statements.

v. IFRS 14 – Regulatory Deferral Accounts. IFRS 14 is intended to enhance the comparability of financial reporting by entities engaged in rate-regulated activities and is effective for annual periods beginning on or after January 1, 2016. The change in accounting standard is unlikely to have a significant impact on the Company's consolidated financial statements.

vi. IFRS 15 – Revenue from Contracts with Customers. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows 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 change in accounting standard is unlikely to have a significant impact on the Company's consolidated financial statements.

Unaudited - (Expressed in United States dollars, unless otherwise stated)

3. Equipment

	Computer equipment	Mobile equipment	Other equipment	Total
C o s t				
Balance as at December 31, 2013	$ 36,296	$ 163,081	$ 2,012	$ 201,389
Additions for the period	-	-	20,372	20,372
Balances as at September 30, 2014	$ 36,296	$ 163,081	$ 22,384	$ 221,761
Accumulated Depreciation				
Balance as at December 31, 2013	$ 25,075	$ 79,891	$ 612	$ 105,578
Amortization for the period	8,529	30,903	1,355	40,787
Balances as at September 30, 2014	$ 33,604	$ 110,794	$ 1,967	$ 146,365
Net Book Values				
As at December 31, 2013	$ 11,221	$ 83,190	$ 1,400	$ 95,811
As at September 30, 2014	$ 2,692	$ 52,287	$ 20,417	$ 75,396

4. Mineral property interests

(a) Morelos Sur Property

On February 15, 2011, the Company, through the acquisition of LC Mines, S.A. de C.V., (“LC Mines”), obtained a 100% undivided interest in the Morelos Sur Gold Property located in the Nukay mining district of Central Guerrero state in southern Mexico, approximately 230 kilometers south of Mexico City.

On January 31, 2013, the Company entered into an amending agreement with Industrial Minera Mexico, S.A. de C.V., (“IMMSA”) whereby the existing royalty on the Morelos Sur Gold Property was subdivided into three separate areas with individual buy-out options as follows:

1. Magnetita – This area is subject to a 2.5% net smelter return (“NSR”) royalty payable to the Servicio Geologico Mexicano (“SGM”) and a 2% NSR royalty payable to IMMSA. The 2% NSR royalty payable to IMMSA can be purchased for $7 million on or before January 30, 2016 or for $20 million anytime thereafter.
2. Las Calles – This area is subject to a 2.5% NSR royalty payable to SGM and a 2% NSR royalty payable to IMMSA. The royalty payable to IMMSA can be purchased on or before January 30, 2016 for $3 million.
3. Morelos East – This area which is comprised of an east block and a west block, is subject to a 2.5% NSR royalty payable to SGM and a 1% NSR payable to IMMSA. However, the royalty obligation to IMMSA was purchased for $10,000 effective January 31, 2013 and the corresponding area subject to this royalty sold to Desarrollos Mineros San Luis, S.A. de C.V., (“DMLS”) effective February 1, 2013.

The entire concession is subject to an advance royalty payment of $200,000 until such time that all the buy-out provisions have been exercised or the remaining property abandoned.

4. Mineral property interests (continued)

(b) Barqueño Property

On April 17, 2012, the Company entered into an option agreement (the "Barqueño Option") with IMMSA to acquire an undivided 100% interest in the 9,800 hectare El Barqueño Gold Property, located approximately 110 km west of Guadalajara city in the state of Jalisco, Mexico.

Under the Barqueño Option, the Company may acquire the property by making a final option payment on April 17, 2015 for an amount of $2,400,000 plus value added taxes.

The Barqueño Option is subject to a royalty obligation equal to 4.0% NSR (1.5% on a portion of the property) or an advance minimum royalty payment equivalent to $200,000 annually which becomes effective after 24 months from the exercise of the option if commercial production has not commenced. The Company will pay a finder's fee concurrent with each payment made in connection with the option exercise of approximately 5.5%. This fee is payable in listed common shares of the Company.

Recent Property Acquisitions

i. On June 20, 2013, the Company entered into a letter agreement (the "Letter Agreement") with Compañia Minera de Atengo, S. de R.L. de C.V., ("CMA") whereby it can earn a 100% interest in the La Luz III Fracc II concession located adjacent and directly to the north of the El Barqueño Gold Property. This concession is also referred as to Barqueño II.

   Under the Letter Agreement, the Company paid CMA $25,000 and committed to 3 years of concession tax payments totaling approximately $87,500. Cayden has the option to complete the 100% earn-in by incurring exploration work on the property of $200,000 within one year, $400,000 within two years and $800,000 within three years of the definitive agreement and making a final payment on or before June 20, 2017 of $5,000,000. The final payment can be made in either cash or common shares, which would be valued at the 10-day weighted average market price prior to payment date. Barqueño II will be subject to a 2.5% NSR payable to the underlying owners of the concession.

ii. On February 18th, 2014, the Company acquired the Shangri-La concession located within El Barqueño project, which is fully optioned by the Company. The Shangri-La concession lies adjacent to the Peña de Oro target on the northern boundary of El Barqueño.

   Under the terms of the acquisition, the Company will pay a total of $100,000 for a 100% interest in the concession, which carries a 1.5% NSR royalty payable to a third party. On signing the agreement the Company paid $20,000 and the remaining cash balance of $80,000 will be paid once the title of the concession is registered in the Company's name, which Management estimates it will occur during the fist quarter of 2015.

   The Shangri-La concession is also subject to a 2.5% NSR payable to the vendor and buyable at anytime for $250,000.

iii. On May 15th, 2014, the Company acquired the Shamba-la concession for gross proceeds of $251,000 cash and 150,000 common shares of the Company. The Shamba-la concession is approximately 400 hectares and lies directly along strike to the northeast of Azteca and Peña de Oro on the El Barqueño Gold Project.

   Under the terms of the acquisition, the Company will pay $251,000 and issue 150,000 common shares for a 100% interest in the concession. The Company paid $51,000 on the signing of the agreement and subsequently issued and delivered the common shares. The remaining payment of $200,000 is due once the title for the concession is registered to the Company, which Management estimates it will occur during the first quarter of 2015. The fair value of these common shares is $244,093 and is recorded against share capital.

   The Shamba-la concession is also subject to a 2.5% NSR payable to the property vendor, which is buyable at anytime for $500,000.

Unaudited - (Expressed in United States dollars, unless otherwise stated)

4. Mineral property interests (continued)

(c) The Company capitalized the following costs as mineral property interests by project:

			September 30, 2014
	Morelos Sur	Barqueño	Total
Balances as at December 31, 2013	$ 33,047,294	$ 5,308,021	$ 38,355,315
Acquisition costs			
Additions:			
Acquisition and option payments	-	2,210,779	2,210,779
Exploration and evaluation costs			
Additions:			
Assaying	-	599,036	599,036
Exploration drilling	-	1,439,298	1,439,298
Camp costs, equipment & field supplies	20,523	98,403	118,926
Geological consulting services	4,589	769,623	774,212
Geophysical analysis	-	547,070	547,070
Metallurgy	-	64,772	64,772
Permitting and community costs	146,104	354,407	500,511
Salaries and wages	44,658	378,974	423,632
Share-based compensation (note 5 (c))	-	58,574	58,574
Travel	16,231	147,290	163,521
Royalties	150,450	-	150,450
Balances as at September 30, 2014	$ 33,429,849	$ 11,976,247	$ 45,406,096

Unaudited - (Expressed in United States dollars, unless otherwise stated)

4. Mineral property interests (continued)

(c) The Company capitalized the following costs as mineral property interests by project: (continued)

			December 31, 2013
	Morelos Sur	Barqueño	Total
Balances as at December 31, 2012	$ 32,868,451	$ 759,397	$ 33,627,848
Acquisition costs			
Additions:			
Acquisition and option payments	-	1,940,872	1,940,872
Exploration and evaluation costs			
Additions:			
Assaying	89,930	419,848	509,778
Exploration drilling	515,527	494,867	1,010,394
Camp costs, equipment & field supplies	83,365	83,443	166,808
Geological consulting services	137,199	707,741	844,940
Geophysical analysis	9,384	6,712	16,096
Permitting and community costs	239,293	261,854	501,147
Salaries and wages	609,830	375,965	985,795
Share-based compensation (note 5 (c))	10,203	143,520	153,723
Travel	78,289	113,802	192,091
Royalties	203,431	-	203,431
Disposition of mineral property interest	(1,797,608)	-	(1,797,608)
Balances as at December 31, 2013	$ 33,047,294	$ 5,308,021	$ 38,355,315

5. Share capital and equity reserves

(a) Authorized share capital consists of an unlimited number of common shares without par value.

(b) Common shares issuance

i. On April 1, 2014, the Company completed a short form prospectus offering of 5,301,500 common shares, at a price of C$1.70 per share for gross proceeds of $8,173,482 (C$9,012,550) (the “Prospectus Offering”). The Prospectus Offering was conducted by a syndicate of underwriters led by Beacon Securities Limited and Canaccord Genuity Corp. (the "Underwriters").

Under the Prospectus Offering, the Underwriters received a total cash commission of $572,144 or 7% of the gross proceeds raised, and 159,045 common share purchase warrants entitling the Underwriters to purchase, within 24 months after closing of the Prospectus Offering, common shares of the Company at a price C$1.70 per common share. The fair value of these common share purchase warrants was $140,756 at the date of issuance.

The Company incurred a total of $994,013 in share issuance costs associated with the Prospectus Offering, inclusive of the Underwriters’ cash commission and warrants.

ii. During the nine months ended September 30, 2014, the Company issued 2,522,500 common shares for gross proceeds of $3,486,106 (C$3,783,750) in connection with investor warrants being exercised. Attributed to these warrants, fair value of $2,431,017 was transferred from the warrant liability and recorded against share capital.

Unaudited - (Expressed in United States dollars, unless otherwise stated)

5. Share capital and equity reserves (continued)

(b) Common shares issuance (continued)

iii. During the nine months ended September 30, 2014, the Company issued 407,236 common shares for gross proceeds of $579,678 (C$636,301) in connection with broker warrants being exercised. Attributed to these warrants, fair value of $229,678 was transferred from the equity reserves and recorded against share capital.

iv. During the nine months ended September 30, 2014, the Company issued 281,250 common shares for gross proceeds of $398,510 (C$439,500) in connection with stock options being exercised. Attributed to these stock options, fair value of $308,423 was transferred from the equity reserves and recorded against share capital.

v. On April 17, 2014, the Company issued 54,348 common shares with a fair value of $90,930 (C$100,000) in connection with El Barqueño finders' agreement.

vi. On September 11, 2014, the Company issued 150,000 common shares with a fair value of $244,093 (C$265,500) in connection with the acquisition of the Shamba-la mining concession.

vii. On January 24, 2013, the Company issued 25,000 common shares for gross proceeds of $37,403 (C$37,500) in connection with investor warrants being exercised. Attributed to these warrants, fair value of $10,348 was transferred from the warrant liability and recorded against share capital.

viii. On April 17, 2013, the Company issued 44,543 common shares with a fair value of $31,758 (C$32,589) in connection with El Barqueño finders' agreement.

(c) Stock options

The Company maintains a Rolling Stock Option Plan providing for the issuance of stock options up to 10% of the Company's issued and outstanding common shares at the time of the grant. The Company may grant stock options from time to time to its directors, officers, employees and other service providers. The stock options vest 25% on the date of the grant and 12½% every three months thereafter for a total vesting period of 18 months.

During the year, the Board approved a resolution to accelerate the vesting of the Company's remaining unvested outstanding stock options as a result of the announced agreement between the Company and Agnico Eagle Mine Limited ("Agnico Eagle") in which Agnico Eagle will acquire all of the outstanding common shares of the Company (see note 10) which also resulted in immediate recognition of the remaining unvested stock-based compensation.

The continuity of the number of stock options issued and outstanding is as follows:

	Number of stock options	Weighted average exercise price
Outstanding, December 31, 2013	4,122,500	C$ 1.74
Granted	-	-
Exercised	(281,250)	1.56
Forfeited	-	-
Outstanding, September 30, 2014	3,841,250	C$ 1.75

Unaudited - (Expressed in United States dollars, unless otherwise stated)

5. Share capital and equity reserves (continued)

(c) Stock options (continued)

As at September 30, 2014, the number of stock options outstanding and exercisable was:

	Outstanding and Exercisable		
Expiry date	Number of stock options	Exercise price	Remaining contractual life (years)*
October 18, 2015	1,661,250	C$ 2.00	1.05
June 23, 2016	450,000	2.86	1.73
May 1, 2017	975,000	1.40	2.59
July 17, 2018	575,000	0.90	3.80
Oct 17, 2018	100,000	1.58	4.05
Dec 3, 2018	80,000	1.10	4.18
	3,841,250		2.07

* In accordance with the agreement between the Company and Agnico Eagle, all unvested stock options vested on September 8, 2014. All unvested options will also expire on the effective date of the Arrangement, see note 10 for further details.

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and others providing similar services. During the three and nine months period ending September 30, 2014, an amount of $55,284 and $160,116, respectively, (three and nine months ended September 30, 2013 – $122,194 and $266,511, respectively) was expensed in the condensed consolidated interim statements of comprehensive (loss) income and $58,574 (December 31, 2013 – $153,723) was capitalized and recorded as mineral property interests during the nine months period.

The weighted average fair value of stock options granted of $nil per option during the nine month period ended September 30, 2014 (year ended December 31, 2013 – $0.69) was calculated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions and inputs:

	September 30, 2014	December 31, 2013
Risk-free interest rate	-	1.72%
Expected dividend yield	-	nil
Expected share price volatility	-	93.74%
Expected life in years	-	5 years
Forfeiture rate	-	5.80%

The expected volatility assumption is based on the historical and implied volatility of the Company's Canadian dollar common share price on the TSX Venture Exchange. The risk-free interest rate assumption is based on the Government of Canada benchmark bond yields with a remaining term equal to the stock options' expected life.

Unaudited - (Expressed in United States dollars, unless otherwise stated)

5. Share capital and equity reserves (continued)

(d) Share purchase warrants (continued)

The continuity of the number of share purchase warrants (each exercisable into one common share) is as follows:

	Warrants outstanding	Weighted average exercise price
Outstanding, December 31, 2013	2,802,500	C$ 1.50
Issued	159,045	1.70
Exercised	(2,929,736)	1.51
Expired	-	-
Outstanding, September 30, 2014	31,809	C$ 1.70

As at September 30, 2014, the following share purchase warrants are outstanding:

Number of warrants	Exercise price	Expiry date**
31,809	C$ 1.70	April 1, 2016

** Further to the Arrangement, all unexercised warrants will expire on the effective date of the Arrangement, see note 10 for further details.

The Company remeasures the fair value of share purchase warrants granted to investors or unit holders denominated in currencies other than that of the functional currency of the entity every reporting period using the Black-Scholes option pricing model. As at September 30, 2014, the fair value of these warrants was $nil (December 31, 2013 – $380,752) and the loss on revaluation for the three and nine months ended September 30, 2014 recorded in the condensed consolidated interim statements of comprehensive (loss) income was $1,439,721 and $2,033,910, respectively (three and nine months ended September 30, 2013 – $1,081,209 and ($152,978) respectively).

The weighted average fair value of $0.98 per warrant as at September 30, 2014 (December 31, 2013 – $0.15) was calculated using the Black-Scholes option pricing model with the following weighted average assumptions and inputs:

	September 30, 2014	December 31, 2013
Risk-free interest rate	1.05%	1.10%
Expected share price volatility	87.02%	93.87%
Expected dividend yield	0%	0%
Expected life in years (weighted average)	2 years	0.63 years

The expected volatility assumption is based on the historical and implied volatility of the Company's Canadian dollar common share price on the TSX Venture Exchange. The risk-free interest rate assumption is based on the Government of Canada benchmark bond yields with a remaining term equal to the warrants' expected life.

6. Financial instruments

(a) Credit risk

Credit risk is the risk that a third party fails to discharge its obligations under the terms of the financial contract and causes a financial loss for the Company. The Company's credit risk is primarily attributable to its current assets. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalent balances in Canadian highly rated financial institutions. The Company considers the risk of loss associated with cash and cash equivalents to be low.

The Company also has credit risk exposure in relation to its amounts receivable. The majority of this balance relates to value added tax receivable from the Mexican government which management is confident that its carrying values are recoverable in full.

(b) Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Significant market risks to which the Company is exposed are as follows:

Currency risk

The Company is exposed to currency risk where entities have balances and transactions denominated in currencies that are not the same as their functional currency; foreign exchange gains and losses in these situations impact the statement of comprehensive (loss) income. The Company also holds share purchase warrants denominated in Canadian dollars.

The Company is exposed to currency risk through the following financial assets and liabilities denominated in foreign currencies:

	September 30, 2014		December 31, 2013	
	Canadian dollar	Mexican peso	Canadian dollar	Mexican peso
Cash and cash equivalents	$ 4,967,829	$ 170,919	$ 646,175	$ 1,140,966
Amounts receivable	94,120	1,506,643	204,998	352,374
Accounts payable	(395,616)	(132,737)	(167,506)	(1,320,562)
Current income taxes	-	-	-	(142,087)
Warrant liability	-	-	(380,752)	-
Net exposure	$ 4,666,333	$ 1,544,825	$ 302,915	$ 30,691

A 10% appreciation or depreciation of the above mentioned currencies compared with the US dollar would result in a corresponding increase or decrease in net assets of approximately $621,116, as at September 30, 2014 (December 31, 2013 – $33,361).

Unaudited - (Expressed in United States dollars, unless otherwise stated)

7. Supplemental cash flow information

	Three months ended September 30, 2014	Three months ended September 30, 2013
Accounts payable and accrued liabilities included in mineral property interests, change	($ 31,624)	($ 127,238)
Fair value of warrants issued to Brokers as part of the Prospectus Offering	10,348	-
Fair value of stock options and warrants exercised	2,736,897	-
Share-based compensation included in mineral property interests	17,706	103,520

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Accounts payable and accrued liabilities included in mineral property interests, change	$ 686,692	($ 125,927)
Fair value of shares issued for concession costs	335,023	31,758
Fair value of warrants issued to Brokers as part of the Prospectus Offering	140,756	-
Fair value of stock options and warrants exercised	2,969,118	- -
Share-based compensation included in mineral property interests	58,574	111,195

8. Related party balances and transactions

(a) Related parties

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

	Three months ended September 30, 2014	Three months ended September 30, 2013
Rock-on Exploration Company [1]	$ 61,620	$ 50,370
Universal Mineral Services Ltd. [2]	299,137	301,815

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Rock-on Exploration Company [1]	$ 184,860	$ 140,370
Universal Mineral Services Ltd. [2]	803,804	872,660
Paradex, Inc. [3]	-	7,900

Unaudited - (Expressed in United States dollars, unless otherwise stated)

8. Related party balances and transactions (continued)

(a) Related parties (continued)

1. Rock-on Exploration Ltd., is a company controlled by a director of the Company that provides geological consulting services. As at September 30, 2014, the outstanding payable to this company was $20,540 (December 31, 2013 - $24,965).
2. Universal Mineral Services Ltd., ("UMS") is a private corporation of which the Company holds a 25% non-voting interest and has a common director and an officer. UMS bills the Company for reimbursement of administrative, geological and marketing services and out-of-pocket expenses on a cost recovery basis. As at September 30, 2014 included in payables was $77,048 (December 31, 2013 - $88,075) and prepaid expenses and deposits was $47,321 (December 31, 2013 - $49,831).
3. Paradex, Inc., is a company controlled by a director of the Company that provides geological consulting services. As at September 30, 2014, the outstanding payable to this company was $nil (December 31, 2013 - $nil).

All transactions with related parties have occurred in the normal course of business and were measured at their fair value as determined by management. Amounts payable to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

(b) Compensation of key management personnel

During the period, compensation to key management personnel was as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013
Short-term benefits	$ 305,837	$ 208,622
Share-based compensation	48,910	48,675
	$ 354,747	$ 257,297

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Short-term benefits	$ 830,072	$ 638,079
Share-based compensation	77,403	146,901
	$ 907,475	$ 784,980

9. Segmented information

The Company operates in one reportable operating segment, being the exploration and development of mineral resource properties.

Geographic segmentation of non-current assets is as follows:

			September 30, 2014
	Canada	Mexico	Total
Equipment, net	$ -	$ 75,396	$ 75,396
Mineral property interests	-	45,406,096	45,406,096
	$ -	$ 45,481,492	$ 45,481,492

Unaudited - (Expressed in United States dollars, unless otherwise stated)

9. Segmented information (continued)

			December 31, 2013
	Canada	Mexico	Total
Equipment, net	$ 6,156	$ 89,655	$ 95,811
Mineral property interests	-	38,355,315	38,355,315
	$ 6,156	$ 38,444,970	$ 38,451,126

10. Arrangement Agreement with Agnico Eagle

On September 8, 2014, the Company entered into an agreement pursuant to which Agnico Eagle will acquire 100% of the Company's issued and outstanding common shares, including shares issuable under outstanding stock options and share purchase warrants, under a plan of arrangement. Under the Arrangement, the Company's shareholders will be entitled to receive 0.09 of an Agnico Eagle share and C$0.01 for each Company common share held.

On October 27, 2014, the shareholders and other security holders of the Company approved the Arrangement at the Company's special meeting. On October 29, 2014, the Supreme Court of British Columbia issued its final order approving the Arrangement and on November 13, 2014, the Company received Mexican anti-trust approval for the Arrangement.

The final closing of the Arrangement remains subject to the satisfaction of certain closing conditions customary in a transaction of this nature. It is currently expected that the transaction will be completed on by the end of November 2014.

11. Subsequent events

a) On October 14, 2014, the Company paid an amount of $2,320,000 to IMMSA as part of the Barqueño Option agreement and issued 33,003 common shares of the Company in connection to the El Barqueño finder's agreement.

b) Subsequent to September 30, 2014, a total of 31,809 share purchase warrants issued to brokers were exercised with an exercise price of C$1.70 for gross proceeds of $48,208 (C$54,075) and a total of 3,541,250 stock options were also exercised for gross proceeds of $5,250,000 (C$5,880,000).