SILVER PHOENIX RESOURCES INC.

(An Exploration Stage Company)

Financial Statements

For the Years Ended
December 31, 2013 and 2012

(Expressed in Canadian Dollars)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Silver Phoenix Resources Inc.

We have audited the accompanying financial statements of Silver Phoenix Resources Inc. which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Silver Phoenix Resources Inc. as at December 31, 2013 and 2012, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Silver Phoenix Resources Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

April 29, 2014

Silver Phoenix Resources Inc.
(An Exploration Stage Company)
Statements of Financial Position
As at December 31, 2013 and 2012
(Expressed in Canadian Dollars)

	Notes	2013	2012
		$	$
ASSETS			
Current assets			
Cash		37,122	112,215
Amounts receivable		6,759	16,113
Marketable securities	5	1	16,625
		43,882	144,953
Non-current assets			
Reclamation bond		10,000	-
Equipment	6	1,747	2,377
Exploration and evaluation assets	7	389,222	281,862
		400,969	284,239
		444,851	429,192
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	428,310	306,365
SHAREHOLDERS' EQUITY			
Share capital	8 (b)	1,341,529	1,129,029
Subscriptions received in advance	8 (b)	-	112,500
Contributed surplus	8 (c)	106,124	106,124
Deficit		(1,431,112)	(1,224,826)
		16,541	122,827
		444,851	429,192

GOING CONCERN	2
COMMITMENTS	11

Approved on behalf of the Board on April 29, 2014:

"William Murray"
William Murray, Director

"Leland Voll"
Leland Voll, Director

The accompanying notes form an integral party of these financial statements

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Statements of Comprehensive Loss
For The Years Ended December 31, 2013 and 2012

(Expressed in Canadian Dollars)

	Notes	2013	2012
		$	$
EXPENSES			
Auto and travel		6,767	5,927
Bank charges		241	92
Depreciation		630	901
Filing fees		8,920	5,300
Management fees	9	114,000	114,000
Office and miscellaneous		1,282	457
Professional fees		53,015	38,241
Promotion		1,758	2,138
Telephone and utilities		1,705	1,850
Transfer agent		2,134	3,820
Loss before other items		(190,452)	(172,726)
OTHER ITEMS			
Interest income		790	405
Unrealized impairment loss on marketable securities	5	(16,624)	(2,375)
Net loss and comprehensive loss		(206,286)	(174,696)
Loss per share – basic and diluted		(0.03)	(0.03)
Weighted average number of common shares		7,430,753	6,927,945

The accompanying notes form an integral party of these financial statements

Silver Phoenix Resources Inc.
(An Exploration Stage Company)
Statements of Changes in Equity
For The Years Ended December 31, 2013 and 2012
(Expressed in Canadian Dollars)

	Note	Common shares Number	Common shares Amount	Contributed Surplus	Share Subscriptions	Deficit	Total Shareholders' Equity
			$	$	$	$	$
Balance, December 31, 2011		6,900,520	1,024,029	106,124	105,000	(1,050,130)	185,023
Private Placement	8 (b)	210,000	105,000	-	(105,000)	-	-
Subscription received	8 (b)	-	-	-	112,500	-	112,500
Net loss		-	-	-	-	(174,696)	(174,696)
Balance, December 31, 2012		7,110,520	1,129,029	106,124	112,500	(1,224,826)	122,827
Private placement	8 (b)	225,000	112,500	-	(112,500)	-	-
Private placement	8 (b)	400,000	100,000	-	-	-	100,000
Net loss		-	-	-	-	(206,286)	(206,286)
Balance, December 31, 2013		7,735,520	1,341,529	106,124	-	(1,431,112)	16,541

The accompanying notes form an integral party of these financial statements

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Statements of Cash Flows
For The Years Ended December 31, 2013 and 2012

(Expressed in Canadian Dollars)

	2013	2012
	$	$
OPERATING ACTIVITIES		
Net loss	(206,286)	(174,696)
Items not involving cash:		
Depreciation	630	901
Unrealized impairment loss on marketable securities	16,624	2,375
	(189,032)	(171,420)
Changes in non-cash working capital items		
Amounts receivable	9,354	(10,330)
Accounts payable	121,945	164,077
Cash used in operating activities	(57,733)	(17,673)
INVESTING ACTIVITIES		
Reclamation bond	(10,000)	-
Exploration and evaluation expenditures	(107,360)	(98,845)
Cash used in investing activities	(117,360)	(98,845)
FINANCING ACTIVITIES		
Proceeds from share issuance	100,000	-
Share subscriptions received	-	112,500
Cash provided by financing activities	100,000	112,500
Decrease in cash	(75,093)	(4,018)
Cash, beginning of year	112,215	116,233
Cash, end of year	37,122	112,215
Supplementary cash flow information:		
Cash paid for:		
Interest	-	-
Income taxes	-	-

The accompanying notes form an integral party of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Silver Phoenix Resources Inc. (the "Company") was incorporated on February 14, 2003 under the Company Act (British Columbia). The Company is an exploration stage company engaged in acquiring, exploring and developing mineral properties, principally located in British Columbia, Canada. The Company is listed on the Canadian National Stock Exchange, having the symbol SP-C. The address of the Company's corporate office and principal place of business is 4631-75th Ave. N.E., Box 134, Canoe, British Columbia, Canada, V0E 1K0.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. As of December 31, 2013, the Company has not generated revenues from its principal activities and is considered to be in the exploration stage.

2. BASIS OF PREPARATION

The Company's financial statements were authorized for issuance on April 29, 2014 by the Board of Directors.

Statement of Compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Basis of Presentation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable.

Functional and Reporting Currency

These financial statements are presented in Canadian dollars, which is the functional and reporting currency of the Company.

Going Concern

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has a working capital deficit of $384,428 and has incurred losses since its inception and had an accumulated deficit of $1,431,112 at December 31, 2013. The Company has no source of operating cash flows and expects to incur further losses in the exploration and development of its mineral properties. These factors may cast significant doubt regarding the Company's ability to continue as a going concern. The Company's continuing operations, and the recoverability of the amounts shown for exploration and evaluation assets 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, and on future profitable production or proceeds from the disposition of the mineral property interests. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

3. CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES

The preparation of these financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements is described below:

a) Depreciation

The Company's management exercises its judgment in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Company intends to derive future economic benefits from the use of these assets. The Company depreciates its equipment in accordance with the accounting policies stated in Note 4(f). The carrying amount of the equipment is disclosed in Note 6.

b) Exploration and Evaluation Expenditure

The application of the Company's accounting policy for deferred development expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

c) Recovery of Deferred Tax Assets

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdictions in which the Company operations could limit the ability of the Company to obtain tax deductions in future periods.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and subject to an insignificant risk of change value.

b) Marketable securities

Investments in shares of public companies traded on an active market over which the Company does not have control or exercises significant influence are classified as available-for-sale and accounted for at fair market value, based upon quoted market share prices at the balance sheet date. Unrealized gains or losses on these investments are recorded as other comprehensive income or loss, unless a decline in value is considered to be other than temporary. Purchases and sales of investments are measured on a settlement date basis.

c) Exploration and evaluation assets

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as mineral properties exploration and are classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. When shares are issued as part of mineral property exploration costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full be development or sale.

The recoverability of mineral properties and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and evaluation assets (continued)

Mineral properties are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for corporate income tax purposes, the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Payments on mineral property Option Agreements are made at the discretion of the Company and, accordingly, are recorded on a cash basis.

d) Impairment of non-financial assets

At the end of each reporting period, 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. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction 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 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 in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When 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, but to an amount that 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 in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Government assistance

B.C. mining exploration tax credits for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective mineral property. Until such time that there is significant uncertainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

f) Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is recorded over the estimated useful life of the equipment using the declining balance method at the following annual rates (one-half of these rates is applied in the year of acquisition):

Computer equipment	30%
Equipment	20%

g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. As at December 31, 2013, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

h) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 4(n). All amounts are expressed in Canadian dollars unless otherwise stated.

i) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Flow-through shares

Canadian tax legislation permits a company to issue flow-through instruments whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the company.

Flow-through shares are recognized in share capital based on the fair value attributed to common shares without a flow-through feature on the date the Company and the investors agree to the transaction. The difference ("premium") between the amount recognized in common shares and the amount the investors pay for the flow-through shares is recognized as a flow-through share related liabilities which is reversed into the statement of loss within other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represents the difference between the fair value of the common shares and the amount the investor pays for the flow-through shares.

k) Share-based payment

The stock 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 is measured at grant date and each tranche is recognized on a graded basis 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.

l) 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 does not adjust the loss attributable to common shareholders or the weight average number of common shares outstanding when the effect is anti-dilutive.

m) Income Taxes

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Income Taxes (continued)

Deferred tax is accounted for using a temporary difference approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated based on the expected manner in which temporary differences related to the carrying amounts of assets and liabilities and are expected to reverse using tax rates and laws enacted or substantively enacted at the balance sheet date which are expected to apply in the period of reversal.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and which do not affect accounting or taxable profit or loss at the time of the transaction.

n) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company’s reclamation bond is classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company’s marketable securities are classified as available for sale.

o) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s accounts payable is classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) New accounting standards

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2013, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

<u>New accounting standards effective January 1, 2013</u>

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IFRS 7 *Financial Instruments: Disclosure*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates end Joint Ventures*. IFRS 7 has been amended to require more extensive disclosures about offsetting (also known as netting/ of financial instruments. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 3 to IFRS 13.

Amendments to IAS 1 *Presentation of Financial Statements* - The IASB has amended IAS 1 to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) New accounting standards (continued)

New accounting standards effective January 1, 2013 (continued)

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset.

The Company was required to adopt each of the new standards, IFRS 7, IFRS 10 to 13, IFRIC 20 and the amendments to other standards, effective January 1, 2013. The adoption of the above new standards and the amendments to other standards did not have a significant impact on the Company's consolidated financial statements.

New accounting standards effective January 1, 2014

IFRIC 21 *Levies* - IFRIC 21 was issued in May 2013 and provides an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 2014. The Company is currently evaluating the impact of the adoption of this interpretation on its consolidated financial statements.

Amendments to IAS 36 *Impairment of Assets* - IAS 36 was amended in May 2013 which restricts the requirement to disclose the recoverable amount of an asset or cash generating unit ("CGU") to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 2014 and should be applied retrospectively. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements

New accounting standards effective January 1, 2015

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) New accounting standards (continued)

New accounting standards effective January 1, 2015 (continued)

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2015 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

5. MARKETABLE SECURITIES

As at December 31, 2013, the Company owns 475,000 common shares (2012 - 475,000 shares) of Armadillo Resources Ltd.

	2013	2012
	$	$
Fair value	1	16,625
Less: cost	(16,625)	(63,000)
Add back: opening accumulated impairment loss	-	44,000
Unrealized impairment loss recognized in net loss	(16,624)	(2,375)

During the year ended December 31, 2013, the shares of Armadillo Resources Ltd. halted trading. As a result, the Company has recorded an unrealized impairment loss on marketable securities of $16,624 as it was determined that the decline in the fair value of the shares held was other than temporary.

6. EQUIPMENT

	Cost	Accumulated Depreciation	Net Book value 2013	Net Book value 2012
	$	$	$	$
Computer equipment	6,748	5,605	1,143	1,622
Equipment	2,877	2,273	604	755
Total	9,625	7,878	1,747	2,377

During 2013 and 2012 there were no equipment additions and the changes in net book value result solely from depreciation expenses.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

December 31, 2013	Big Showing	Waverly Tangier	River Jordan	Total
	$	$	$	$
Acquisition costs:				
Balance, December 31, 2013 and 2012	1	1	3,001	3,003
Exploration and evaluation costs:				
Balance, December 31, 2012	82,501	5,686	190,672	278,859
Exploration cost	-	65,149	36,373	101,522
Other costs		5,338	500	5,838
	82,501	76,173	227,545	386,219
Balance , December 31, 2013	82,502	76,174	230,546	389,222

December 31, 2012	Big Showing	Waverly Tangier	River Jordan	Total
	$	$	$	$
Acquisition costs:				
Balance, December 31, 2012 and 2011	1	1	3,001	3,003
Exploration and evaluation costs:				
Balance, December 31, 2011	48,668	-	131,346	180,014
Geologist fees and assays	33,833	5,686	58,146	97,665
Tenure and restaking fees	-	-	1,180	1,180
	82,501	5,686	190,672	278,859
Balance , December 31, 2012	82,502	5,687	193,673	281,862

The Company's mineral properties are described as follows:

Big Showing Property, British Columbia

On February 14, 2003, the Company entered into an agreement to acquire a 100% interest in the Big Showing property for mineral claims for a total area of 1,000 hectares in the Revelstoke Mining Division of British Columbia. The Company acquired 90% of the property from the President and director of the Company and 10% from an individual who became a director of the Company on November 1, 2006.

For payment on the property, the Company agreed to issue 750,000 common shares of the Company on the date of the agreement (issued), to pay $35,000 in cash by April 30, 2007 (paid), to issue 1,000,000 common shares of the Company within 30 business days of the date on which the Company receives a technical report disclosing an indicated mineral resource of 5,000,000 ounces of contained silver equivalent on the claims, and to issue a further 1,583,333 common shares within 30 business days of the date on which the Company receives a positive pre-feasibility study on the claims.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Waverly Tangier Property, British Columbia

On March 15, 2004, the Company entered into an agreement to acquire a 100% interest in the Waverly Tangier Property for mineral claims for a total area of 5,675 hectares in the Revelstoke Mining Division of British Columbia. The Company acquired 90% of the property from the President and director of the Company and 10% from an individual who became a director of the Company on November 1, 2006.

The Company agreed to issue 750,000 common shares of the Company on the date of the agreement (issued), to pay $35,000 in cash (paid in August 2007), to issue 1,000,000 common shares of the Company within 30 business days of the date on which the Company receives a technical report disclosing an indicated mineral resource of 5,000,000 ounces of contained silver equivalent on the claims, and to issue a further 1,583,333 common shares within 30 business days of the date on which the Company receives a positive pre-feasibility study on the claims.

Armadillo Option

Pursuant to the amended and restated option and royalty agreement (the “Option Agreement”) dated February 25, 2009 with Armadillo Resources Ltd. (“Armadillo”), the Company granted Armadillo a 60% interest in the Waverley-Tangier property (the “Property”) located in the Revelstoke Mining Division of British Columbia. Armadillo agreed to pay to the Company $350,000 in cash, to incur $3,000,000 in exploration expenditures and to issue 625,000 common shares of Armadillo to the Company as follows:

	Cash	Exploration Expenditures	Shares
	$	$	
Before March 31, 2009 (received)	75,000	–	175,000
Before March 30, 2010 (received)	75,000	200,000	150,000
Before March 30, 2011 (received except $50,000 cash)	100,000	300,000	150,000
Before March 30, 2012 (not received)	100,000	1,000,000	150,000
Before March 30, 2013	–	1,500,000	–
	350,000	3,000,000	625,000

On February 28, 2013, the Company terminated the Option Agreement and entered into a Settlement Agreement with Armadillo given that Armadillo was in breach of the terms of the Option Agreement. Under the terms of the Settlement Agreement, Armadillo acknowledged that it has no interest in the Waverley-Tangier Property and that it has no right to re-instate the option to acquire an interest in the Waverley-Tangier Property. As part of the Settlement Agreement, the Company was to receive title to certain equipment relating to the Waverley-Tangier Property, including rock saws, blades, a storage container, a bridge and a rail car flatbed, as well as a cash paymentAs at December 31, 2013, the Company has not received title to the equipment or the cash payment of $7,000.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

River Jordan Property, British Columbia

On March 16, 2006, the Company entered into an agreement to acquire a 100% interest in the River Jordan Property for mineral claims for a total area of 649 hectares in the Revelstoke Mining Division of British Columbia. The Company acquired 90% of the property from the President and director of the Company and 10% from an individual who became a director of the Company on November 1, 2006.

The Company agreed to pay $35,000 in cash by April 30, 2007 (paid), to issue 750,000 common shares (issued in June 2007) of the Company, to issue 1,000,000 common shares of the Company within 30 business days of the date on which the Company receives a technical report disclosing an indicated mineral resource of 5,000,000 ounces of contained silver equivalent on the claims, and to issue a further 1,583,333 common shares within 30 business days of the date on which the Company receives a positive pre-feasibility study on the claims.

8. SHARE CAPITAL

a) Authorized

The Company is authorized to issue unlimited number of common shares without par value

b) Issued and outstanding common shares

	Number	Amount
		$
Balance, December 31, 2011	6,900,520	1,024,029
Flow-through shares pursuant to private placement(1)	210,000	105,000
Balance, December 31, 2012	7,110,520	1,129,029
Flow-through shares pursuant to private placement(2)	225,000	112,500
Shares issued pursuant to private placement(3)	400,000	100,000
Balance, December 31, 2013	7,735,520	1,341,529

(1) On November 2, 2012, the Company completed a non-brokered private placement of 210,000 Flow-Through Units (the "Units") at $0.50 per Unit for an aggregate of $105,000. Each Unit consists of one flow-through share and one non-flow-through common share purchase warrant ("warrant"). Each warrant will entitle the holder to purchase one non-flow-through common shares at $0.70 per share for 2 years. There was no flow-through share premium on this private placement.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

b) Issued and outstanding common shares (continued)

(2) On February 26, 2013, the Company completed a non-brokered private placement of 225,000 Flow-Through Units (the "Units") at $0.50 per Unit for an aggregate of $112,500. Each Unit consists of one flow-through common share and one non-flow-through common share purchase warrant ("warrant"). Each warrant will entitle the holder to purchase one non-flow-through common shares at $0.70 per share for two years. The funds for these units were included in the subscription received in advance balance as at December 31, 2012. There was no flow-through share premium on this private placement.

(3) On March 1, 2013, the Company completed a non-brokered private placement of 400,000 units at a price of $0.25 per unit. Each unit consists of one common share and one share purchase warrant ("warrant") of the Company. Each warrant will entitle the holder to purchase one additional common share of the Company at $0.40 per warrant share for two years.

c) There is no change in contributed surplus since December 31, 2008.

d) Stock Options

The Company has a stock option plan whereby the maximum number of shares subject to the plan, in the aggregate, shall not exceed 10% of the Company's issued and outstanding shares. The maximum term of any option will be five years and the vesting is at the direction of the board, however, options granted to consultants performing "investor relations' activities" must at a minimum vest in stages over a period of not less than twelve months, with no more than ¼ of the options vesting in any three month period or such longer period as the board determines. The exercise price shall be no less than the discount market price as determined in accordance with stock exchange on which the common shares are listed.

There were no options granted for the years ended December 31, 2013 and 2012.

As at December 31, 2013, the following options were issued and outstanding:

	Number of options	Weighted Average Exercise Price	Expiry Date	Weighted Average Contractual life in years
Options outstanding, December 31, 2012 and 2011	680,000	$0.25	July 7, 2013	0.53
Expired	(680,000)	$0.25	July 7, 2013	-
Options outstanding, December 31, 2013	-	-		-

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

e) Share purchase warrants

As at December 31, 2013, the following share purchase warrants were issued and outstanding:

	Number of warrants	Weighted Average Exercise Price	Expiry Date	Weighted Average Contractual life in years
Warrants outstanding, December 31, 2011	35,000	$0.70		1.10
Issued	210,000	$0.70	November 2, 2014	-
Warrants outstanding, December 31, 2012	245,000	$0.70		1.59
Issued	225,000	$0.70	February 26, 2015	-
Issued	400,000	$0.40	March 1, 2015	-
Expired	(35,000)	$0.70	February 7, 2013	-
Warrants outstanding, December 31, 2013	835,000	$0.60		1.05

9. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The following is a summary of transactions with related parties of the Company for the years ended December 31, 2013 and 2012:

	2013	2012
	$	$
Management fees for the President	84,000	84,000
Management fees for the Chief Financial Officer	30,000	30,000
Total	114,000	114,000

Refer to Note 11 for details on these management services agreements. The Company has identified its President and Chief Financial Officer as its key management personnel. No post-employment benefits, other long-terms benefits or termination benefits were incurred during the years ended December 31, 2013 and 2012.

The following is a summary of balances payable to related parties of the company as at December 31, 2013 and 2012:

	2013	2012
	$	$
Amounts payable to President	184,802	99,738
Amounts payable to Chief Financial Officer	57,500	27,500
Total	242,302	127,238

These amounts are included in accounts payable and accrued liabilities as at December 31, 2013 and 2012, and are non-interest bearing and due on demand.

(Expressed in Canadian Dollars)

10. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2013 $	2012 $
Canadian statutory income tax rate	25.75%	25.00%
Income tax recovery at statutory rate	53,120	43,674
Effect on income taxes of:		
Non-deductible expenses	(28,182)	(38,177)
Change in tax rates	11,463	12,220
Change in unrecognized deferred tax assets	(36,401)	(17,717)
	-	-

The tax effects of temporary differences that give rise to significant components of the potential deferred tax assets at December 31, 2013 and 2012 are presented below:

	2013 $	2012 $
	26.00%	26.00%
Non-capital loss carry-forwards	363,740	323,042
Mineral properties	(66,044)	(45,203)
Marketable securities	16,380	-
Equipment	2,049	1,885
Warrants issue costs	-	-
	316,125	279,724
Unrecognized deferred tax assets	(316,125)	(279,724)
Net deferred income tax assets	-	-

The Company has non-capital losses for income tax purposes of approximately $1,399,000 which may be carried forward and offset against future taxable income. The non-capital losses expire as follows:

2014	$	18,000
2015		36,000
2026		53,000
2027		116,000
2028		202,000
2029		227,000
2030		217,000
2031		153,000
2032		189,000
2033		188,000
	$	1,399,000

10. INCOME TAXES (continued)

The Company also has certain allowances in respect of resource development and exploration costs of approximately $108,000, which, subject to certain restrictions, are available to be offset against future taxable income.

During the year ended December 31, 2013, the Company issued flow-through common shares of $112,500 (2012 - $105,000) and renounced $112,500 (2012 - $105,000) of resources expenditures. Expenditures related to the use of flow-through share proceeds are included in exploration and evaluation assets but are not available as a tax deduction to the Company as the tax benefits of these expenditures are renounced to the investors. As at December 31, 2013 and 2012, the Company has no unspent flow-through funds.

11. COMMITMENTS

a) The Company is committed to a management services agreement with the President and director of the Company. The agreement requires payments of $84,000 per year. This contract is payable monthly and may be terminated by both parties by giving one month's notice.

b) The Company is committed to a management services agreement with the Chief Financial Officer of the Company. The agreement requires payments of $30,000 per year. This contract is payable monthly and may be terminated by both parties by giving one month's notice.

c) The Company is obligated to make certain payments and issue shares as described in Note 7 in connection with acquisition of its mineral properties.

12. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises all the components of shareholders' equity.

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

The Company's investment policy is to invest its cash in financial instruments of high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

13. FINANCIAL INSTRUMENTS AND RISKS

Fair values

The Company's financial instruments include cash, marketable securities and accounts payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The following table summarizes the classification and values of the Company's financial instruments:

	December 31, 2013	December 31, 2012
	$	$
FVTPL (i)	37,122	112,215
Available-for-sale (ii)	1	16,625
Loans and receivables (iii)	10,000	-
Other financial liabilities (iv)	354,554	274,624

(i) Cash
(ii) Marketable securities
(iii) Reclamation bond
(iv) Accounts payable

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

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

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	December 31, 2013
	$	$	$	$
Cash	37,122	-	-	37,122

Financial risk management objectives and policies

The Company's financial instruments include cash, marketable securities, reclamation bond and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

13. FINANCIAL INSTRUMENTS AND RISKS (continued)

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash the Company places the instrument with financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and exploration activity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

(v) *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company's investments are accounted for at estimated fair values and are sensitive to changes in market prices, such that changes in market prices result in a proportionate change in the carrying value of the Company's investments. The Company is not exposed to significant interest rate risk as the Company's has no interest bearing debt. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.