GOLDEN SUN MINING CORP.

(formerly Silver Sun Resource Corp.)

Consolidated Condensed Interim Financial Statements

For the Three Months Ended July 31, 2013

(Expressed in Canadian Dollars)

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Notice to Readers

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

The accompanying unaudited consolidated condensed interim financial statements of Golden Sun Mining Corp. (formerly Silver Sun Resource Corp.) for the three months ended July 31, 2013 have been prepared in accordance with International Accounting Standard 34 for Consolidated Interim Financial Reporting under International Financial Reporting Standards. These consolidated condensed interim financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these consolidated condensed interim financial statements.

GOLDEN SUN MINING CORP.
(formerly Silver Sun Resource Corp.)

Consolidated Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at	July 31 2013	April 30 2013
Assets		
Current		
Cash	$ 6,509	$ 15,482
Amounts receivable	-	63,971
Goods and services tax receivable	3,978	21,688
Due from related party (note 4)	16,712	12,500
Loan receivable (note 5)	20,633	20,432
Prepaid expenses and deposits	1,788	11,429
	49,620	145,502
Non-current		
Property, plant, and equipment (note 6)	90,871	96,537
Exploration and evaluation assets (note 7)	1,373,301	1,373,301
	1,464,172	1,469,838
	$ 1,513,792	$ 1,615,340
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 8 and 12)	$ 147,039	$ 130,136
Due to related parties (notes 9 and 12)	17,524	29,694
	164,563	159,830
Long term		
Asset retirement obligation (note 10)	66,534	66,534
	231,097	226,364
Shareholders' Equity		
Share capital (note 11)	6,619,503	6,619,503
Reserves	605,293	618,361
Accumulated other comprehensive income	24,093	22,391
Accumulated deficit	(5,966,194)	(5,871,279)
	1,282,695	1,388,976
	$ 1,513,792	$ 1,615,340

Nature of operations and going concern (note 1)
Commitments (note 13)
Subsequent event (note 17)

These consolidated condensed interim financial statements were authorized for issue by the board of directors on October 17, 2013. They are signed on the Company's behalf by:

"Mark McLeary" ____________________ Director

"Ian Foreman" ____________________ Director

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

GOLDEN SUN MINING CORP.
(formerly Silver Sun Resource Corp.)

Consolidated Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended July 31 2013	July 31 2012
Expenses		
Bank charges and interest	$ 889	$ 228
Consulting (note 12)	43,500	45,000
Depreciation (note 6)	7,368	10,121
Exploration and evaluation costs (note 7)	10,243	102,973
Insurance	-	9,459
Investor communications	8,015	10,500
Office, administrative, and travel expenses (note 12)	18,417	20,502
Professional fees (note 12)	13,247	17,144
Salaries and benefits	-	404
Share-based compensation (notes 11(d) and 12)	-	23,574
Transfer agent, listing, and filing fees	7,848	7,523
Loss before other items	(109,527)	(247,428)
Other income (expenses)		
Interest income	202	294
Other income	135	-
Foreign exchange gain (loss)	1,207	(2,254)
	1,544	(1,960)
Net loss	(107,983)	(249,388)
Other comprehensive income		
Foreign currency translation differences from foreign operations	1,702	-
Net loss and comprehensive income for the period	(106,281)	(249,388)
Basic and diluted loss per share	$ (0.00)	$ (0.01)
Weighted average number of shares outstanding	54,968,336	47,589,957

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

GOLDEN SUN MINING CORP.
(formerly Silver Sun Resource Corp.)

Consolidated Condensed Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares	Share Capital	Reserves: Share-Based Payment Reserve	Reserves: Warrant Reserve	Reserves: Total Reserves	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance at April 30, 2013	54,968,336	$ 6,619,503	$ 592,846	$ 25,515	$ 618,361	$ 22,391	$ (5,871,279)	$ 1,388,976
Fair value of options cancelled	-	-	(13,068)	-	(13,068)	-	13,068	-
Net loss and comprehensive income for the period	-	-	-	-	-	1,702	(107,983)	(106,281)
Balance at July 31, 2013	**54,968,336**	**$ 6,619,503**	**$ 579,778**	**$ 25,515**	**$ 605,293**	**$ 24,093**	**$ (5,966,194)**	**$ 1,282,695**
Balance at April 30, 2012	47,183,000	$ 5,725,782	$ 743,027	$ 108,073	$ 851,100	$ 10,540	$ (4,851,307)	$ 1,736,115
Shares issued for cash	480,000	79,200	-	-	-	-	-	79,200
Fair value of warrants expired	-	-	-	(108,073)	(108,073)	-	108,073	-
Fair value of options cancelled	-	-	(82,779)	-	(82,779)	-	82,779	-
Fair value of options expired	-	-	(158,412)	-	(158,412)	-	158,412	-
Share-based compensation	-	-	23,574	-	23,574	-	-	23,574
Net loss and comprehensive income for the period	-	-	-	-	-	-	(249,388)	(249,388)
Balance at July 31, 2012	47,663,000	$ 5,804,982	$ 525,410	$ -	$ 525,410	$ 10,540	$ (4,751,431)	$ 1,589,501

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

GOLDEN SUN MINING CORP.
(formerly Silver Sun Resource Corp.)

Consolidated Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended July 31 2013	July 31 2012
Cash provided by (used for)		
Operating activities		
Net loss for the period	$ (107,983)	$ (249,388)
Add items not affecting cash		
Accrued interest income	(201)	-
Depreciation	7,368	10,121
Foreign exchange gain (loss)	(1,207)	2,254
Share-based compensation	-	23,574
	(102,023)	(213,439)
Net change in non-cash working capital	108,225	115,016
	6,202	(98,423)
Financing activities		
Due to related parties	(12,170)	-
Shares issued net of share issue costs	-	79,200
	(12,170)	79,200
Investing activities		
Due from related party	(4,212)	-
	(4,212)	-
Net increase (decrease) in cash	(10,180)	(19,223)
Cash, beginning of period	15,482	5,952
Effect of exchange rate fluctuations on cash	1,207	(2,254)
Cash, end of period	$ 6,509	$ (15,525)

Supplemental cash flow disclosure (note 15)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Golden Sun Mining Corp. (formerly Silver Sun Resource Corp.) (the "Company"), is a public company incorporated under the laws of the Province of British Columbia on March 14, 2007. The Company is listed on the TSX Venture Exchange ("TSX") under the trading symbol "GSU", on the Frankfurt Stock Exchange under the trading symbol "SS6", and on the OTC Pink Current under the symbol "GSUXF". The Company is in the business of exploring for mineral properties. The Company's current properties include the Cherry Hill Gold mining claims in Siskiyou County in northern California, and the Yoreme mineral claim located in the Municipality of Alamos, state of Sonora, Mexico.

The Company's corporate office is located at Suite 400, 409 Granville Street, Vancouver, British Columbia V6C 1T2.

The Company is in the exploration stage with respect to its exploration and evaluation assets. Based on the information available to date, the Company has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production or disposition thereof.

These consolidated condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its exploration and evaluation assets, and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in note 16(c).

The Company does not generate cash flow from operations to fund its exploration activities, and has therefore relied upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations and exploration activities to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These consolidated condensed interim financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. BASIS OF PREPARATION

a) Basis of preparation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS34") using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These consolidated condensed interim financial statements have been prepared on a historical cost basis except for financial instruments classified at fair value through profit and loss, which are measured at fair value. In addition, these consolidated condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b) Foreign currencies

i) Presentation and functional currency

The presentation currency of the Company is the Canadian dollar.

The functional currency of the Company; its Mexican subsidiary, Minera Plata Del Sol S.A. de C.V.; and the American subsidiary, Cherry Hill Holdings, LLC, is the Canadian Dollar while the functional currency of the Company's other two American subsidiaries, Lucky Boy Resources, LLC and Golden Sun, LLC, is the US Dollar.

ii) Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency gains and losses are reported on a net basis included in net income (loss).

iii) Foreign operations

Subsidiaries that have a functional currency other than the Canadian Dollar translate their statement of operations at the exchange rate at the date of transactions. Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in the cumulative translation reserve account.

For the purpose of foreign currency translation, the net investment in a foreign operation is determined inclusive of foreign currency intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future. The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is recognized in the statement of operations and comprehensive loss at the time of disposal.

2. BASIS OF PREPARATION (continued)

c) Significant accounting judgments and estimates

The preparation of these consolidated condensed interim financial statements using accounting policies consistent with International Financial Reporting Standards ("IFRS") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these consolidated condensed interim financial statements also requires management to exercise judgment in the process of applying the accounting policies.

i) Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

(a) Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. No impairments of non-financial assets have been recorded for the three months ended July 31, 2013 (July 31, 2012 - $nil).

(b) Useful life of property, plant, and equipment

Property, plant, and equipment are depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of equipment. Total carrying value of property, plant and equipment at July 31, 2013 is $90,871 (April 30, 2013 - $96,537).

(c) Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated condensed interim statements of comprehensive loss. For the three months ended July 31, 2013, the Company did not recognize any share-based compensation expense (July 31, 2012 - $23,574)

2. BASIS OF PREPARATION (continued)

c) Significant accounting judgments and estimates (continued)

(d) Asset retirement obligation

An asset retirement obligation is the estimated costs associated with reclamation and closure of the Company's exploration and evaluation assets and recorded as a liability at fair value. The liability is accreted over time through periodic charges to operations. In addition, asset retirement costs are capitalized as part of each asset's carrying value at its initial discounted value and are amortized over the asset's useful life. In the event the actual costs of reclamation exceed the Company's estimates, the additional liability for retirement and remediation costs may have an adverse effect on the Company's future results of operations and financial condition. The Company's asset retirement obligation relates to activities at its Cherry Hill mine in Yreka, California. At July 31, 2013, the Company recognized an asset retirement obligation of $66,534 (April 30, 2013 - $66,534).

ii) Critical judgments used in applying accounting policies

In the preparation of these consolidated condensed interim financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. The following critical judgments can have an effect on the amounts recognized in the consolidated condensed interim financial statements:

(a) Exploration and evaluation assets

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its exploration and evaluation assets. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment. As at July 31, 2013 and April 30, 2013, management had determined that no reclassification of exploration and evaluation assets was required.

(b) Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual consolidated financial statements.

(c) Foreign currency translation

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of Lucky Boy Resources LLC and Golden Sun LLC is the US Dollar and for all other entities within the group, the functional currency is the Canadian dollar, as these are the currencies of the primary economic environment in which the companies operate.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated condensed interim financial statements include the accounts of the Company and its Mexican and American subsidiaries:

	Ownership Interest	Jurisdiction	Nature of Operations
Minera Plata Del Sol S.A. de C.V.	100%	Mexico	Exploration Company
Cherry Hill Holdings, LLC	100%	Wyoming, USA	Holding Company
Golden Sun, LLC	100%	California, USA	Holding Company
Lucky Boy Resources, LLC	100%	California, USA	Exploration Company

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated condensed interim financial statements.

b) Financial instruments

Financial assets and financial liabilities are recognized on the consolidated condensed interim statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

i) Financial assets

The Company classifies its financial assets into one of the following categories at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss

This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried on the consolidated condensed interim statements of financial position at fair value, with changes in fair value recognized in the consolidated condensed interim statement of comprehensive loss. Cash is classified as a fair value through profit and loss financial asset.

(b) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Amounts receivable, due from related party, and loan receivable are classified as loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

i) Financial assets (continued)

(c) Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized on the consolidated condensed interim statements of comprehensive loss. The Company has not classified any financial assets as held-to-maturity investments.

(d) Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in the statement of comprehensive loss. The Company has not classified any financial assets as available-for-sale.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

ii) Financial liabilities (continued)

(a) Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried on the consolidated condensed interim statements of financial position at fair value, with changes in fair value recognized on the consolidated condensed interim statements of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

(b) Other financial liabilities

This category includes accounts payable and accrued liabilities, which are recognized at amortized cost. The Company has classified accounts payable and accrued liabilities and amounts due to related parties as other financial liabilities.

c) Cash and cash equivalents

Cash and cash equivalents on the consolidated condensed interim statements of financial position is comprised of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

d) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets. Acquisition costs for exploration and evaluation assets, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for exploration and evaluation assets pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, acquisition costs on the property will be transferred to property, plant, and equipment as mine and mill costs. Prior to transfer the assets will be tested for impairment. The costs related to a property from which there is production, will be depleted and amortized using the unit-of-production method.

An exploration and evaluation asset acquired under an option agreement where payments are made at the sole discretion of the Company is capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the exploration and evaluation asset until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee; accordingly, they are accounted for when receipt is reasonably assured.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets (continued)

Capitalized acquisition costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

e) Property, plant, and equipment

Property, plant, and equipment ("PPE") is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

PPE is depreciated annually at the following rates, when the asset becomes available for use:

Mine and mill equipment	30% straight line
Office and computer equipment	30% straight line
Vehicles	30% straight line

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized on the consolidated condensed interim statements of comprehensive loss.

Where an item of PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

f) Impairment

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment (continued)

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized on the consolidated condensed interim statements of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, as long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately on the consolidated condensed interim statements of comprehensive loss.

g) Share capital

i) Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

ii) Equity units

Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated on the residual value method; proceeds are allocated to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the reserve for warrants.

iii) Non-monetary consideration

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Share-based compensation

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of employee options is measured at grant date and the fair value of non-employee options is at the date or over the period such services are received. Each tranche of employee and non-employee options granted is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payments granted to non-employees that are related to the issuance of shares are recorded as a reduction of share capital. All share-based payments are reflected in equity reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in the equity reserve is credited to share capital, adjusted for any consideration paid.

i) Equity reserves

Where share options or warrants expire or are cancelled, the fair value previously recognized is transferred from the equity reserve to accumulated deficit.

j) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

k) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Provisions (continued)

An obligation to incur restoration, rehabilitation, and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of an exploration and evaluation asset interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. Subsequent to initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance cost and increases/decreases due to changes in the estimated future cash flows to decommission the asset are capitalized. Actual costs incurred upon settlement of the site restoration obligations are charged against the provision to the extent the provision was established.

l) Income taxes

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the statement of financial position liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

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

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Income taxes (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax 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.

m) New accounting standards and interpretations not yet adopted

The following accounting pronouncements have been released but have not yet been adopted by the Company:

i) IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's consolidated condensed interim financial statements.

ii) IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements (IFRS 10). IFRS 10, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 10 replaces Standing Interpretations Committee 12 Consolidation – Special Purpose Entities (SIC 12) and IAS 27 Consolidated and Separate Financial Statements (IAS 27). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights.

Management has not yet determined the potential impact that the adoption of IFRS 10 will have on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) New accounting standards and interpretations not yet adopted (continued)

iii) IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities (IFRS 12). IFRS 12, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements.

Management has determined that the adoption of IFRS 12 is not expected to impact the Company's financial statements.

iv) IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value, and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement.

Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

v) Other

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to revise the way in which other comprehensive income is presented. The Company does not believe the changes resulting from the amended standard will have an impact on its financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

In June 2011, the IASB issued amendments to IAS 19 Employee Benefits, with revised requirements for pensions and other postretirement benefits, termination benefits, and other changes. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. The amended standard is effective for annual periods beginning on or after January 1, 2013.

In May 2011, the IASB issued IFRS 11 Joint Arrangements, in addition to IFRS 10 and IFRS 12 as discussed above. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) New accounting standards and interpretations not yet adopted (continued)

v) Other (continued)

In October 2011, the IASB issued IFRIC 20 Stripping Costs in the production phase of a surface mine. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

In January 2013, the IASB issued amendments to IAS 27 Separate Financial Statements, which aligns the new consolidation guidance prescribed in IFRS 10, Consolidated Financial Statements, as it applies to investments in subsidiaries, joint ventures, and associates when an entity either elects or is required by local regulations to prepare separate financial statements in accordance with IFRS.

In January 2013, the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures, which was amended as a consequence of the issue of IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements; and IFRS 12, Disclosure of Interests in Other Entities. IAS 28 provides the accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

4. DUE FROM RELATED PARTY

At July 31, 2013, there is an amount receivable from a company with common directors in the amount of $16,712 (April 30, 2013 - $12,500). The amount is unsecured, without interest, and no fixed repayment date at this time.

5. LOAN RECEIVABLE

At July 31, 2013 there is a loan receivable from a company with common directors in the amount of $20,000 (April 30, 2013 - $20,000). The loan was due upon demand and interest free until January 15, 2013. The loan now bears interest at prime + 1%. Accrued interest of $633 (April 30, 2013 - $432) is included in the amount outstanding.

6. PROPERTY, PLANT, AND EQUIPMENT

Cost	Mine and mill equipment	Office and computer equipment	Vehicles	Total
Balance at April 30, 2012	$ 131,947	$ 1,596	$ 46,796	$ 180,339
Effect of movement in exchange rates	3,636	-	419	4,055
Balance at April 30, 2013	135,583	1,596	47,215	184,394
Effect of movement in exchange rates	2,894	-	344	3,238
Balance at July 31, 2013	**$ 138,477**	**$ 1,596**	**$ 47,559**	**$ 187,632**

Accumulated Depreciation	Mine and mill equipment	Office and computer equipment	Vehicles	Total
Balance at April 30, 2012	$ 33,518	$ 469	$ 11,406	$ 45,393
Depreciation	30,318	338	10,717	41,373
Effect of movement in exchange rates	1,006	-	85	1,091
Balance at April 30, 2013	64,842	807	22,208	87,857
Depreciation	5,419	59	1,890	7,368
Effect of movement in exchange rates	1,384	-	152	1,536
Balance at July 31, 2013	**$ 71,645**	**$ 866**	**$ 24,250**	**$ 96,761**

Carrying Amounts	Mine and mill equipment	Office and computer equipment	Vehicles	Total
At April 30, 2013	$ 70,741	$ 789	$ 25,007	$ 96,537
At July 31, 2013	**$ 66,832**	**$ 730**	**$ 23,309**	**$ 90,871**

7. EXPLORATION AND EVALUATION ASSETS

The Company has accumulated the following acquisition expenditures:

Acquisition Costs	Cherry Hill (California)	Zacatecas (Mexico)	Yoreme (Mexico)	Total
Balance at April 30, 2012	$ 1,219,267	$ 87,500	$ 300,000	$ 1,606,767
Asset retirement obligation	66,534	-	-	66,534
Costs written off	-	-	(300,000)	(300,000)
Balance at April 30, 2013 and July 31, 2013	**$ 1,285,801**	**$ 87,500**	**$ -**	**$ 1,373,301**

7. EXPLORATION AND EVALUATION ASSETS (continued)

The Company incurred the following exploration expenditures which were recognized in the consolidated condensed interim statements of comprehensive loss:

Exploration Costs	**Cherry Hill (California)**	**Zacatecas (Mexico)**	**Yoreme (Mexico)**	**Total**
Administrative	$ 1,044	$ -	$ -	$ 1,044
Consulting	4,465	-	-	4,465
Rentals	1,852	-	-	1,852
Travel and site costs	2,882	-	-	2,882
For the three months ended July 31, 2013	**$ 10,243**	**$ -**	**$ -**	**$ 10,243**

Exploration Costs	**Cherry Hill (California)**	**Zacatecas (Mexico)**	**Yoreme (Mexico)**	**Total**
Administrative	$ 33,229	$ -	$ -	$ 33,229
Assay	550	-	-	550
Consulting	15,000	-	-	15,000
Milling	3,247	-	-	3,247
Rentals	3,323	-	-	3,323
Salaries and benefits	38,404	-	-	38,404
Travel and site costs	9,220	-	-	9,220
For the three months ended July 31, 2012	$ 102,973	$ -	$ -	$ 102,973

a) Cherry Hill, California

On April 14, 2011 the Company closed the Definitive Agreement for the purchase of a 51% interest in the Cherry Hill Mining claims, located in Siskiyou County in northern California, whose key asset is the past producing Cherry Hill Gold Mine. In consideration for the 51% interest in the project, the Company agreed to pay US$555,000 (paid). The Cherry Hill purchase includes one mill site claim including a 750 tonne-per-month gravity circuit mill with all machinery and equipment (note 6). The property is approximately 125 acres located in the Klamath National Forest in Siskiyou County, California, approximately eight miles from Yreka.

On May 20, 2011 the Company concluded the purchase agreement to acquire a further 17.15% interest in the Cherry Hill Mining claims. In consideration, the Company agreed to issue 500,000 common shares (note 11(a)), at a fair value of $217,500. $200,350 has been recognized as exploration and evaluation asset acquisition costs and the remaining $17,150 as equipment (note 6).

7. EXPLORATION AND EVALUATION ASSETS (continued)

a) Cherry Hill, California (continued)

On July 29, 2011 the Company concluded the purchase agreement to acquire the remaining 31.85% interest in the Cherry Hill Mining claims, to acquire a 100% interest therein. In consideration, the Company agreed to issue 950,000 common shares (note 11(a)) at a fair value of $427,500 and 475,000 share purchase warrants at a fair value of $108,073 (note 11(a)). A total of $503,723 has been recognized as exploration and evaluation asset acquisition costs and the remaining $31,850 as equipment (note 6).

To date, the Company has incurred mineral property exploration and evaluation costs of $1,410,192 (July 31, 2012 - $1,094,038).

b) Zacatecas, Mexico

On August 14, 2008, the Company entered into an Option Agreement with Alta Vista Ventures Ltd. ("Alta Vista") (formerly Yale Resources Ltd.) whereby the Company entered into an option agreement to acquire 100% of Alta Vista's 65% vested participating interest in a Joint Venture Agreement dated August 8, 2008, between Alta Vista and Impact Silver Corp., with respect to certain mining concessions located in Zacatecas, Mexico.

In order to exercise the option, the following consideration is required by the Company:

- Pay a $25,000 (paid) non-refundable deposit upon execution of the Option Agreement;
- Pay $25,000 (paid), issue 200,000 common shares of the Company (issued at a fair value of $10,500) and incur $100,000 (incurred) on exploration expenditures by December 24, 2008;
- Pay $100,000 (waived), issue an additional 300,000 common shares of the Company (issued at a fair value of $27,000) and incur an additional $100,000 (incurred) in mineral property exploration and evaluation costs by January 24, 2010.

On January 14, 2010, Alta Vista waived the payment of the final $100,000 due under the agreement. The Company exercised its option to acquire 100% of Alta Vista's 65% vested participating interest in the Joint Venture Agreement by issuing the final 300,000 shares due under the agreement. Impact Silver Corp. did not participate in the 2009 exploration program which resulted in Alta Vista's percentage to increase to 73%; as such, the Company acquired 100% of Alta Vista's 73%.

The Company also agreed to pay US$250,000 to Alta Vista if the property is included in a positive feasibility study or is part of a production on the property greater than 500 tonnes per day.

To date, the Company has incurred mineral property exploration and evaluation costs of $250,349 (July 31, 2012 - $249,023).

7. EXPLORATION AND EVALUATION ASSETS (continued)

c) Yoreme, Mexico

On December 2, 2010, the Company entered into an exploration and evaluation purchase agreement with Maggiore Capital Limited, pursuant to which the Company acquired 100% right, title, and interest in the Yoreme mineral claim. The property is 400 hectares in size and is located in the Municipality of Alamos, in the state of Sonora, Mexico. The consideration paid was 2,500,000 common shares of the Company at a fair value of $0.32 per share. The Company agreed to pay an additional 200,000 shares as a finders' fee on this purchase.

To date, the Company has incurred mineral property exploration and evaluation costs of $115,053 (July 31, 2012 - $115,053).

At April 30, 2013, management wrote down the property since no work was undertaken on the property in 2013 due to difficult market conditions.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	July 31, 2013	April 30, 2013
Trade payables	$ 99,539	$ 90,219
Accrued liabilities	47,500	39,917
	$ 147,039	$ 130,136

9. DUE TO RELATED PARTIES

At July 31, 2013 there are amounts due to related parties of $17,524 (April 30, 2013 - $29,694), unsecured, without interest, and due upon demand.

10. ASSET RETIREMENT OBLIGATION

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements. Included in the carrying value of the exploration and evaluation assets is $66,534 (US$66,058) representing the estimated fair value of a liability for decommissioning provision that arose as a result of exploration and evaluation activities at the Cherry Hill Mine. The fair value of the liability was determined to be equal to the estimated site remediation costs. At July 31, 2013 the Company has not commenced development of any exploration and evaluation assets; accordingly, a reasonable estimate of the timing of the cash flows cannot be made.

11. SHARE CAPITAL

a) Common shares

Authorized

Unlimited number of common shares without par value

Issued

	Number	Issued Price	Amount
Balance at April 30, 2012	47,183,000	$ -	$ 5,725,782
Shares issued for cash	7,785,336	0.12	893,721
Balance at April 30, 2013 and July 31, 2013	**54,968,336**		**$ 6,619,503**

On May 14, 2012, the Company completed a non-brokered private placement and issued 480,000 units at $0.165 per unit for gross proceeds of $79,200. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable to purchase one common share of the Company until May 14, 2017 at $0.25 per share during the first year, $0.40 per share during the second year, $0.50 per share during the third year, $0.75 per share during the fourth year, and $1.00 per share during the fifth year. The full issue price was allocated to share capital.

On September 6, 2012, the Company completed a non-brokered private placement and issued 1,775,336 units at $0.12 per unit for gross proceeds of $213,040. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable to purchase one common share of the Company until September 6, 2014 at $0.17 per share during the first year and $0.25 per share during the second year. The full issue price was allocated to share capital. Cash finders' fees in the aggregate amount of $20,104 were paid, and warrants to acquire an aggregate of 167,533 common shares of the Company were issued. Each warrant is exercisable to purchase one common share of the Company until September 6, 2014 at $0.17 per share during the first year and $0.25 per share during the second year. These warrants have a fair value, calculated using the Black-Scholes pricing model, of $15,590 or $0.09 per warrant, assuming an expected life of two years, a risk-free interest rate of 1.16%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 129%.

11. SHARE CAPITAL (continued)

a) Common shares (continued)

On September 21, 2012, the Company completed a non-brokered private placement and issued 1,475,000 units at $0.12 per unit for gross proceeds of $177,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable to purchase one common share of the Company until September 21, 2014 at $0.17 per share during the first year and $0.25 per share during the second year. The full issue price was allocated to share capital. Cash finders' fees in the aggregate amount of $13,200 were paid and warrants to acquire an aggregate of 110,000 common shares of the Company were issued. Each warrant is exercisable to purchase one common share of the Company until September 21, 2014 at $0.17 per share during the first year and $0.25 per share during the second year. These warrants have a fair value, calculated using the Black-Scholes pricing model, of $7,604 or $0.07 per warrant, assuming an expected life of two years, a risk-free interest rate of 1.14%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 129%.

On November 16, 2012 the Company completed the first tranche of a non-brokered private placement of 4,055,000 units at a price of $0.12 per unit, for gross proceeds of $486,600. Each unit consists of one common share and one share purchase warrant, exercisable until November 16, 2014 at an exercise price per warrant of $0.17 during the first year, and $0.25 during the second year. Cash finders' fees in the aggregate amount of $3,300 were paid and 27,500 warrants were issued. Each warrant is exercisable until November 16, 2014 at an exercise price per warrant of $0.17 during the first year, and $0.25 during the second year. These warrants have a fair value, calculated using the Black-Scholes pricing model, of $2,321 or $0.08 per warrant, assuming an expected life of two years, a risk-free interest rate of 1.07%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 128%.

b) Warrants outstanding

	Number of Warrants	Weighted Average Exercise Price
Balance at April 30, 2012	560,000	$ 0.51
Warrants issued	7,785,336	$ 0.17
Warrants expired	(475,000)	$ 0.56
Balance at April 30, 2013 and July 31, 2013	**7,870,336**	**$ 0.18**

11. SHARE CAPITAL (continued)

b) Warrants outstanding (continued)

Expiry Date	Number of Warrants	Exercise Price
September 6, 2014	1,775,336	$0.17/$0.25
September 21, 2014	1,475,000	$0.17/$0.25
November 16, 2014	4,055,000	$0.17/$0.25
February 8, 2015	85,000	*See below
May 15, 2017	480,000	**See below
	7,870,336	**$ 0.18**

*On February 8, 2010, the Company issued 14,668,000 warrants in connection with a non-brokered financing. The warrants have a five year term and are exercisable at $0.10 during the first year, $0.15 during the second year, $0.25 during the third year, $0.50 during the fourth year, and $1.00 during the fifth year.

**On May 14, 2012, the Company issued 480,000 warrants in connection with a non-brokered financing. The warrants have a five year term and are exercisable at $0.25 during the first year, $0.40 during the second year, $0.50 during the third year, $0.75 during the fourth year, and $1.00 during the fifth year.

c) Agent warrants outstanding

	Number of Warrants	Weighted Average Exercise Price
Balance at April 30, 2012	-	$ -
Warrants issued	305,033	$ 0.17
Balance at April 30, 2013 and July 31, 2013	**305,033**	**$ 0.17**

Expiry Date	Number of Warrants	Exercise Price
September 6, 2014	167,533	$0.17/$0.25
September 21, 2014	110,000	$0.17/$0.25
November 16, 2014	27,500	$0.17/$0.25
	305,033	**$ 0.17**

11. SHARE CAPITAL (continued)

d) Share purchase options outstanding

	Number of Options		Weighted Average Exercise Price
Balance at April 30, 2012	2,900,000	$	0.34
Options granted	3,625,000	$	0.12
Options cancelled	(1,550,000)	$	0.17
Options expired	(600,000)	$	0.49
Balance at April 30, 2013	4,375,000	$	0.20
Options cancelled	(50,000)	$	0.32
Balance at July 31, 2013	**4,325,000**	**$**	**0.19**

Grant Date	Expiry Date	Number of Options Outstanding		Exercise Price
September 28, 2012	September 28, 2013	300,000	$	0.12
January 8, 2013	January 8, 2014	150,000	$	0.10
January 2, 2013	January 1, 2015	375,000	$	0.10
December 21, 2010	December 21, 2015	1,000,000	$	0.28
December 12, 2011	December 12, 2016	1,000,000	$	0.32
April 4, 2013	April 4, 2018	1,500,000	$	0.10
		4,325,000	**$**	**0.19**

On April 27, 2007, the Company adopted an incentive stock option plan, which provides that the board of directors of the Company may from time to time, on its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at closing. Such options will be exercisable for a period of up to ten years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the options may be exercised within a maximum period of one year after such death, subject to the expiry date of such options.

11. SHARE CAPITAL (continued)

d) Share purchase options outstanding (continued)

On May 1, 2012, 400,000 stock options were granted to consultants of the Company to acquire 400,000 shares of the Company at an exercise price of $0.20 per share for a period of one year. These options have a fair value, calculated using the Black-Scholes option pricing model, of $37,335 or $0.09 per option, assuming an expected life of one year, a risk-free interest rate of 1.33%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 102%. These options have been cancelled.

On September 10, 2012, 350,000 stock options were granted to a consultant of the Company to acquire 350,000 shares of the Company at an exercise price of $0.12 per share for a period of one year. These options have a fair value, calculated using the Black-Scholes option pricing model, of $21,647 or $0.06 per option, assuming an expected life of one year, a risk-free interest rate of 1.17%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 120%. These options were cancelled March 1, 2013.

On September 10, 2012, 250,000 stock options were granted to an investor relations consultant of the Company to acquire 250,000 shares of the Company at an exercise price of $0.12 per share for a period of one year. These options vest quarterly and have a fair value, calculated using the graded method for the Black-Scholes option pricing model of $15,377 or $0.06 per option, assuming an expected life of one year, a risk-free interest rate of 1.17%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 119%. Only $4,843 of share-based compensation was recorded as the options were cancelled March 31, 2013.

On September 28, 2012, 300,000 stock options were granted to consultants of the Company to acquire 300,000 shares of the Company at an exercise price of $0.12 per share for a period of one year. These options have a fair value, calculated using the Black-Scholes option pricing model, of $17,057 or $0.06 per option, assuming an expected life of one year, a risk-free interest rate of 1.07%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 126%.

On December 1, 2012, 300,000 stock options were granted to an investor relations consultant of the Company to acquire 300,000 shares of the Company at an exercise price of $0.12 per share for a period of one year. These options vest quarterly and have a fair value, calculated using the graded method for the Black-Scholes option pricing model of $12,661 or $0.04 per option, assuming an expected life of one year, a risk-free interest rate of 1.07%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 107%. Only $1,995 of share-based compensation was recorded as the options were cancelled April 30, 2013.

On January 2, 2013, 375,000 stock options were granted to consultants of the Company to acquire 375,000 shares of the Company at an exercise price of $0.10 per share for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $20,946 or $0.06 per option, assuming an expected life of two years, a risk-free interest rate of 1.17%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 107%.

11. SHARE CAPITAL (continued)

d) Share purchase options outstanding (continued)

On January 8, 2013, 150,000 stock options were granted to consultants of the Company to acquire 150,000 shares of the Company at an exercise price of $0.10 per share for a period of one year. These options have a fair value, calculated using the Black-Scholes option pricing model, of $7,242 or $0.05 per option, assuming an expected life of one year, a risk-free interest rate of 1.17%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 107%.

On April 4, 2013, 1,500,000 stock options were granted to directors of the Company to acquire 1,500,000 shares of the Company at an exercise price of $0.10 per share for a period of five years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $25,627 or $0.02 per option, assuming an expected life of five years, a risk-free interest rate of 1.24%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 121%.

12. RELATED PARTY TRANSACTIONS

The Company has identified certain directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies owned by key management personnel for the three months ended July 31, 2013 and 2012:

	Accounting	Administration Fees	Consulting	Rent	July 31, 2013 Total
Alta Vista Ventures Ltd.	$ -	$ -	$ -	$ 2,250	$ 2,250
Foremost Geological Consulting	-	-	7,500	-	7,500
Foremost Management Services Inc.	-	548	-	-	548
McLeary Capital Management, Inc.	-	-	30,000	-	30,000
T. St. Denis, Inc.	10,000	-	-	-	10,000
	$ 10,000	**$ 548**	**$ 37,500**	**$ 2,250**	**$ 50,298**

	Accounting	Administration Fees	Consulting	Rent	July 31, 2012 Total
Alta Vista Ventures Ltd.	$ -	$ -	$ 15,014	$ 2,250	$ 17,264
Foremost Geological Consulting	-	-	7,500	-	7,500
McLeary Capital Management, Inc.	-	-	30,000	-	30,000
	$ -	$ -	$ 52,514	$ 2,250	$ 54,764

12. RELATED PARTY TRANSACTIONS (continued)

Alta Vista Ventures Ltd. (formerly Yale Resources Ltd.) is a public company with directors in common. Alta Vista Ventures Ltd. charges rent as detailed in note 13 to the Company.

Foremost Geological Consulting is a private business owned by a director, Ian Foreman. Foremost Geological Consulting provides consulting services to the Company. At July 31, 2013, there is $7,700 (April 30, 2013 - $5,425) owing to Foremost Geological Consulting included in the amount due to related parties. On April 4, 2013, Ian Foreman was granted 500,000 stock options at an exercise price of $0.10 per share for a period of five years. These options have a fair value of $8,542 as detailed in note 11(d).

Foremost Management Services Inc. is a private company owned by two directors of the Company, Mark McLeary and Ian Foreman. Foremost Management Services Inc. provides office administration services to the Company as detailed in note 13. At July 31, 2013, there is $471 (April 30, 2013 - $nil) owing to Foremost Management Services Inc. included in the amount due to related parties.

McLeary Capital Management, Inc. is a private company controlled by the President and CEO, Mark McLeary. McLeary Capital Management, Inc. provides consulting services to the Company as detailed in note 13. At July 31, 2013, there is $224 (April 30, 2013 - $10,845) owing to McLeary Capital Management, Inc. included in the amount due to related parties. On April 4, 2013, Mark McLeary was granted 1,000,000 stock options at an exercise price of $0.10 per share for a period of five years. These options have a fair value of $17,085 as detailed in note 11(d). At July 31, 2013, there is $9,128 (April 30, 2013 - $2,454) owing to Mark McLeary included in the amount due to related parties.

T. St. Denis, Inc. is a private accounting firm owned by the current Chief Financial Officer, Tracey A. St. Denis. T. St. Denis, Inc. provides accounting services to the Company. At July 31, 2013, there is $nil (April 30, 2013 - $10,970) owing to T. St. Denis, Inc. included in the amount due to related parties and $10,000 (April 30, 2013 - $12,500) included in accounts payable and accrued liabilities for the accounting accrual. On September 28, 2012, Tracey St. Denis was granted 200,000 stock options at an exercise price of $0.12 per share for a period of one year. These options have a fair value of $11,371 as detailed in note 11(d).

At July 31, 2013, there is an amount receivable (see note 4) from Newton Gold Corp. for general working capital purposes, a company with common directors, in the amount of $16,712 (April 30, 2013 - $12,500). The amount is unsecured, without interest, and no fixed repayment date at this time.

At July 31, 2013 there is a loan receivable (see note 5) from Newton Gold Corp. for a payment made to a third party, a company with common directors, in the amount of $20,000 (April 30, 2013 - $20,000). The loan was due upon demand and interest free until January 15, 2013. The loan now bears interest at prime + 1%. Accrued interest of $633 (April 30, 2013 - $432) is included in the amount outstanding.

13. COMMITMENTS

As at July 31, 2013, the Company had the following obligations:

13. COMMITMENTS (continued)

a) On January 1, 2013, the Company entered into an indefinite term contract with Foremost Management Services Inc., a private company owned by two directors of the Company, Mark McLeary and Ian Foreman. Foremost Management Services Inc. will provide administration services to the Company for a fee equal to 10% of the monthly overhead. The contract may be cancelled by either party with two months' notice at any time after the first year.

b) On May 1, 2011 the Company entered into an indefinite term contract with McLeary Capital Management, Inc. (the "Consultant"), a private company controlled by the President and CEO of the Company, for the Consultant to continue to act as President and Chief Executive Officer and Director of the Company. A monthly consulting fee of $10,000 plus GST is payable to the Consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the Consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until May 1, 2016 or for such time as the Consultant still holds unexercised stock options in the Company. On exercise of the Consultant's options, the relationship between the Consultant and the Company will cease.

c) The Company has a rental and administrative services agreement with a company that shares directors and officers, Alta Vista Ventures Ltd., and requires the payment of $750 per month plus GST. The agreement is in effect on a month to month basis and may be terminated with 30 days written notice in accordance with the provisions of the agreement.

d) Effective September 1, 2011, the Company entered into a three year storage rental agreement for an annual fee of US$8,400 for the Cherry Hill property in California. The annual fee is payable at the start of each year. At the end of the initial rental period, the agreement shall renew annually and continue on a year-to-year basis, subject to termination of 60 days written notice by either party.

14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration of mineral properties. The Company's non-current assets are located in geographic segments of Canada, Mexico and the United States as follows:

	July 31, 2013	April 30, 2013
Canada	**$ 15,537**	$ -
Mexico	**87,500**	87,500
United States	**1,361,135**	1,382,338
	$ 1,464,172	$ 1,469,838

No revenues from external customers were earned during the three months ended July 31, 2013 or 2012 in any of the geographic locations.

15. SUPPLEMENTAL CASH FLOW DISCLOSURE

		July 31, 2013		July 31, 2012
Fair value of options cancelled/expired transferred to accumulated deficit	**$**	**13,068**	$	241,191
Fair value of warrants expired transferred to accumulated deficit	**$**	**-**	$	108,073
Interest paid	**$**	**-**	$	-
Interest received	**$**	**-**	$	-

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, amounts receivable, due from related party, loan receivable, accounts payable and accrued liabilities, and due to related parties approximate their carrying values due to the immediate or short-term nature of these instruments.

b) Fair value hierarchy

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – cash and quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

c) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

i) 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. Financial instruments that potentially subject the Company to credit risk consist primarily of cash, amounts receivable, due from related party, and loan receivable.

The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada, the United States, and Mexico.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

i) Credit risk (continued)

Management considers the risk of non-performance related to cash, amounts receivable, due from related party, and loans receivable to be minimal.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by trying to maintain adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity and/or debt financing. Cash on hand at July 31, 2013 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

Accounts payable and accrued liabilities and amounts due to related parties are classified as current and are due within twelve months of the consolidated condensed interim statements of financial position date.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company is not exposed to interest rate price risk as it does not have any cash and cash equivalents at July 31, 2013 which bear interest. The Company does have a loan receivable which bears interest with no material risk.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in a foreign currency.

The Company is exposed to foreign currency risk with respect to cash, amounts receivable, and accounts payable and accrued liabilities, as a portion of these amounts are denominated in US Dollars and Mexican Pesos as follows:

	July 31, 2013		April 30, 2013	
	USD	MXN	USD	MXN
Cash/bank overdraft	$ 872	$ 12,873	$ 8,165	$ 13,430
Amounts receivable	-	-	-	-
Accounts payable and accrued liabilities	(50,948)	-	(32,697)	-
	$ (50,076)	$ 12,873	$ (24,532)	$ 13,430
Rate to convert to $1 CDN	$ 1.0287	$ 0.0801	$ 1.0072	$ 0.0830

The Company manages foreign currency risk by minimizing the value of financial instruments denominated in foreign currency. The Company has not entered into any foreign currency contracts to mitigate this risk.

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, options, reserves, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

17. SUBSEQUENT EVENT

On September 28, 2013, 300,000 stock options expired with an exercise price of $0.12 per share.