NSX Silver Inc.

Unaudited Interim Condensed
Consolidated Financial Statements

For the quarter ended
September 30, 2014

November 28, 2014

Management's Report

The accompanying consolidated financial statements of **NSX Silver Inc.** are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparation of the financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's consolidated financial statements, and recommended their approval by the Board of Directors.

These interim unaudited condensed consolidated financial statements have not been reviewed by the external auditors of the Company.

(signed) "*Johannes H.C. van Hoof*"
President and Chief Executive Officer
Buenos Aires, Argentina

(signed) *"Glenn Holmes"*
Chief Financial Officer
Halifax, Nova Scotia

NSX Silver Inc.

Unaudited Consolidated Statements of Financial Position

As at September 30, 2014 and December 31, 2013

(expressed in Canadian dollars)

	September 30, 2014 $	December 31, 2013 $
Assets		
Current assets		
Cash and cash equivalents	13,794	77,102
Sales tax recoverable	103,917	132,502
Deposits and prepaid expenses (note 4)	3,574	21,482
	121,285	231,086
Capital assets – vehicles (net of accumulated amortization of $14,780)	21,115	26,315
Resource properties (note 5)	301,383	291,025
	443,783	548,426
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	120,942	99,698
Amount due to NSGold Corporation (note 7)	2,527	7,593
	123,469	107,291
Amount due to Van Hoof Industrial Holdings Limited	10,000	-
	133,469	107,291
Equity	310,314	441,135
	443,783	548,426

Nature of operations and going concern (note 1)

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

Approved by the Board of Directors

(signed) *"Johannes H.C. van Hoof"*, Director

(signed) *"Glenn Holmes"*, Director

NSX Silver Inc.

Unaudited Consolidated Statements of Changes in Equity

For the quarters ended September 30, 2014 and September 30, 2013

(expressed in Canadian dollars)

	Number of shares (note 10)	Share capital $ (note 10)	Contributed surplus $ (note 10)	Deficit $	Total $
Balance – December 31, 2012	45,679,571	5,588,999	261,000	(535,554)	5,314,445
Shares issued pursuant to resource property option agreement	250,000	11,250	–	–	11,250
Stock-based compensation	–	–	49,000	–	49,000
Net loss and comprehensive loss for the period	–	–	–	(4,830,653)	(4,850,653)
Balance – September 30, 2013	45,929,571	5,600,249	310,000	(5,366,207)	544,042
Net loss and comprehensive loss for the period	–	–	–	(102,907)	(102,907)
Balance – December 31, 2013	45,929,571	5,600,249	310,000	(5,469,114)	441,135
Net loss and comprehensive loss for the period	–	–	–	(130,821)	(130,821)
Balance – September 30, 2014	45,929,571	5,600,249	310,000	(5,599,935)	310,314

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

NSX Silver Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the quarters ended September 30, 2014 and September 30, 2013

(expressed in Canadian dollars)

	Three months ended September 30, 2014 $	Three months ended September 30, 2013 $	Nine months ended September 30, 2014 $	Nine months ended September 30, 2013 $
Operating expenses				
Consulting fees	6,000	17,935	23,113	66,148
Professional dues	1,010	-	12,035	6,300
Insurance	595	7,584	9,196	17,585
Professional fees	4,260	-	17,002	12,769
Stock-based compensation	-	-	-	38,000
Travel	-	-	-	1,470
Investor communication	-	11,752	-	41,500
Wages and benefits	525	17,890	17,899	51,862
Foreign exchange loss (gain)	(3,382)	1,000	(2,975)	(7,000)
Property investigations	-	5,288	15,350	5,288
Other	5,428	12,630	39,881	46,035
Write-down of resource property	-	4,565,004	-	4,565,004
	(14,436)	(4,639,083)	(131,501)	(4,844,961)
Other income				
Interest income	-	367	680	14,308
Net loss and comprehensive loss for the period	(14,436)	(4,638,716)	(130,821)	(4,830,653)
Loss per share - basic and diluted	($0.00)	($0.101)	($0.003)	($0.106)
Weighted average outstanding common shares – basic and diluted	45,929,571	45,783,207	45,929,571	45,740,011

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

NSX Silver Inc.

Consolidated Statements of Cash Flows

For the quarters ended September 30, 2014 and September 30, 2013

(expressed in Canadian dollars)

	Nine months ended September 30, 2014 $	Nine months ended September 30, 2013 $
Cash provided by (used in)		
Operating activities		
Net loss for the year	(130,821)	(4,830,653)
Charges (credits) to loss not involving cash		
Stock-based compensation	-	38,000
Write-down of resource property	-	4,565,004
	(130,821)	(227,649)
Net changes in non-cash working capital balances related to operations		
Increase (decrease) in value added tax recoverable	28,585	109,920
Increase (decrease) in prepaid expenses	17,908	12,575
Increase (decrease) in accounts payable and accrued liabilities	21,244	30,645
	(63,084)	(74,509)
Investing activities		
Acquisition of capital assets	–	–
Expenditures on resource properties	(5,158)	(1,156,004)
	(5,158)	(1,156,004)
Financing activities		
Advances from Van Hoof Industries	10,000	–
Repayment to NSGold Corporation	(5,066)	(16,642)
	4,934	(16,642)
Net change in cash and cash equivalents for the period	(63,308)	(1,247,155)
Cash and cash equivalents – Beginning of period	77,102	1,431,171
Cash and cash equivalents – End of period	13,794	184,016
Cash and cash equivalents are comprised of the following:		
Cash on hand and balances with banks	13,794	34,016
Short-term investments	-	150,000
	13,794	184,016

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

(expressed in Canadian dollars)

1 Nature of operations and going concern

Nature of operations

NSX Silver Inc. (the "Company") was incorporated under the Canada Business Corporations Act on August 9, 2011 as a wholly owned subsidiary of NSGold Corporation ("NSGold"). The common shares of the Company commenced trading on the TSX-Venture Exchange, on March 14, 2012, with the symbol NSY. Its principal business activities will be the acquisition, exploration and development of resource properties in Mexico. The Company's registered office is located at 1550 Bedford Highway in Halifax, Nova Scotia.

Going concern

The Corporation's planned principal operations have not commenced, and no revenues have been derived during the period ended September 30, 2014. These consolidated financial statements as at September 30, 2014 have been prepared on the basis of International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. There are material uncertainties that may cast significant doubt about the appropriateness of the going concern assumption as the Company has an accumulated deficit of $5.6 million (December 31, 2013 – $5.5 million) and has no operations at this time which will generate revenue. In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. Accordingly, the Company will need to raise additional financing. Management cannot provide assurance that the Company will ultimately achieve profitable operations, become cash flow positive, or raise additional debt and/or equity capital. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern, and these adjustments could be material.

2 Basis of presentation

Statement of compliance

The Company prepares its unaudited condensed interim financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"), which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, has been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year-ended December 31, 2013.

(expressed in Canadian dollars)

2 Basis of presentation (continued)

Statement of compliance (continued)

The policies applied in these unaudited condensed interim consolidated financial statements are based on the IFRS as of November 28, 2014, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2014 could result in the restatement of these condensed interim consolidated financial statements.

Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis.

Use of estimates and judgments

The preparation of the financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current as well as expected economic conditions. Actual results may differ from these estimates.

Recoverability of resource properties

The Company assesses all resource properties at each reporting period date to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, future capital requirements, exploration potential and operating performance.

3 Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and highly liquid temporary investments that are readily convertible to known amounts of cash.

Deferred share issuance costs

Costs directly attributable to the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Financial instruments

Financial instruments are classified as follows:

Cash and cash equivalents is classified as "Loans and Receivables". After its initial fair value measurement, it is measured at amortized cost using the effective interest method, less a provision for impairment.

Accounts payable and accrued liabilities and amounts due to NSGold are classified as "Other Financial Liabilities". Other Financial Liabilities are initially recognized at fair value less transaction costs. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss.

Financial assets carried at amortized cost: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Consolidation

The financial statements of the Company consolidate the accounts of the Company and its subsidiary Compañía Minera Oso Blanco ("CMOB"). All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. There are no non-controlling interests, therefore, all loss and comprehensive loss is attributable to the shareholders of the Company.

Capital management

The Company's capital structure consists of share capital, deficit and contributed surplus, which at September 30, 2014 totalled $310,314 (2013 - $441,135). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Functional and presentation currency and foreign currency translation

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates and these consolidated financial statements are presented in Canadian dollars. The functional currency of all subsidiaries and the parent company are Canadian dollars. Foreign currency transactions are recorded at the foreign exchange rate in effect on the date of the transaction and gains and losses resulting from the settlement of such transactions are recorded in the consolidated statement of loss and comprehensive loss.

Stock-based compensation

The Company accounts for stock options using the fair value method. The estimated fair value of all stock options granted is recorded in the consolidated statement of loss and comprehensive loss over their vesting periods.

The Company grants stock options to certain officers and directors. Stock options vest in accordance with the individual option granting contracts and expire after ten years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. Consideration paid by the directors and officers upon exercise of the stock options and the amount previously recognized in contributed surplus are recorded as share capital.

Income taxes

The Company uses the asset and liability method for accounting for income taxes.

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be paid or recovered, using tax rates and laws that have been enacted or substantively enacted by the end of the period.

Deferred tax assets and liabilities are recognized for all future tax consequences attributable to the differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, except for the initial recognition of goodwill and the initial recognition of an asset or liability, which at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Deferred tax assets are also recognized for unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and other unused deductible amounts can be utilized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and tax laws expected to apply when the carrying amount of the assets or liabilities are recovered or settled or the unused losses are expected to be utilized.

Current and deferred income tax expense is recognized in the consolidated statement of loss and comprehensive loss for the year, except to the extent that the income taxes related to a transaction or event which is recognized, in the same or different period, either in other comprehensive income or directly in equity.

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the assets recoverable amount is estimated.

Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted loss per share for the period presented is the same as basic loss per share, as the Company has no dilutive instruments outstanding.

Resource properties

Initial acquisition costs and exploration and development costs related to resource properties are deferred until such time as the properties are put into commercial production, sold or abandoned or management determines that the resource properties are not economically viable, at which time the resource properties are written down to their recoverable amount. Under this method, all amounts shown as resource properties represent costs incurred to date less amounts amortized, received from exploration partners and/or written down, and do not necessarily represent present or future values.

If any properties are put into commercial production, the carrying values of the properties will be depleted following the unit of production method. If any properties are sold or abandoned, or considered to be impaired in value, the carrying value of the properties will be charged to operations.

The carrying values of resource properties, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the resource properties will be written down to their recoverable amount. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon obtaining the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Management's estimate of recoverability of the Company's resource property has been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of the resource property.

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Accounting Standards issued but not yet applied

The Company does not expect to early adopt the following revised standards and amendments. Accordingly, the Company expects to adopt these standards as set forth below:

i) IFRIC 21, *Levies*

In May 2013, the IASB issued IFRIC 21, "Levies", an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37, "Provisions, contingent liabilities and contingent assets". IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company is currently assessing the impact of adopting IFRIC 21.

ii) IFRS 9, *Financial Instruments*

IFRS 9, "Financial instruments" introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of 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 was amended in November 2013 to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI, without having to adopt the remainder of IFRS 9, and (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

iii) IAS 32, Offsetting Financial Assets and Financial Liabilities

IAS 32, Offsetting Financial Assets and Financial Liabilities, was issued in December 2011 and amends the criterion for an entity being allowed to report financial assets and liabilities on a net basis.
Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2014, with early adoption permitted. The Company has not elected for early adoption of this standard and does not expect there to be any financial impact upon adoption.

(expressed in Canadian dollars)

4 Deposits and prepaid expenses

	September 30, 2014 $	December 31, 2013 $
Prepaid shareholder communication	-	2,250
Prepaid insurance	1,544	17,202
Rent deposit	2,030	2,030
	3,574	21,482

5 Resource properties

	Dios Padre $	Oso Blanco and Other $	Total $
Balance – December 31, 2012	3,518,305	148,539	3,666,844
Acquisition of resources properties (note 4)	262,284	–	262,284
Exploration costs incurred	783,199	152,025	935,224
Write-down of resource properties	(4,563,788)	(9,539)	(4,573,327)
Balance – December 31, 2013	–	291,025	291,025
Exploration costs incurred	–	10,358	10,358
Balance – September 30, 2014	–	301,383	301,383

Dios Padre Property Option Agreement

In connection with the purchase by the Company of the shares of CMOB, all of the rights and obligations of NSGold under a Property Option Agreement dated April 9, 2011 (see below) were assigned to the Company, so that the Company thereafter will issue shares and make cash payments to the optionor, as the case may be. The optionor has consented to such assignment.

Under the Property Option Agreement with Minera Pena Blanca S.A. de C.V. ("Minera Pena Blanca"), the Company, through its subsidiary CMOB, had the exclusive right to acquire a 100% undivided interest in three mining concessions in Mexico (Dios Padre, Don Carlos and Alejandro) from the optionor. Under the terms of an amended Property Option Agreement, the Company would acquire this 100% undivided interest by making cash payments totaling US$6 million and issuing an aggregate of 1,250,000 common shares to the optionor in five equal annual tranches. As at December 31, 2013, cash payments of US$500,000 (2012 - $250,000) had been made and 750,000 (2012 – 500,000) shares were issued to the optionor. In order to acquire a 100% interest, the Company would have to issue the remaining 500,000 shares and make the balance of the cash payments in the amount of US$5,500,000.

The Company was also required to pay the principal of Minera Pena Blanca an annual consulting fee of US$125,000 for the three years ending May 2016 subject to the amending agreement remaining in effect. For the year ended December 31, 2013, the Company incurred $45,890 in consulting fees with the principal of Minera Pena Blanca.

In September 2013, the Company informed the property owner that it was terminating its option agreement. As a result, the Company recorded a write-down of its Dios Padre resource property in the amount of $4,563,788.

(expressed in Canadian dollars)

6 Accounts payable and accrued liabilities

	September 30, 2014 $	December 31, 2013 $
Accounts payable	90,942	66,698
Accrued liabilities	30,000	33,000
	120,942	99,698

7 Amount due to NSGold Corporation

The amount due to NSGold is due on demand and is non-interest bearing.

8 Compensation of key management

Key management includes NSX Silver's Directors, the President and the Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management is summarized as follows:

	Period ended September 30, 2014 $	Year ended December 31, 2013 $
Cash compensation and other benefits	21,000	40,000
Stock-based compensation	–	30,223
	21,000	70,223

Cash compensation and other benefits are included in consulting fees in the consolidated statement of loss.

As of September 30, 2014, $20,250 (December 31, 2013 - $7,288) was due to these individuals.

(expressed in Canadian dollars)

9 Share capital

a) Authorized capital stock

Unlimited number of common shares, without nominal or par value
Unlimited number of preferred shares, without nominal or par value, issuable in one or more series

Common shares issued and fully paid	# of shares	Amount $
Balance – December 31, 2011	1,000	100
Shares issued to NSGold	45,428,571	5,526,399
Shares issued pursuant to resource property option agreement	250,000	62,500
Balance – December 31, 2012	45,679,571	5,588,999
Shares issued pursuant to resource property option agreement	250,000	11,250
Balance – December 31, 2013 and September 30, 2014	45,929,571	5,600,249

b) Escrowed shares

As at September 30, 2014, there are 2,031,458 (December 31, 2013 – 6,094,374) common shares subject to escrow agreements.

c) Options

The Company has adopted a stock option plan for directors, officers, employees and consultants of the Company. During the year ended December 31, 2013, the Board of Directors approved an increase, in the maximum number of shares that may be issued under the stock option plan, from 3 million to 4 million shares. The exercise price of the stock options is determined by the Board of Directors when the options are granted, but cannot be less than the closing price of the Company's shares on the TSX Venture Exchange on the business day immediately preceding the day on which the option is granted. The maximum exercise period of the stock options is ten years.

During the year ended December 31, 2012, the Company granted 1,390,000 stock options with an exercise price of $0.25. These options vest immediately and expire in ten years. The fair value of these options was estimated using the Black-Scholes pricing model based on a volatility of 130%, risk-free rate of 2% and expected lives of 3 years with no dividend yield. This valuation resulted in total stock-based compensation for the year ended December 31, 2012 of $261,000 of which $71,000 was capitalized to mineral properties and $190,000 was expensed.

During the year ended December 31, 2013, the Company granted 1,220,000 stock options with an exercise price of $0.10. These options vest immediately and expire in ten years. The fair value of these options was estimated using the Black-Scholes pricing model based on a volatility of 160%, risk-free rate of 1.4% and expected lives of 5 years with no dividend yield. This valuation resulted in total stock-based compensation for the year ended December 31, 2013 of $49,000 of which $11,000 was capitalized to mineral properties and $38,000 was expensed.

(expressed in Canadian dollars)

9 Share capital (continued)

c) Options (continued)

The following table summarizes the changes in the Company's stock options:

	Weighted average exercise price $	Number of Options	Weighted average remaining life (years)	Expiry date
Balance – December 31, 2012	0.25	1,390,000	7.5	March 15, 2022
Granted during the period	0.10	1,220,000	8.7	June 6, 2023
Balance – December 31, 2013 and September 30, 2014	0.18	2,610,000	8.1	

d) Contributed surplus

	Period ended September 30 2014 $	Year ended December 31 2013 $
Balance – Beginning of period	310,000	261,000
Stock-based compensation	–	49,000
Balance – End of period	310,000	310,000

(expressed in Canadian dollars)

10 Income taxes

At December 31, 2013, the Company's effective income tax rate differs from the amount that would be computed from applying the federal and provincial statutory rate of 31% to the pre-tax loss for the period. The reasons for the difference are as follows:

	2013 $	2012 $
Loss before income taxes	4,933,560	517,274
Income tax rate	31%	31%
Income tax recovery based on statutory rates	1,530,000	160,000
Non-deductible stock-based compensation	(12,000)	(59,000)
Unrecognized deferred tax assets	(1,518,000)	(101,000)
Provision for income taxes	–	–

Losses

The Company has Canadian non-capital tax losses of approximately $489,000 available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire as follows: $226,000 in 2032 and $263,000 in 2033. The Company also has, Mexican non-capital tax losses of approximately $4,745,000 available for carry forward to reduce future years taxable income that expire as follows: $120,000 in 2022 and $4,625,000 in 2023. No deferred tax asset has been recognized for these losses as it is not probable that the related deferred tax asset will be realized.

11 Related party transactions

During the nine months ended September 30, 2014, the Company incurred legal fees aggregating $nil (year ended December 31, 2013 - $8,126) from a law firm of which one of the officers is a partner.

12 Supplemental cash flow information

During the year ended December 31, 2013, the Company incurred expenditures on resource properties of $31,000 which were recorded as accounts payable at the end of the year and at Septmber 30, 2014. In 2013, the Company also recorded the issuance of shares pursuant to resource property option payments in the amount of $11,250.

(expressed in Canadian dollars)

13 Financial instruments

Credit risk

The Company manages credit risk by holding its cash with high quality financial institutions in Canada, where management believes the risk of loss to be low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company does not have sufficient working capital to carry out all budgeted programs in 2014 and must finance during 2014 to avoid disruption in planned expenditures (see note 1).

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

The Company has no interest-bearing debt and is not exposed to any significant interest rate risk.

b) Foreign currency risk

The Company operates in Mexico, giving rise to foreign currency risk. To limit the Company's exposure to this risk, cash is primarily held with high quality financial institutions in Canada. In the future, based on the timing of the Company's exploration programs, foreign currencies may be purchased in advance of expenditures to lock in favourable rates in line with the Company's budgets, otherwise the Company does not use any form of hedging against fluctuations in foreign exchange.

As at September 30, 2014 and December 31, 2013, the Company held the following items in foreign currencies:

	September 30, 2014		December 31, 2013	
	USD	Pesos	USD	Pesos
Cash and cash equivalents	–	6,348	–	4,629
Sales tax recoverable	–	1,238,141	–	1,458,759
Deposits and prepaid expenses	–	25,000	–	25,000
Accounts payable and accrued liabilities	29,425	463,780	14,173	73,611

c) Price risk

The Company is not exposed to any direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.