SouthernSilver
EXPLORATION CORP

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# Consolidated Financial Statements
# Years Ended April 30, 2015 and 2014
# (Expressed in Canadian Dollars)

**Index** | **Page**

**SmytheRatcliffe**
CHARTERED ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF SOUTHERN SILVER EXPLORATION CORP.**

We have audited the accompanying consolidated financial statements of Southern Silver Exploration Corp., which comprise the consolidated statements of financial position as at April 30, 2015 and 2014, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

*Opinion*
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Southern Silver Exploration Corp. as at April 30, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.





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*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Professional Accountants

Vancouver, British Columbia
August 25, 2015

**Southern Silver Exploration Corp.**
(An Exploration Stage Company)
Consolidated Statements of Comprehensive Loss
Years Ended April 30, 2015 and 2014
(Expressed in Canadian Dollars)

| | Note | | 2015 | | 2014 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Administration | | $ | 75,000 | $ | 94,500 |
| Consulting | | | 166,315 | | 193,933 |
| Exploration and evaluation, net of recoveries | 8(e) | | 392,026 | | (287,207) |
| Independent directors' fees | | | 6,000 | | 35,990 |
| Investor relations | | | 52,090 | | 155,382 |
| Office and general | | | 15,007 | | 32,569 |
| Professional fees | | | 210,101 | | 197,811 |
| Regulatory fees and taxes | | | 23,628 | | 23,384 |
| Share-based payments | 11(e) | | 246,870 | | 6,610 |
| Shareholders' communications | | | 4,744 | | 3,153 |
| Transfer agent | | | 16,861 | | 7,366 |
| Travel and promotion | | | 7,595 | | 2,126 |
| | | | **1,216,237** | | **465,617** |
| **Foreign exchange loss** | | | 22,844 | | 22,656 |
| **Interest and other income** | | | (8,909) | | (249) |
| **Loan interest accretion** | | | 79,817 | | 2,380 |
| **Loss on early repayment of convertible debt** | 10 | | 30,079 | | - |
| **Mineral property impairment** | 8 | | 34,679 | | 1,625,360 |
| **Realized gain on sale of marketable securities** | 6 | | (4,975) | | - |
| | | | **153,535** | | **1,650,147** |
| **Net Loss for the Year** | | **$** | **1,369,772** | **$** | **2,115,764** |
| **Other Comprehensive Loss** | | | | | |
| Reclassification adjustment for realized gain on sale of marketable securities included in net loss | 6 | | 4,975 | | - |
| Unrealized loss (gain) on marketable securities, net of taxes | 6 | | 25 | | (7,000) |
| **Net Loss and Comprehensive Loss for the Year** | | **$** | **1,374,772** | **$** | **2,108,764** |
| Loss per share - basic and diluted | | $ | 0.06 | $ | 0.13 |
| Weighted average number of common shares outstanding | | | 21,403,633 | | 15,875,084 |

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

**Southern Silver Exploration Corp.**
(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| As at | Note | April 30, 2015 | April 30, 2014 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash | | $ 63,149 | $ 121,247 |
| Taxes and other receivables | | 24,192 | 132,031 |
| Marketable securities | 6 | - | 16,000 |
| Prepaids | | 23,803 | 32,692 |
| | | **111,144** | **301,970** |
| **Non-Current Assets** | | | |
| Reclamation bonds | 7 | 41,073 | 43,881 |
| Mineral properties | 8 | 2,055,487 | 1,378,892 |
| | | **2,096,560** | **1,422,773** |
| | | **$ 2,207,704** | **$ 1,724,743** |
| **Current Liabilities** | | | |
| Accounts payable and accrued liabilities | | $ 430,256 | $ 619,335 |
| Due to related parties | 9 | 144,440 | 207,407 |
| Loans payable | 10 | - | 51,430 |
| | | **574,696** | **878,172** |
| **Equity** | | | |
| Share capital | 11 | 30,655,145 | 29,551,475 |
| Share-based payments reserve | | 580,265 | 891,522 |
| Warrants reserve | | 800,000 | 66,270 |
| Other reserve | 10 | 9,270 | - |
| Accumulated other comprehensive income | | - | 5,000 |
| Deficit | | (30,411,672) | (29,667,696) |
| | | **1,633,008** | **846,571** |
| | | **$ 2,207,704** | **$ 1,724,743** |

**Approved on behalf of the Board**

| | |
|---|---|
| *"Lawrence Page"* | *"Eugene Spiering"* |
| **Lawrence Page, Q.C.** | **Eugene Spiering** |

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

**Southern Silver Exploration Corp.**
(An Exploration Stage Company)
Consolidated Statements of Changes in Equity
Years Ended April 30, 2015 and 2014
(Expressed in Canadian Dollars)

| | Share Capital | | Share-based | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Payments Reserve | Warrants Reserve | Other Reserve | AOCI / (L) | Deficit | Total |
| **Balance as at April 30, 2013** | **14,469,421** | **$ 29,073,186** | **$ 1,054,446** | **$ 66,270** | **$ -** | **$ (2,000)** | **$ (27,739,367)** | **$ 2,452,535** |
| Issued | | | | | | | | |
| Private placements | 2,428,015 | 485,603 | - | - | - | - | - | 485,603 |
| Shares for services | 100,000 | 50,000 | - | - | - | - | - | 50,000 |
| Share issue costs | - | (57,314) | 17,901 | - | - | - | - | (39,413) |
| Share-based payments | - | - | 6,610 | - | - | - | - | 6,610 |
| Fair value of options and warrants expired | - | - | (187,435) | - | - | - | 187,435 | - |
| Unrealized gain on marketable securities | - | - | - | - | - | 7,000 | - | 7,000 |
| Net loss for the year | - | - | - | - | - | - | (2,115,764) | (2,115,764) |
| **Balance as at April 30, 2014** | **16,997,436** | **29,551,475** | **891,522** | **66,270** | **-** | **5,000** | **(29,667,696)** | **846,571** |
| Issued | | | | | | | | |
| Private placements | 20,000,000 | 800,000 | - | 800,000 | - | - | - | 1,600,000 |
| Shares for services | 50,000 | 25,000 | - | - | - | - | - | 25,000 |
| Shares for loan finder | 1,350,000 | 67,500 | - | - | - | - | - | 67,500 |
| Shares for loan bonus | 86,000 | 3,440 | - | - | - | - | - | 3,440 |
| Shares for convertible debt | 6,000,000 | 300,560 | - | - | 9,270 | - | - | 309,830 |
| Share issue costs | - | (92,830) | 1,399 | - | - | - | - | (91,431) |
| Share-based payments | - | - | 246,870 | - | - | - | - | 246,870 |
| Fair value of options and warrants expired | - | - | (559,526) | (66,270) | - | - | 625,796 | - |
| Other comprehensive loss | - | - | - | - | - | (5,000) | - | (5,000) |
| Net loss for the year | - | - | - | - | - | - | (1,369,772) | (1,369,772) |
| **Balance as at April 30, 2015** | **44,483,436** | **$ 30,655,145** | **$ 580,265** | **$ 800,000** | **$ 9,270** | **$ -** | **$ (30,411,672)** | **$ 1,633,008** |

**Southern Silver Exploration Corp.**
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
Years Ended April 30, 2015 and 2014
(Expressed in Canadian Dollars)

| | 2015 | 2014 |
|---|---|---|
| **Operating Activities** | | |
| Net loss for the year | $ (1,369,772) | $ (2,115,764) |
| **Items not involving cash:** | | |
| Interest accretion | 79,817 | 2,380 |
| Loss on early repayment of convertible debt | 30,079 | - |
| Mineral property impairment | 34,679 | 1,625,360 |
| Share-based payments | 246,870 | 6,610 |
| Realized gain on sale of marketable securities | (4,975) | - |
| Shares issued for services | 25,000 | 50,000 |
| Unrealized foreign exchange (gain) loss | (5,315) | 7,636 |
| | (963,617) | (423,778) |
| **Changes in non-cash working capital** | | |
| Taxes and other receivables | 107,839 | (105,141) |
| Prepaids | 8,889 | (13,070) |
| Accounts payable and accrued liabilities | (189,079) | 25,819 |
| Due to related parties | (62,967) | 52,253 |
| | (135,318) | (40,139) |
| **Cash Used in Operating Activities** | (1,098,935) | (463,917) |
| **Investing Activities** | | |
| Mineral property (acquisition) recovery | (711,274) | 55,369 |
| Proceeds on sale of marketable securities | 15,975 | - |
| Reclamation bond recovery | - | 75,574 |
| **Cash (Used in) Provided by Investing Activities** | (695,299) | 130,943 |
| **Financing Activities** | | |
| Proceeds from issuance of shares, net | 1,508,569 | 446,190 |
| Loans received, net | 838,412 | - |
| Loans repaid | (618,968) | - |
| **Cash Provided by Financing Activities** | 1,728,013 | 446,190 |
| **Foreign Exchange Effect on Cash** | 8,123 | (8,023) |
| **(Decrease) Increase in Cash During the Year** | (58,098) | 105,193 |
| **Cash, Beginning of Year** | 121,247 | 16,054 |
| **Cash, End of Year** | $ 63,149 | $ 121,247 |

Supplemental cash flow information (Note 13)

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

## 1. Nature of Operations and Going Concern

Southern Silver Exploration Corp. (the "Company") is an exploration stage company incorporated under the laws of British Columbia, Canada. The Company's principal business activities include the acquisition, exploration, and development of natural resource properties for enhancement of value and disposition pursuant to sales agreements or development by way of third party option and/or joint venture agreements. The Company's registered office is 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company's mineral properties does not reflect present or future value.

These consolidated financial statements were 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. As at April 30, 2015, the Company had a working capital deficiency of $463,552 (2014 - $576,202). The Company incurred a net loss of $1,369,772 for the year ended April 30, 2015 (2014 - $2,115,764) and had an accumulated deficit of $30,411,672 as at April 30, 2015 (2014 - $29,667,696).

The Company has relied mainly upon the issuance of share capital to finance its activities. The Company will be required to enter into joint venture agreements and / or issue share capital to finance future activities (Note 15). There can be no assurance that further financing will be available to the Company and, therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern.

These consolidated financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

## 2. Basis of Preparation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis using the accrual basis of accounting, except for cash flow information and financial instruments measured at fair value, and include the accounts of the Company and its wholly-owned integrated subsidiaries: Minera Plata del Sur S.A de C.V. and Exploraciones Magistral S.A de C.V., both incorporated in Mexico, Southern Silver Exploration (US) Corp., incorporated in the United States, and Southern Silver Projects Ltd. and Southern Silver Holdings Ltd., both incorporated in the British Virgin Islands. All inter-company transactions and balances have been eliminated upon consolidation.

The Company's functional and presentation currency is the Canadian dollar.

These consolidated financial statements were approved by the Board of Directors for issue on August 25, 2015.

## 3. Summary of Significant Accounting Policies

### (a) Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the consolidated financial statements include:

*Impairment of long-lived assets*

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of the impairment involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties, and the results of exploration and evaluation to date.

*Determination of, and provision for, reclamation and remediation obligations*

The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

*Deferred taxes*

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

*Share-based payments*

Share-based payments are determined using the Black-Scholes option pricing model at the date of grant and are expensed to net loss over each award’s vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

### 3. Summary of Significant Accounting Policies, continued

#### (a) Significant Accounting Estimates and Judgments, continued

*Mexican Value Added Tax*

The recoverability of taxes receivable related to value added tax incurred in Mexico is dependent on various factors such as local policy, historical collectability and the general economic environment. Management uses all relevant facts to determine if the taxes receivable are recoverable.

#### (b) Mineral Properties

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries which are recorded when receivable, until these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to profit or loss in that period.

All expenditures related to the exploration and evaluation of mineral properties, net of recoveries which are recorded when receivable, are expensed to net loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, option payments are recognized when paid or received. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in profit or loss.

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

The Company recognizes an estimate of the liability associated with statutory, contractual, constructive or legal obligations associated with site closure and property retirement costs in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The estimated fair value or present value of future cash flows is capitalized to the related mining acquisition assets with a corresponding increase in the rehabilitation provision in the period incurred. The capitalized amount will be depreciated on a unit-of-production basis over the estimated life of the ore reserve.

## 3. Summary of Significant Accounting Policies, continued

### (b) Mineral Properties, continued

The amount of the provision will be increased each reporting period due to the passage of time and the amount of accretion is charged to profit or loss. The provision can also increase or decrease due to changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of future rehabilitation expenditures. Any changes are recorded directly to the related mining assets with a corresponding change to the rehabilitation provision. Actual rehabilitation expenditures incurred are charged against the rehabilitation provision to the extent of the liability recorded.

### (c) Reclamation Bonds

Reclamation bonds are recorded at amortized cost and held by government agencies or in trust.

### (d) Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

### (e) Share Capital

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds prorated to common shares and share purchase warrants.

### (f) Non-monetary Consideration

Shares issued for non-monetary consideration to non-employees are recorded at the fair value of the goods or services received. When such fair value cannot be estimated reliably, fair value is measured based on the quoted market value of the Company’s shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

### (g) Share-based Payments

Share-based payments for employees are measured at fair value of the instruments issued on the date of grant and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received. The fair value of stock options is charged to profit or loss using the graded vesting method, with the offset credit to share-based payment reserve.

## 3. Summary of Significant Accounting Policies, continued

### (g) Share-based Payments, continued

Consideration received on the exercise of stock options is recorded as share capital and the related fair value previously recorded is transferred from share-based payment reserve to share capital. Upon expiry, related fair value previously recorded is transferred from share-based payment reserve to deficit.

### (h) Foreign Currency Translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the reporting date;
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
(iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

### (i) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date. Deferred tax assets also result from unused tax losses carried forward, resource related tax pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### (j) Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and similar instruments that would be anti-dilutive.

**3. Summary of Significant Accounting Policies, continued**

**(k) Financial Instruments**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

*Fair value through profit or loss ("FVTPL")*

FVTPL financial assets are initially recognized at fair value with changes in fair value recorded through profit or loss.

*Available-for-sale ("AFS")*

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories and are recognized at fair value and subsequently carried at fair value.

Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date.

Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

*Impairment of financial assets*

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

*Financial liabilities*

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

**3. Summary of Significant Accounting Policies, continued**

**(k) Financial Instruments, continued**

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date.

The Company has no derivative financial liabilities.

*Convertible Instruments*

Proceeds received on the issuance of convertible instruments are initially recorded at fair value and allocated into their debt and equity components depending on the features included within the instrument.

Transaction costs are allocated between the various components on a pro-rata basis.

Subsequent to initial recognition, the debt component, net of apportioned transaction costs, is classified as other financial liabilities measured at amortized cost using the effective interest method such that upon maturity, the debt balance recorded will equal the maturity value of the remaining outstanding debt. The increase in the debt balance and amortization of related transaction costs are reflected as interest accretion expense in profit or loss.

The carrying amount of the equity component is not remeasured.

**(l) Future Accounting Standards Changes**

IFRS 9: *Financial Instruments* will eventually form a complete replacement for IAS 39: *Financial Instruments: Recognition and Measurement*.

All financial assets are classified as measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified at fair value through profit and loss, financial guarantees and certain other exceptions.

In response to delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date from January 1, 2013 to annual periods beginning on or after January 1, 2018. The amendments also provided relief from the requirement to restate comparative consolidated financial statements for the effects of applying IFRS 9.

## 4. Financial Instruments

### (a) Categories of Financial Instruments

The Company's financial instruments include cash, marketable securities, reclamation bonds, accounts payable and accrued liabilities and amounts due to related parties and loans payable.

The Company has classified its financial instruments into the following categories:

| Financial Instrument | Category | Carrying Value |
|---|---|---|
| Cash | FVTPL | Fair Value |
| Marketable Securities | AFS | Fair Value |
| Reclamation Bonds | Loans and Receivables | Amortized Cost |
| Accounts Payable and Accrued Liabilities | Other Financial Liabilities | Amortized Cost |
| Due to Related Parties | Other Financial Liabilities | Amortized Cost |
| Loans Payable | Other Financial Liabilities | Amortized Cost |

### (b) Fair Value

Marketable securities were categorized at Level 1 in the fair value hierarchy as fair value was determined by an exit price at the measurement date in an active market. The carrying values of accounts payable and accrued liabilities, amounts due to related parties and loans payable approximate their fair values due to the short period to maturity. Reclamation bonds are non-interest-bearing, have no maturity date and their carrying values approximate fair value.

### (c) Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, interest rate risk, credit risk, currency risk, and other price risk. The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

#### (i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing and financing activities and through management of its capital structure.

As at April 30, 2015, all of the Company's financial liabilities are either past due or have contractual maturities of less than 90 days. The Company will be required to raise additional capital in the future to fund its operations (Note 15).

#### (ii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk as no current financial instruments earn or accrue interest.

**4. Financial Instruments, continued**

**(c) Financial Risk Management, continued**

**(iii) Credit Risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk mainly in respect to managing its cash, which is held with Canadian and Mexican financial institutions. The Company mitigates credit risk by risk management policies that require significant cash deposits or any short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration.

**(iv) Currency Risk**

The Company is exposed to currency risk to the extent expenditures incurred, funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars and Mexican pesos). The Company does not manage currency risks through hedging or other currency management tools. As at April 30, 2015, cash totalling $28,192 (2014 - $110,333) was held in US dollars and $1,529 (2014 - $8,531) in Mexican Pesos. As at April 30, 2015, other receivables totalling $nil (2014 - $128,000) were receivable in US dollars. As at April 30, 2015, accounts payable and accrued liabilities totalling $289,847 (2014 - $456,237) were payable in US dollars, $nil in British pounds (2014 - $12,225) and $34,815 (2014 - $39,172) in Mexican Pesos. Based on exchange rate movements for the past twelve months assuming all other variables remain constant, the Company considers its financial performance and cash flows would not be materially affected by a weakening or strengthening of the US dollar or Mexican peso.

**(v) Other Price Risk**

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

**5. Capital Management**

The Company's capital includes components of equity. The Company's objectives in managing its capital are to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its stakeholders. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been substantially funded by the issuance of equity instruments. The Company will continue to rely on equity issuances for future funding depending upon market and economic conditions at the time. There have been no changes in the Company's approach to capital management during the year ended April 30, 2015.

(Expressed in Canadian Dollars)

## 6. Marketable Securities

On May 16, 2014, the Company sold its entire holding of 100,000 common shares of Desert Star Resources Ltd. ("Desert Star") for gross proceeds of $15,975 and recognized a gain of $4,975.

## 7. Reclamation Bonds

With respect to a 1% net smelter return ("NSR") royalty payable (Note 8(b)), a bond of $41,073 (Mexican Peso 523,778) (2014 - $43,881 (Mexican Peso 523,778)) is being held in escrow by the Mexican government.

## 8. Mineral Properties

Mineral property acquisition costs as at April 30, 2015 and 2014 were as follows:

| | Mexico | | USA | | |
|---|---|---|---|---|---|
| | Cerro Las Minitas $ | Minas de Ameca $ | Oro $ | Dragoon $ | Total $ |
| Balance as at April 30, 2013 | 1,459,225 | 363,205 | 1,133,280 | 103,911 | 3,059,621 |
| Additions, net | (80,333) | 6,405 | 3,767 | 14,792 | (55,369) |
| Impairments | - | (369,610) | (1,137,047) | (118,703) | (1,625,360) |
| Balance as at April 30, 2014 | 1,378,892 | - | - | - | 1,378,892 |
| Additions, net | 676,595 | - | 34,679 | - | 711,274 |
| Impairments | - | - | (34,679) | - | (34,679) |
| **Balance as at April 30, 2015** | **2,055,487** | **-** | **-** | **-** | **2,055,487** |

Terms of the agreements for the above properties are described below:

### (a) Cerro Las Minitas - Mexico

The property consists of 18 mineral concessions located in Durango, Mexico (Note 15).

Pursuant to agreements dated July 7 and July 8, 2015, the Company can acquire certain equipment and one additional mineral concession. Remaining payments are due as follows (plus applicable local taxes):

(i) US $60,000 on signing (paid subsequent to year end);
(ii) US $40,000 on December 30, 2015; and
(iii) US $100,000 on June 30, 2016 (on condition of optionor providing registered title to the concession).

**8. Mineral Properties, continued**

**(a) Cerro Las Minitas - Mexico, continued**

Pursuant to an earn-in agreement, Freeport-McMoRan Exploration Corporation ("FMEC") had the right to earn an indirect 70% interest in the property.

On September 11, 2014, the Company received notice from FMEC of termination of the earn-in agreement. As part of the termination, FMEC assigned to the Company, for no consideration, its option to acquire a 100% interest in the El Sol Concession, which is situated contiguous to the northwest boundary of Cerro Las Minitas. On July 20, 2015, the Company relinquished its interest in this option.

**(b) Minas de Ameca - Mexico**

On October 18, 2006, the Company acquired the El Magistral mineral claim in the Ameca region in the State of Jalisco, Mexico located about 80 kilometres west of Guadalajara. The claim is subject to a 1% NSR payable to the Mexican government.

The project previously comprised the El Magistral, Magistral I and San Luis claims. The Company returned Magistral I, which was in default, to the vendors and is continuing efforts to option the remaining claims to a third party. The Company considered these factors to be indicators of impairment and, during the year ended April 30, 2014, recorded an impairment provision against all capitalized costs relating to these claims totalling $369,610.

**(c) Oro - New Mexico, USA**

The property consists of certain unpatented mining claims in the Eureka Mining District, Grant County, New Mexico and eight patented lode mining claims, which are adjacent to the these claims, and surface rights to a contiguous property.

The unpatented mining claims are subject to a 2% NSR payable to the optionors whom have granted the Company an option to purchase the NSR at any time in 0.5% increments at US $500,000 for each increment.

Pursuant to a lease with option to purchase agreement dated May 1, 2011, the Company can earn a 100% interest in six unpatented lode mining claims also located in the Eureka Mining District, Grant County, New Mexico.

Remaining lease payments are due as follows:

(i) US $6,000 annually on May 1, 2016 and May 1, 2017;
(ii) US $30,000 annually from May 1, 2018 to May 1, 2024; and
(iii) US $60,000 annually from May 1, 2025 to May 1, 2031.

The Company can purchase the property at any time by paying any amounts remaining under the lease, subject to a 1% NSR payable to the optionors, which terminates when aggregate payments thereunder equal US $500,000.

(Expressed in Canadian Dollars)

## 8. Mineral Properties, continued

### (c) Oro - New Mexico, USA, continued

Pursuant to an earn-in agreement, Desert Star had the right to earn up to a 70% interest in the property. On July 8, 2014, the Company received notice of termination of this agreement.

The Company continues to assess its planned course of action with respect to the property and has determined this to be an indicator of impairment. Accordingly, an impairment provision was recorded against all capitalized costs relating to these claims totalling $34,679 (2014 - $1,137,047).

### (d) Dragoon - Arizona, USA

Pursuant to an agreement, as amended, the Company could earn a 100% interest in certain claims located in the state of Arizona. The Company since relinquished its interest in the property and, accordingly, an impairment provision was recorded against all capitalized costs relating to these claims totalling $nil (2014 - $118,703).

### (e) Exploration and Evaluation Expenses

Exploration expenditures incurred for the years ended April 30, 2015 and 2014 were as follows:

| | Mexico | | USA | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cerro Las Minitas | | Oro | | Dragoon | | Total | |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Assays and geochemistry | 14,495 | 51,994 | - | - | - | - | 14,495 | 51,994 |
| Camp, utilities and supplies | 9,748 | 18,613 | 2,247 | (652) | - | - | 11,995 | 17,961 |
| Drilling | 64,172 | 714,750 | - | - | - | - | 64,172 | 714,750 |
| Environmental | 673 | 254 | - | - | - | - | 673 | 254 |
| Equipment and field supplies | 12,818 | 30,183 | 7 | 37 | - | - | 12,825 | 30,220 |
| Geological and geophysics | 59,783 | 236,606 | 584 | 1,426 | - | - | 60,367 | 238,032 |
| Land fees | 112,166 | 49,001 | 307 | - | - | - | 112,473 | 49,001 |
| Project supervision | 163,303 | 109,423 | 20,623 | 2,378 | - | 2,137 | 183,926 | 113,938 |
| Project support | 3,909 | 12,873 | - | - | - | - | 3,909 | 12,873 |
| Taxes | 200,803 | 259,147 | - | - | - | - | 200,803 | 259,147 |
| Travel | 16,057 | 2,899 | - | - | - | - | 16,057 | 2,899 |
| Recoveries | (294,803) | (1,791,634) | - | - | - | - | (294,803) | (1,791,634) |
| | **363,124** | **(305,891)** | **23,768** | **3,189** | **-** | **2,137** | 386,892 | (300,565) |
| General exploration - other | | | | | | | 5,134 | 13,358 |
| | | | | | | | **392,026** | **(287,207)** |

**8. Mineral Properties, continued**

**(f) Environmental**

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

**(g) Title to Mineral Properties**

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

The Company has investigated title to its mineral property interests in accordance with industry standards for the current stage of exploration of such properties and, to the best of its knowledge, title to its properties are in good standing; however, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

**(h) Realization of Assets**

Realization of the Company's investment in mineral properties is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements, the attainment of successful production from the properties, or from the proceeds of their disposal.

The attainment of commercial production is in turn dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the property interest, and upon future profitable production.

## 9. Related Party Balances and Transactions

Except as disclosed elsewhere in these consolidated financial statements, the Company entered into the following related party transactions:

**(a)** Pursuant to a revised service agreement between the Company and a private company controlled by a director and officer of the Company, with a retrospective effective date of February 1, 2014, the Company was charged as follows:

- $75,000 (2014 - $94,500) for office space and general administration services;
- $47,050 (2014 - $51,013) for professional services;
- $16,510 (2014 - $16,614) for consulting services;
- $2,710 (2014 - $15,550) for investor relations services;
- $126,390 (2014 - $32,003) for mineral property geological consulting services; and
- $1,691 (2014 - $1,531) for the mark-up on out-of-pocket expenses and office and general.

Amounts payable as at April 30, 2015 were $55,298 (2014 - $25,577).

**(b)** Fees in the amount of $112,320 (2014 - $112,320) were charged by a director and officer of the Company for consulting services. Amounts payable as at April 30, 2015 were $19,656 (2014 - $93,551).

**(c)** Fees in the amount of $64,473 (2014 - $37,356) were charged by a law firm controlled by a director and officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at April 30, 2015 were $67,486 (2014 - $22,225).

**(d)** Fees in the amount of $nil (2014 - $2,500) were charged by a private company controlled by a former officer of the Company for consulting services.

**(e)** Fees in the amount of $12,000 (2014 - $11,000) were charged by an officer of the Company for consulting services. Amounts payable as at April 30, 2015 were $2,000 (2014 - $10,500).

**(f)** Fees of $6,000 (2014 - $35,990) were payable with respect to independent directors' fees. Such fees ceased to be payable effective November 1, 2014. Amounts payable as at April 30, 2014 were $55,554.

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company.

One executive officer is entitled to termination benefits in the event of a change of control equal to one hundred percent of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement termination clause as at April 30, 2015 was $468,000.

(Expressed in Canadian Dollars)

**9. Related Party Balances and Transactions, continued**

The Company has no long-term employee or post-employment benefits. Compensation awarded to key management, included in (b), (d), (e) and (f) above, was as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Short-term benefits | $ | 130,320 | $ | 161,810 |
| Share-based payments | | 178,489 | | - |
| Total | $ | 308,809 | $ | 161,810 |

**10. Loans**

*Loans payable*

During August 2012, the Company entered into two loan agreements, one with a private company controlled by a former director and the other with a private company controlled by a consultant, for $33,000 and $15,000 respectively. On January 20, 2015, the Company entered into a loan agreement with a director and officer of the Company with respect to loans advanced during August and September 2014 totalling $43,000.

The initial term of each of the above loans was for a period of six months with interest payable quarterly at prime plus two percent per annum. As further consideration for providing the loans, the lenders also received common shares equal to ten per cent of the value of each respective loan (Note 11(b)).

On March 5, 2015, the Company repaid all of the above loans, plus accrued interest.

*Convertible loans payable*

On November 13, 2014, the Company entered into a loan arrangement with Radius Gold Inc. ("Radius") for $800,000. On December 11, 2014, the Company issued 1,350,000 common shares with respect to a finder's fee payable (Note 11(b)).

The loan was repayable on demand with provision that demand could not be made for one year. Interest was payable annually at 8% per annum, and at Radius' sole option, interest could be paid by the issuance of common shares of the Company. In addition, Radius had the right at any time during the term of the loan to convert such portion into common shares of the Company to result in Radius holding no greater than 19.9% of the then issued and outstanding shares of the Company at a price of $0.05. In the event of such conversion election, the balance of the loan would remain due and payable for the remainder of the term.

On March 17, 2015, the Company received a notice of conversion from Radius, whereby Radius elected to convert $300,000 of the convertible loan into common shares of the Company. On March 19, 2015, the Company issued 6,000,000 common shares (Note 11(b)) and repaid the balance of the loan, plus accrued interest, of $521,742.

(Expressed in Canadian Dollars)

## 10. Loans, continued

A summary of the convertible loan analyzed between liability and equity components is as follows:

| | Liability | Other Reserve |
|---|---|---|
| Loan received | $ 720,000 | $ 80,000 |
| Transaction costs | (64,879) | (7,208) |
| Interest accretion | 73,580 | - |
| Exercise of conversion option for issue of common shares | (273,263) | (27,297) |
| Repayment of loan | (485,517) | (36,225) |
| Loss on early conversion | 30,079 | - |
| Total | $ - | $ 9,270 |

## 11. Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value. On September 17, 2014, the Company completed a capital consolidation of its issued and outstanding common shares on a one new share for ten old shares basis. All comparative figures have been adjusted retrospectively.

### (a) Equity Financings

*Year ended April 30, 2015*

On March 4, March 5 and March 11, 2015, the Company closed three tranches of a private placement and issued a total of 20,000,000 units at a price of $0.08 per unit for gross proceeds of $1,600,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one additional common share for a period of five years at an exercise price of $0.08 per share.

On March 4, 2015, the Company issued 30,000 finders' share purchase warrants exercisable to purchase one common share for a period of five years at an exercise price of $0.08 per share. The warrants were fair valued at $1,399 using the Black-Scholes option pricing model (Note 11(e)).

*Year ended April 30, 2014*

On September 13, 2013, the Company closed the first tranche of a private placement and issued 683,015 units at a price of $0.20 per unit for gross proceeds of $136,603. On October 11, 2013, the Company closed the final tranche of this private placement and issued 1,745,000 units at a price of $0.20 per unit for gross proceeds of $349,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one additional common share for a period of three years at an exercise price of $0.50 per share.

## 11. Share Capital, continued

### (a) Equity Financings, continued

On September 13, 2013, the Company issued 20,000 finders' share purchase warrants exercisable to purchase one common share for a period of three years at an exercise price of $0.50 per share. The warrants were fair valued at $8,005 using the Black-Scholes option pricing model (Note 11(e)).

On October 11, 2013, the Company issued 91,750 finders' share purchase warrants exercisable to purchase one common share for a period of three years at an exercise price of $0.50 per share. The warrants were fair valued at $9,896 using the Black-Scholes option pricing model (Note 11(e)).

### (b) Shares Issued for Other Consideration

*Year ended April 30, 2015*

On August 5, 2014, in accordance with a shares for services consulting agreement, the Company issued 50,000 common shares valued at $25,000.

On December 11, 2014, in accordance with a finder's fee agreement, the Company issued 1,350,000 common shares with a fair value of $67,500 (Note 10).

On January 23, 2015, in accordance with a loan agreement, the Company issued 86,000 common shares with a fair value of $3,440 (Note 10).

On March 19, 2015, in accordance with a convertible loan agreement, the Company issued 6,000,000 common shares with a fair value of $300,560 (Note 10).

*Year ended April 30, 2014*

On September 30, 2013, the Company entered into a shares for services consulting agreement in the aggregate amount of $100,000 in quarterly instalments of $25,000.

On March 23, 2014 and April 22, 2014, the Company issued 50,000 common shares each valued at $25,000.

### (c) Stock Options

The Company has a rolling stock option plan (the "Plan") that allows for the reservation of common shares issuable under the Plan to a maximum of 10% of the number of issued and outstanding common shares of the Company at any given time. The term of stock options granted under the Plan may not exceed ten years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

(Expressed in Canadian Dollars)

**11. Share Capital, continued**

**(c) Stock Options, continued**

- On March 26, 2015, the Company granted 3,503,500 stock options to directors, officers and consultants exercisable for a period of five years at an exercise price of $0.08 per share.

- On April 7, 2015, the Company re-priced an aggregate amount of 281,700 stock options from exercise prices of $1.00 and $1.70 per share to an exercise price of $0.08 per share.

Stock options outstanding and exercisable as at April 30, 2015 and 2014 were as follows:

| Exercise Price | Grant Date Fair Value | Expiry Date | Balance April 30, 2014 | Granted | Expired | Re-priced | Balance April 30, 2015 |
|---|---|---|---|---|---|---|---|
| $1.60 | $1.50 | January 8, 2015 | 211,000 | - | 211,000 | - | - |
| $1.70 | $1.33 | November 29, 2015 | 211,500 | - | 100,000 | (61,500) | 50,000 |
| $0.08 | $0.07 | November 29, 2015 | - | - | - | 61,500 | 61,500 |
| $1.70 | $1.13 | December 13, 2015 | 28,500 | - | 18,500 | - | 10,000 |
| $1.00 | $0.56 | June 5, 2017 | 35,000 | - | - | - | 35,000 |
| $1.00 | $0.29 | March 14, 2018 | 687,000 | - | 286,800 | (220,200) | 180,000 |
| $0.08 | $0.05 | March 14, 2018 | - | - | - | 220,200 | 220,200 |
| $0.50 | $0.13 | March 24, 2019 | 50,000 | - | - | - | 50,000 |
| $0.08 | $0.07 | March 26, 2020 | - | 3,503,500 | - | - | 3,503,500 |
| | | | **1,223,000** | **3,503,500** | **616,300** | **-** | **4,110,200** |
| Weighted average exercise price | | | $1.22 | $0.08 | $1.34 | | $0.16 |
| Weighted average remaining life in years | | | 2.90 | | | | 4.55 |

| Exercise Price | Grant Date Fair Value | Expiry Date | Balance April 30, 2013 | Granted | Expired | Balance April 30, 2014 |
|---|---|---|---|---|---|---|
| $1.60 | $1.50 | January 8, 2015 | 241,000 | - | 30,000 | 211,000 |
| $1.70 | $1.33 | November 29, 2015 | 229,000 | - | 17,500 | 211,500 |
| $1.70 | $1.13 | December 13, 2015 | 31,500 | - | 3,000 | 28,500 |
| $1.50 | $1.30 | November 8, 2016 | 25,000 | - | 25,000 | - |
| $1.00 | $0.56 | June 5, 2017 | 35,000 | - | - | 35,000 |
| $1.00 | $0.29 | March 14, 2018 | 782,400 | - | 95,400 | 687,000 |
| $0.50 | $0.13 | March 24, 2019 | - | 50,000 | - | 50,000 |
| | | | **1,343,900** | **50,000** | **170,900** | **1,223,000** |
| Weighted average exercise price | | | $1.25 | $0.50 | $1.26 | $1.22 |
| Weighted average remaining life in years | | | 3.82 | | | 2.90 |

(Expressed in Canadian Dollars)

## 11. Share Capital, continued

### (d) Share Purchase Warrants

Share purchase warrants outstanding as at April 30, 2015 and 2014 were as follows:

| Exercise Price | Expiry Date | Balance April 30, 2014 | Issued | Expired | Balance April 30, 2015 |
|---|---|---|---|---|---|
| $1.70 | April 23, 2015 | 680,900 | - | 680,900 | - |
| $3.00 | *Note 1* | 25,000 | - | 25,000 | - |
| $4.00 | *Note 2* | 25,000 | - | 25,000 | - |
| $1.00 | January 31, 2016 | 845,200 | - | - | 845,200 |
| $1.00 | February 28, 2016 | 787,300 | - | - | 787,300 |
| $0.50 | September 13, 2016 | 703,015 | - | - | 703,015 |
| $0.50 | October 11, 2016 | 1,836,750 | - | - | 1,836,750 |
| $0.08 | March 4, 2020 | - | 2,335,407 | - | 2,335,407 |
| $0.08 | March 5, 2020 | - | 15,884,593 | - | 15,884,593 |
| $0.08 | March 11, 2020 | - | 1,810,000 | - | 1,810,000 |
| | | **4,903,165** | **20,030,000** | **730,900** | **24,202,265** |
| Weighted average exercise price | | $0.86 | $0.08 | $1.82 | $0.19 |
| Weighted average remaining life in years | | 1.99 | | | 4.22 |

| Exercise Price | Expiry Date | Balance April 30, 2013 | Issued | Expired | Balance April 30, 2014 |
|---|---|---|---|---|---|
| $2.20 | July 20, 2013 | 1,540,018 | - | 1,540,018 | - |
| $2.20 | August 16, 2013 | 514,663 | - | 514,663 | - |
| $2.20 | August 29, 2013 | 4,553 | - | 4,553 | - |
| $2.00 | December 5, 2013 | 682,100 | - | 682,100 | - |
| $2.00 | January 5, 2014 | 44,000 | - | 44,000 | - |
| $1.70 | April 23, 2015 | 680,900 | - | - | 680,900 |
| $3.00 | *Note 1* | 25,000 | - | - | 25,000 |
| $4.00 | *Note 2* | 25,000 | - | - | 25,000 |
| $1.00 | January 31, 2016 | 845,200 | - | - | 845,200 |
| $1.00 | February 28, 2016 | 787,300 | - | - | 787,300 |
| $0.50 | September 13, 2016 | - | 703,015 | - | 703,015 |
| $0.50 | October 11, 2016 | - | 1,836,750 | - | 1,836,750 |
| | | **5,148,734** | **2,539,765** | **2,785,334** | **4,903,165** |
| Weighted average exercise price | | $1.74 | $0.50 | $2.15 | $0.86 |
| Weighted average remaining life in years | | 1.33 | | | 1.99 |

*Note 1: Exercisable two years from the date on which FMEC exercises its option to acquire a 51% indirect interest in the Cerro Las Minitas property. Agreement expired September 11, 2014.*

*Note 2: Exercisable two years from the date on which FMEC gives notice of its election to acquire an additional 19% indirect interest in the Cerro Las Minitas property. Agreement expired September 11, 2014.*

(Expressed in Canadian Dollars)

**11. Share Capital, continued**

**(e) Fair Value Determination**

The fair value of stock options granted and re-priced and finders' warrants issued were calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Options | Warrants | Options | Warrants |
| Risk-free interest rate | 0.83% | 0.91% | 1.72% | 1.43% |
| Expected share price volatility | 122.42% | 115.17% | 106.95% | 114.18% |
| Expected option/warrant life (years) | 4.81 | 5.00 | 5.00 | 3.00 |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

The expected volatility assumptions have been developed taking into consideration historical volatility of the Company's share price.

The total calculated fair value of share-based payments for the years ended April 30, 2015 and 2014 were included in the consolidated statements of comprehensive loss or changes in equity as follows:

| | 2015 | 2014 |
|---|---|---|
| Consolidated Statements of Comprehensive Loss | | |
| Directors and officers | $ 178,489 | $ - |
| Consultants | 68,381 | 6,610 |
| | 246,870 | 6,610 |
| Consolidated Statements of Changes in Equity | | |
| Finders' warrants | 1,399 | 17,901 |
| Total | $ 248,269 | $ 24,511 |

**12. Segmented Information**

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties.

As at April 30, 2015 and 2014 the Company's non-current assets were all located in Mexico.

(Expressed in Canadian Dollars)

### 13. Supplemental Cash Flow Information

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Cash items | | | | |
| Interest received | $ | - | $ | 249 |
| Income tax paid | $ | - | $ | - |
| Interest paid | $ | 27,968 | $ | - |
| Non-cash items | | | | |
| Financing and Investing Activities | | | | |
| Shares issued for services | $ | 25,000 | $ | 50,000 |
| Shares issued for conversion of debt | $ | 300,560 | $ | - |
| Shares issued for loan bonus and finder's fee | $ | 70,940 | $ | - |

### 14. Income Tax

A reconciliation of the income tax charge computed at statutory rates to the reported loss before taxes is as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Income tax benefit at statutory rate of 26.00% (2013 - 25.08%) | $ | 356,141 | $ | 550,100 |
| Permanent differences | | (98,058) | | (329,874) |
| Temporary differences | | 70,751 | | 126,717 |
| Change in timing differences | | (337,958) | | 414,863 |
| Foreign exchange gains or losses | | 511,226 | | 413,478 |
| Change resulting from tax rate reduction | | - | | 7,408 |
| Adjustment attributable to income taxes of other countries | | 27,889 | | 43,039 |
| Unused tax losses and tax offsets not recognized | | (529,991) | | (1,225,731) |
| | $ | - | $ | - |

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities are as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Deferred income tax assets | | | | |
| Tax value over book value of non-capital losses | $ | 706,381 | $ | 451,233 |
| | | 706,381 | | 451,233 |
| Deferred income tax liabilities | | | | |
| Book value over tax value of mineral properties | $ | (706,381) | $ | (451,233) |
| Net deferred tax assets | $ | - | $ | - |

(Expressed in Canadian Dollars)

**14. Income Tax, continued**

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

| | 2015 | 2014 |
|---|---|---|
| Non-capital losses | $ 26,976,895 | $ 23,107,064 |
| Capital losses | 53,597 | 56,084 |
| Share issue costs | 240,845 | 351,437 |
| Tax value over book value of mineral properties | 2,752,793 | 4,887,770 |
| Tax value over book value of income tax credits | 1,534 | 1,534 |
| Tax value over book value of equipment | 27,165 | 24,831 |
| | $ 30,052,829 | $ 28,428,720 |

The Company's approximate unrecognized non-capital losses expire as follows:

| | CDN $ | US $ | Mexican Pesos |
|---|---|---|---|
| 2016 | - | - | 9,939,000 |
| 2017 | - | - | 9,369,000 |
| 2018 | - | - | 16,331,000 |
| 2019 | - | - | 18,308,000 |
| 2020 | - | - | 172,000 |
| 2021 | - | - | 6,284,000 |
| 2022 | - | - | 28,841,000 |
| 2023 | - | - | 23,846,000 |
| 2024 | - | - | 16,587,000 |
| 2025 | - | - | 6,100,000 |
| 2026 | 830,000 | - | - |
| 2027 | 1,206,000 | - | - |
| 2028 | 1,142,000 | 2,000 | - |
| 2029 | 760,000 | 1,719,000 | - |
| 2030 | 1,035,000 | 11,000 | - |
| 2031 | 1,061,000 | 5,000 | - |
| 2032 | 1,565,000 | 4,000 | - |
| 2033 | 1,004,000 | 46,000 | - |
| 2034 | 886,000 | 246,000 | - |
| 2035 | 743,000 | 60,000 | - |
| | 10,232,000 | 2,093,000 | 135,777,000 |

**15. Events After the Reporting Period**

In addition to the events disclosed elsewhere in these consolidated financial statements, the following occurred subsequent to April 30, 2015:

- On May 14, 2015, the Company entered into an agreement with Electrum Global Holdings L.P. ("Electrum") for the right to earn an indirect 60% interest in the Cerro Las Minitas property by funding exploration and development expenditures of US $5,000,000 over a maximum four year period through the acquisition of common shares of Southern Silver Holdings Ltd.

  At closing, Electrum contributed US $500,000 and received an indirect 10% interest, which will be forfeited if Electrum does not contribute an additional US $1,500,000 over the initial 18 month period of the option term. The initial US $2,000,000 will earn Electrum an indirect 30% interest. Electrum will then have the right to earn an additional 20% by expending US $1,500,000 in the succeeding 30 months of the option term. Subject to shareholder approval, a final 10% interest may be earned by expending an additional US $1,500,000 during this time period.

- On June 26, 2015, the Company closed a non-brokered private placement by issuing 10,000,000 units at a price of $0.10 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to purchase one additional common share for a period of five years at an exercise price of $0.15 per share.

- On July 29, 2015, the Company granted 1,000,000 stock options to directors, officers and consultants exercisable for a period of five years at an exercise price of $0.08 per share.

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# Management's Discussion and Analysis
## For the Year Ended April 30, 2015
## Dated: August 25, 2015

## A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the consolidated operating results and financial condition of Southern Silver Exploration Corp. (the "Company") is for the year ended April 30, 2015 and is dated August 25, 2015. This MD&A was prepared to conform to National Instrument 51-102F1 and was approved by the Board of Directors prior to its release. This analysis should be read in conjunction with the Company's audited consolidated financial statements for the year ended April 30, 2015, and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares trade on both the TSX Venture Exchange under the symbol "SSV.V" and on the Frankfurt Stock Exchange under the symbol "SEG.F".

The Company's functional and reporting currency is the Canadian dollar and all dollar amounts included herein are in Canadian dollars, unless otherwise indicated.

Additional information relating to the Company, including detailed drill results previously disclosed in news releases, is available on the Company's website at www.southernsilverexploration.com and on SEDAR at www.sedar.com.

## B. Qualified Person

Robert W. J. Macdonald, P. Geo., is the qualified person under National Instrument 43-101 responsible for the technical information included in this MD&A and the supervision of work done in association with the exploration and development programs. Mr. Macdonald graduated with a B.Sc. degree from Memorial University of Newfoundland and a M.Sc. from the University of British Columbia. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

## C. Foreign Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

| Canadian Dollars per US Dollar [1] | Year ended April 30, 2015 | Year ended April 30, 2014 |
|---|---|---|
| Rate at end of period | 1.2064 | 1.0960 |
| Average rate for period | 1.1499 | 1.0603 |
| High for period | 1.2790 | 1.1245 |
| Low for period | 1.0639 | 1.0033 |

| Conversion Table [2] Imperial | | Metric | |
|---|---|---|---|
| 1 acre | = | 0.404686 | hectares |
| 1 foot | = | 0.304800 | meters |
| 1 mile | = | 1.609344 | kilometres |
| 1 ton | = | 0.907185 | tonnes |
| 1 Ounce (troy)/ton | = | 34.285700 | g/t |

## C. Foreign Exchange Information and Conversion Tables, continued

| Precious metal units and conversion factors (2) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ppb | - Part per billion | 1 | ppb | = | 0.0010 | ppm | = | 0.000030 | oz/t |
| ppm | - Part per million | 100 | ppb | = | 0.1000 | ppm | = | 0.002920 | oz/t |
| oz | - Ounce (troy) | 10,000 | ppb | = | 10.0000 | ppm | = | 0.291670 | oz/t |
| oz/t | - Ounce per ton (avdp.) | 1 | ppm | = | 1.0000 | ug/g | = | 1.000000 | g/t |
| g | - Gram | | | | | | | | |
| g/t | - gram per metric ton | 1 | oz/t | = | 34.2857 | ppm | | | |
| mg | - milligram | 1 | Carat | = | 41.6660 | mg/g | | | |
| kg | - kilogram | 1 | ton (avdp.) | = | 907.1848 | kg | | | |
| ug | - microgram | 1 | oz (troy) | = | 31.1035 | g | | | |

(1) Information from www.bankofcanada.ca
(2) Information from www.onlineconversion.com

## D. Summary of Mineral Properties

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties for enhancement of value and disposition pursuant to sales agreements or development by way of third party option and/or joint venture agreements.

The Company is continuing to advance its core asset - Cerro Las Minitas - a silver-lead-zinc property located in Durango State, Mexico. The property is a large land position and lies within the prolific Faja de Plata (Belt of Silver) of north central Mexico.

The Company also continues to advance Oro - a gold-silver-copper-lead-zinc property located in New Mexico, USA. The property features a classic porphyry zonation within the highly prospective Laramide Porphyry belt of the southern USA. The Company is actively seeking a partner to finance further exploration on this property.

### Cerro Las Minitas - Durango, Mexico

The property is located about 70 kilometres to the northeast of the city of Durango in Durango State, Mexico, and is accessed easily by road. The property comprises 18 concessions totalling approximately 13,700 hectares in one of the most significant silver producing regions in the world with current reserves/resources and historic production in excess of 3 billion ounces of silver.

Since acquisition in 2010, and inclusive of exploration pursuant to an earn-in agreement with Freeport-McMoRan Exploration Corporation ("FMEC") from October 2012 to September 2014, drilling has totaled 23,310 metres in 75 core holes and has resulted in the identification of two high-grade silver-polymetallic deposits, the Blind Zone and El Sol Zone, which have been only partially delineated.

New discoveries have also been made at the North Skarn and South Skarn targets and in extensions to the historic deposits at Mina Santo Nino and Mina La Bocona.

## D. Summary of Mineral Properties, continued

### Cerro Las Minitas - Durango, Mexico, continued

Mineralization occurs as massive-sulphide pipes, veins and replacements in sub-vertical structures that demonstrate good continuity between drill holes. Mineralization is open on-strike and at depth in a similar geological environment to that of major Mexican Carbonate Replacement Deposits (CRDs) such as Santa Eulalia (45Mt of 310g/t Ag, 7.1% Zn and 8.2% Pb) and Skarn deposits such as San Martin (60Mt of 118g/t silver, 0.9% copper and 3.9% zinc).

Geological modeling of the Blind and El Sol deposit using a nominal 80g/t AgEq cut-off has identified multiple distinct mineralized structures with a 820 metre cumulative strike-length and with depth projections of up to 350 metres below surface. Deeper mineralization has also been identified at the El Sol and Santo Nino zones.

On September 11, 2014, the Company received notice from FMEC of termination of the earn-in agreement, under which FMEC had incurred expenditures totalling approximately US $5,500,000 during the earn-in period. As part of the termination, FMEC assigned to the Company its option to acquire a 100% unencumbered interest in the El Sol Concession at no cost. On July 20, 2015, the Company elected to abandon this option.

On May 14, 2015, the Company granted Electrum Global Holdings L.P. ("Electrum") the right to earn an indirect 60% interest in the property by funding exploration and development expenditures of US $5,000,000 over a maximum 48 month period.

Surface exploration is underway for an initial US $2,000,000 exploration program. Up to 10,000 metres of core drilling is planned with six holes initially targeting the Blind and El Sol mineralized zones. Further drilling will test for new zones of mineralization on the margins of the Central Monzonite Intrusion including the area of Mina La Bocona and the North Skarn zone and will test other geophysical and geochemical targets outboard of the Central Intrusion.

The first drill hole has been completed and sampled; assays are pending, and the second hole started.

Soil sampling in the area has extended sample coverage outboard of the known areas of mineralization and now covers several geophysical anomalies outlined in earlier surveys. Approximately 450 samples have been collected and submitted for analyses and include samples for several soils lines over previously identified Western and Eastern biogeochemical anomalies on the larger 137 square kilometre property; assays are pending. Further soil sampling and prospecting is proceeding over the Eastern anomalies and in several key areas along the 25 kilometre strike-length. New drill targets will be defined based on the results of this work.

Encouraging results of preliminary metallurgical testing were also reported from the Blind - El Sol Zone. Testing was done on a composite of 10 samples taken from the high-grade dump at the La Lupita shaft.

The head analyses of the composite returned 225g/t Ag, 0.06g/t Au, 0.11% Cu, 6.6%Pb and 5.4% Zn. Both lead and zinc concentrates were produced via batch flotation with the following results:

## D. Summary of Mineral Properties, continued

### Cerro Las Minitas - Durango, Mexico, continued

- Approximately 82% of the silver, 86% of the lead and 12% of the zinc was recovered into the lead rougher concentrate assaying 2000ppm Ag, 61.5% Pb and 7.2% Zn. The concentrate was later upgraded to 2300ppm Ag and 71.1% Pb, and
- Subsequent zinc flotation recovered 79% of the zinc into a rougher concentrate at a grade of 39.5% Zn. Two-stage cleaning of the concentrate increased the grade to 49.7% Zn.

These preliminary results are significant in that two separate, high-grade concentrates were produced from mined material from the Blind zone. Additional test-work is recommended utilizing different reagents in order to further upgrade the final concentrates. Samples charges of the composite have been retained and this work will be completed after the next phase of exploration on the property.

### Minas de Ameca - Jalisco, Mexico

The Minas de Ameca project, located about 80 kilometres west of Guadalajara, previously comprised the El Magistral, Magistral I and San Luis claims. The Company returned Magistral I, which was in default, to the vendors and is continuing efforts to option the remaining claims to a third party.

### Oro - New Mexico, USA

The Oro property comprises a contiguous block of Federal, State and private land totaling 11.8 square kilometres in the historic Eureka mining district in Grant County, New Mexico and is located approximately 80 kilometres southwest of the Silver City porphyry copper district.

The claims surround a highly prospective quartz-sericite-pyrite alteration footprint, interpreted to overlie an unexposed porphyry centre. Classic porphyry system zonation is indicated by surface gold and copper mineralization associated with Laramide-age intrusions in this core area, flanked by lead-zinc skarn mineralization and distal sediment-hosted gold occurrences.

In addition to bulk-tonnage porphyry copper-molybdenum-gold potential, the property also includes the high-grade sediment-hosted Stock Pond gold target. Reconnaissance rock sampling has been completed over a strike length of 140 metres, yielding values up to 4.8 grams per tonne gold. Gold mineralization is interpreted to be related to the main porphyry centre, located 4 kilometres to the southwest.

The property was previously subject to an earn-in agreement with Desert Star Resources Ltd. Notice of termination of this agreement was received on July 8, 2014.

The Company has a planned exploration program which includes a detailed deep penetrating geophysical program, surface mapping, sampling, trenching and diamond drilling to test both the porphyry potential on the property as well as the gold potential at Stock Pond, pending market or partner financing.

## D. Summary of Mineral Properties, continued

### Acquisition Costs

Mineral property acquisition costs are capitalized, net of recoveries. Mineral property acquisition costs as at April 30, 2015 and 2014 were as follows:

| | Mexico | | USA | | |
|---|---|---|---|---|---|
| | Cerro Las Minitas $ | Minas de Ameca $ | Oro $ | Dragoon $ | Total $ |
| Balance as at April 30, 2013 | 1,459,225 | 363,205 | 1,133,280 | 103,911 | 3,059,621 |
| Additions, net | (80,333) | 6,405 | 3,767 | 14,792 | (55,369) |
| Impairments | - | (369,610) | (1,137,047) | (118,703) | (1,625,360) |
| Balance as at April 30, 2014 | 1,378,892 | - | - | - | 1,378,892 |
| Additions, net | 676,595 | - | 34,679 | - | 711,274 |
| Impairments | - | - | (34,679) | - | (34,679) |
| **Balance as at April 30, 2015** | **2,055,487** | **-** | **-** | **-** | **2,055,487** |

### Exploration and Evaluation Expenses

Exploration and evaluation expenditures are expensed as incurred. Exploration and evaluation expenditures incurred for the years ended April 30, 2015 and 2014 were as follows:

| | Mexico | | USA | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cerro Las Minitas | | Oro | | Dragoon | | Total | |
| | $ 2015 | $ 2014 | $ 2015 | $ 2014 | $ 2015 | $ 2014 | $ 2015 | $ 2014 |
| Assays and geochemistry | 14,495 | 51,994 | - | - | - | - | 14,495 | 51,994 |
| Camp, utilities and supplies | 9,748 | 18,613 | 2,247 | (652) | - | - | 11,995 | 17,961 |
| Drilling | 64,172 | 714,750 | - | - | - | - | 64,172 | 714,750 |
| Environmental | 673 | 254 | - | - | - | - | 673 | 254 |
| Equipment and field supplies | 12,818 | 30,183 | 7 | 37 | - | - | 12,825 | 30,220 |
| Geological and geophysics | 59,783 | 236,606 | 584 | 1,426 | - | - | 60,367 | 238,032 |
| Land fees | 112,166 | 49,001 | 307 | - | - | - | 112,473 | 49,001 |
| Project supervision | 163,303 | 109,423 | 20,623 | 2,378 | - | 2,137 | 183,926 | 113,938 |
| Project support | 3,909 | 12,873 | - | - | - | - | 3,909 | 12,873 |
| Taxes | 200,803 | 259,147 | - | - | - | - | 200,803 | 259,147 |
| Travel | 16,057 | 2,899 | - | - | - | - | 16,057 | 2,899 |
| Recoveries | (294,803) | (1,791,634) | - | - | - | - | (294,803) | (1,791,634) |
| | **363,124** | **(305,891)** | **23,768** | **3,189** | **-** | **2,137** | 386,892 | (300,565) |
| General exploration - other | | | | | | | 5,134 | 13,358 |
| | | | | | | | **392,026** | **(287,207)** |

## E. Results of Operations

During the year ended April 30, 2015, the Company recognized a net loss and comprehensive loss of $1,374,772 (2014 - $2,108,764). A summary of variances is as follows:

| | 2015 | 2014 | Variance | |
|---|---|---|---|---|
| | $ | $ | $ | % |
| Administration | 75,000 | 94,500 | (19,500) | (21%) |
| Consulting | 166,315 | 193,933 | (27,618) | (14%) |
| Exploration and evaluation, net of recoveries | 392,026 | (287,207) | 679,233 | (236%) |
| Independent directors' fees | 6,000 | 35,990 | (29,990) | (83%) |
| Investor relations | 52,090 | 155,382 | (103,292) | (66%) |
| Office and general | 15,007 | 32,569 | (17,562) | (54%) |
| Professional fees | 210,101 | 197,811 | 12,290 | 6% |
| Regulatory fees and taxes | 23,628 | 23,384 | 244 | 1% |
| Share-based payments | 246,870 | 6,610 | 240,260 | 3,635% |
| Shareholders' communications | 4,744 | 3,153 | 1,591 | 50% |
| Transfer agent | 16,861 | 7,366 | 9,495 | 129% |
| Travel and promotion | 7,595 | 2,126 | 5,469 | 257% |
| Foreign exchange loss | 22,844 | 22,656 | (188) | (1%) |
| Interest and other income | (8,909) | (249) | 8,660 | (3,478%) |
| Loan interest accretion | 79,817 | 2,380 | (77,437) | (3,254%) |
| Loss on early repayment of convertible debt | 30,079 | - | 30,079 | - |
| Mineral property impairment | 34,679 | 1,625,360 | 1,590,681 | 98% |
| Realized gain on sale of marketable securities | (4,975) | - | 4,975 | - |
| Reclassification adjustment for releaized gain on sale of marketable securities included in net loss | 4,975 | - | (4,975) | - |
| Unrealized loss (gain) on marketable securities, net of taxes | 25 | (7,000) | (7,025) | 100% |

Fluctuations in administration, consulting, exploration and evaluation, investor relations, office and general and professional fees arose mainly as a result of a revised service agreement which had a retrospective effective date of February 1, 2014 *(I - Related Party Transactions).*

As per the Company's mandate to acquire, explore, and develop mineral resource properties, the Company has continued to invest in its mineral properties subject to available resources. During the current period, the Company received notice of termination of its earn-in agreement with FMEC, under which the Company recovered exploration costs incurred.

Independent directors' fees decreased as result of the cessation of such fee arrangements effective November 1, 2014.

Non-cash share-based payments vary as stock options are granted and vest.

During the current year, additional shareholders' communications and transfer agent costs were incurred with respect to a consolidation of the Company's outstanding common shares. In addition, the Company received a refund of a bond relating to its previously held Tombstone property which had been written off.

## E. Results of Operations, continued

Foreign exchange gains and losses fluctuate based on the US and Canadian dollar exchange rate and the extent of transactions and balances denominated in US dollars.

Interest accretion expense was recognized with respect to on-demand and convertible debt. A loss on early repayment was also recognized with respect to settlement of the convertible debt.

The Company continues to assess its planned course of action with respect to non-core properties and has determined that there are certain indicators of impairment and, as a result, recorded an impairment provision against all capitalized costs relating to the Oro property (2014 - Minas de Ameca : Oro : Dragoon).

## F. Summary of Quarterly Results

The following financial data was derived from the Company's consolidated financial statements for the eight previous quarters:

| | Apr 30, 2015 $ | Jan 31, 2015 $ | Oct 31, 2014 $ | July 31, 2014 $ | Apr 30, 2014 $ | Jan 31, 2014 $ | Oct 31, 2013 $ | Jul 31, 2013 $ |
|---|---|---|---|---|---|---|---|---|
| **Net loss** | 613,032 | 457,961 | 126,702 | 172,077 | 1,321,479 | 170,114 | 570,446 | 53,725 |
| **Basic and diluted loss per share** | $ 0.02 | $ 0.03 | $ 0.01 | $ 0.01 | $ 0.08 | $ 0.01 | $ 0.04 | $ 0.00 |

The Company earned no revenue during the periods presented other than minimal interest income due to the nature of current operations.

Quarterly fluctuations during the periods presented mainly relate to a revised services agreement *(I - Related Party Transactions)*, recognition of share-based payments which occur as stock options are granted and vest, foreign exchange gains and losses which vary with market rates and mineral property exploration expenses or impairments which occur as projects are identified and drilling results are analyzed or other indicators arise.

During the three months ended October 31, 2014, the Company received notice of termination of its earn-in agreement with FMEC. Significant impairment charges were recognized in the three months ended October 31, 2013 and April 30, 2014 related to the Company's non-core properties.

## G. Fourth Quarter

The Company closed three tranches of a private placement on March 4, March 5 and March 11, 2015, and issued a total of 20,000,000 units at a price of $0.08 per unit for gross proceeds of $1,600,000. Proceeds from the private placement were utilized for general working capital purposes inclusive of repayment of loans payable to a director and officer of the Company and to a private company controlled by a former director.

### G. Fourth Quarter, continued

On March 17, 2015, pursuant to a convertible loan arrangement with Radius Gold Inc. ("Radius"), the Company received a notice of conversion whereby Radius elected to convert $300,000 of the convertible loan into common shares of the Company. On March 19, 2015, the Company repaid the balance of the loan, plus accrued interest, of $521,742.

### H. Summary of Annual Information

The following represents certain financial data for the previous three fiscal years:

| | 2015<br>$ | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| **Net loss** | (1,369,772) | (2,115,764) | (1,116,592) |
| **Basic and diluted loss per share** | (0.06) | (0.13) | (0.10) |
| **Current assets** | 111,144 | 301,970 | 71,566 |
| **Other non-current assets** | 41,073 | 43,881 | 119,068 |
| **Mineral properties** | 2,055,487 | 1,378,892 | 3,059,621 |
| **Total assets** | 2,207,704 | 1,724,743 | 3,250,255 |
| **Total non-current financial liabilities** | - | - | - |
| **Cash dividends per common share** | - | - | - |

During the periods presented, the Company earned no revenue other than minimal interest income and main operating costs have remained materially constant, subject to additional contracts for services entered into as required and costs incurred for financing or other ad-hoc projects as undertaken. The Company continues to invested in its mineral properties as finance and assessments have permitted. Impairment charges are recognized as relevant indicators arise.

During the year ended April 30, 2014, the Company received notice of termination of its earn-in agreement with FMEC and significant impairment charges were recognized.

To date, the Company has not paid dividends and does not have any long-term financial liabilities.

### I. Related Party Transactions

Except as disclosed elsewhere, the Company entered into the following related party transactions:

**(a)** Pursuant to a revised service agreement between the Company and a private company controlled by a director and officer of the Company, with a retrospective effective date of February 1, 2014, the Company was charged as follows:

- $75,000 (2014 - $94,500) for office space and general administration services;
- $47,050 (2014 - $51,013) for professional services;
- $16,510 (2014 - $16,614) for consulting services;
- $2,710 (2014 - $15,550) for investor relations services;
- $126,390 (2014 - $32,003) for mineral property geological consulting services; and
- $1,691 (2014 - $1,531) for the mark-up on out-of-pocket expenses and office and general.

Amounts payable as at April 30, 2015 were $55,298 (2014 - $25,577).

## I. Related Party Transactions, continued

**(b)** Fees in the amount of $112,320 (2014 - $112,320) were charged by a director and officer of the Company for consulting services. Amounts payable as at April 30, 2015 were $19,656 (2014 - $93,551).

**(c)** Fees in the amount of $64,473 (2014 - $37,356) were charged by a law firm controlled by a director and officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at April 30, 2015 were $67,486 (2014 - $22,225).

**(d)** Fees in the amount of $nil (2014 - $2,500) were charged by a private company controlled by a former officer of the Company for consulting services.

**(e)** Fees in the amount of $12,000 (2014 - $11,000) were charged by an officer of the Company for consulting services. Amounts payable as at April 30, 2015 were $2,000 (2014 - $10,500).

**(f)** Fees of $6,000 (2014 - $35,990) were payable with respect to independent directors' fees. Such fees ceased to be payable effective November 1, 2014. Amounts payable as at April 30, 2014 were $55,554.

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company.

One executive officer is entitled to termination benefits in the event of a change of control equal to one hundred percent of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement termination clause as at April 30, 2015 was $468,000.

The Company has no long-term employee or post-employment benefits. Compensation awarded to key management, included in (b), (d), (e) and (f) above, was as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Short-term benefits | $ | 130,320 | $ | 161,810 |
| Share-based payments | | 178,489 | | - |
| Total | $ | 308,809 | $ | 161,810 |

## J. Financial Condition, Liquidity and Capital Resources

As at April 30, 2015, the Company had a working capital deficiency of $463,552 (2014 - $576,202). Where possible, the Company has been reducing general and administration costs, negotiating extended payment terms of its trade payables, and reviewing its capital expenditure plan and future commitments to identify opportunities to reduce or delay spending and payments.

## J. Financial Condition, Liquidity and Capital Resources, continued

On June 24, 2015, the Company closed a non-brokered private placement and issued a total of 10,000,000 units at a price of $0.10 per unit for gross proceeds of $1,000,000.

However, the Company does not yet generate any revenue from operations and, for the foreseeable future, the Company will need to rely on raising capital in the equity markets to provide working capital. Although the Company has been successful in obtaining financing through sale of its securities, there can be no assurance that the Company will be able to obtain adequate financing in the future in light of factors such as the market demand for its securities, the general state of financial markets and other relevant factors. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with a possible loss of some properties and reduction or termination of operations.

## K. Outstanding Equity and Convertible Securities

### i) Issued and Outstanding Shares

On September 17, 2014, the Company completed a capital consolidation of its issued and outstanding common shares on a one new share for ten old shares basis. All comparative figures have been adjusted retrospectively.

As at April 30, 2015, the Company had 44,483,436 common shares issued and outstanding.

On June 24, 2015, the Company closed a non-brokered private placement and issued a total of 10,000,000 units at a price of $0.10 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to purchase one common share for a period of five years at an exercise price of $0.15 per share.

As at August 25, 2015, the Company had 54,483,436 common shares issued and outstanding.

### ii) Stock Options

As at August 25, 2015, the Company had stock options outstanding as follows:

| Exercise Price | Expiry Date | Balance April 30, 2015 | Granted | Expired | Balance August 25, 2015 |
|---|---|---|---|---|---|
| $1.70 | November 29, 2015 | 111,500 | - | 7,500 | 104,000 |
| $1.70 | December 13, 2015 | 10,000 | - | - | 10,000 |
| $1.00 | June 5, 2017 | 35,000 | - | - | 35,000 |
| $1.00 | March 14, 2018 | 400,200 | - | 30,000 | 370,200 |
| $0.50 | March 24, 2019 | 50,000 | - | - | 50,000 |
| $0.08 | March 26, 2020 | 3,503,500 | - | - | 3,503,500 |
| $0.08 | July 29, 2020 | - | 1,000,000 | - | 1,000,000 |
| | | **4,110,200** | **1,000,000** | **37,500** | **5,072,700** |
| Weighted average exercise price | | $0.16 | $0.08 | $1.14 | $0.18 |
| Weighted average remaining life in years | | 4.55 | | | 4.38 |

## K. Outstanding Equity and Convertible Securities, continued

### iii) Share Purchase Warrants

As at August 25, 2015, the Company had share purchase warrants outstanding as follows:

| Exercise Price | Expiry Date | Balance April 30, 2015 | Issued | Balance August 25, 2015 |
|---|---|---|---|---|
| $1.00 | January 31, 2016 | 845,200 | - | 845,200 |
| $1.00 | February 28, 2016 | 787,300 | - | 787,300 |
| $0.50 | September 13, 2016 | 703,015 | - | 703,015 |
| $0.50 | October 11, 2016 | 1,836,750 | - | 1,836,750 |
| $0.08 | March 4, 2020 | 2,335,407 | - | 2,335,407 |
| $0.08 | March 5, 2020 | 15,884,593 | - | 15,884,593 |
| $0.08 | March 11, 2020 | 1,810,000 | - | 1,810,000 |
| $0.15 | June 26, 2020 | - | 10,000,000 | 10,000,000 |
| | | **24,202,265** | **10,000,000** | **34,202,265** |
| Weighted average exercise price | | $0.19 | $0.15 | $0.18 |
| Weighted average remaining life in years | | 4.22 | | 4.17 |

## L. Financial Instruments

The Company's financial instruments include cash, reclamation bonds, accounts payable and accrued liabilities and amounts due to related parties.

The Company has classified its financial instruments into the following categories:

| Financial Instrument | Category | Carrying Value |
|---|---|---|
| Cash | FVTPL | Fair Value |
| Reclamation Bonds | Loans and Receivables | Amortized Cost |
| Accounts Payable and Accrued Liabilities | Other Financial Liabilities | Amortized Cost |
| Due to Related Parties | Other Financial Liabilities | Amortized Cost |

The carrying values of accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short period to maturity. Reclamation bonds are non-interest-bearing, have no maturity date and their carrying values approximate fair value.

These financial instruments have no material risk exposure. Risk is managed with respect to cash by risk management policies that require significant cash deposits or short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. In addition, all investments must be less than one year in duration.

## M. Subsequent Events and Outlook

There are no other material events subsequent to the date of this document. The Company is continuing to explore its core property and activities over the ensuing year will focus on this. The Company expects to continue its strategy of collaborating with experienced mining companies to acquire and develop other properties and to advance them to production.

## N. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate entering into any such arrangements in the foreseeable future.

## O. Disclosure Controls and Procedures

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors, two of whom are independent, who meet at least quarterly with management, and at least annually with the external auditors, to review accounting, internal control, financial reporting and audit matters.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

The Audit Committee has established procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees who have concerns regarding questionable accounting or auditing matters. The Whistleblower policy is in accordance with National Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

Being a venture issuer, the Company is exempted from the certification on Disclosure Controls and Procedures and Internal Control Over Financial Reporting. The Company is required to file Form 52-109FV1 for annual reporting and Form 52-109FV2 for interim reporting.

## P. Risks and Uncertainties

The principal business of the Company is the acquisition, exploration and development of mineral properties. Given the nature of the mining business, the limited extent of the Company's assets and the present stage of development, the following risk factors, among others, should be considered:

*Exploration Stage Company*

The Company does not hold any known mineral reserves of any kind and does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive.

**P. Risks and Uncertainties, continued**

There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration.

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities.

Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of resources or reserves.

*No Operating History and Availability of Financial Resources*

The Company does not have an operating history and has no operating revenues and is unlikely to generate any significant amount in the foreseeable future. Hence, it may not have sufficient financial resources to undertake by itself all of its planned mineral property acquisition and exploration activities. Operations will continue to be financed primarily through the issuance of securities.

The Company will need to continue its reliance on the issuance of such securities for future financing, which may result in dilution to existing shareholders.

Furthermore, the amount of additional funds required may not be available under favorable terms, if at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to forfeit its interests in some or all of its properties or to reduce or discontinue its operations.

*Price Volatility and Lack of Active Market*

In recent months, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline below the subscription price.

*Dependence on Key Personnel*

The Company is dependent on a relatively small number of key directors, officers and senior personnel. Loss of any one of those persons could have an adverse effect on the Company.

The Company does not currently maintain "key-man" insurance in respect of any of its management.

**P. Risks and Uncertainties, continued**

*Government Regulations and Environmental Risks and Hazards*

The Company conduct is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource property interests, the potential for production on the property may be diminished or negated. The Company has adopted environmental practices designed to ensure that it continues to comply with environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. Environmental hazards may exist on the Company's properties, which may have been caused by previous or existing owners or operators of the properties. The Company is not aware of any existing environmental hazards related to any of its current property interests that may result in material liability to the Company.

*Competition*

The resource industry is intensively competitive in all of its phases, and the Company competes with many other companies possessing much greater financial and technical resources. Competition is particularly intense with respect to the acquisition of desirable undeveloped properties.

The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify and investigate such properties, and the financial resources necessary to acquire and develop the projects. Competition could adversely affect the Company's ability to acquire suitable prospects for exploration.

*Title to Property*

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements or transfers, aboriginal land claims, government expropriation and title may be affected by undetected defects. In addition, certain mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties.

*Licenses and Permits*

The operations of the Company require licenses and permits from various government authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations for work in progress and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

## Q. Changes in Accounting Policies Including Initial Adoption

***Future Accounting Standards Changes***

IFRS 9: *Financial Instruments* will eventually form a complete replacement for IAS 39: *Financial Instruments: Recognition and Measurement*. All financial assets are classified as measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified at fair value through profit and loss, financial guarantees and certain other exceptions.

In response to delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date from January 1, 2013 to annual periods beginning on or after January 1, 2018. The amendments also provided relief from the requirement to restate comparative consolidated financial statements for the effects of applying IFRS 9.

## R. Proposed Transactions

Other than normal course review of monthly submittals, there are no other new acquisitions or proposed transactions contemplated as at the date of this report.

## S. Forward-Looking Statements

Some of the statements contained in this MD&A may be deemed "forward-looking statements." These include estimates and statements that describe the Company's future plans, objectives or goals, and expectations of a stated condition or occurrence. Forward-looking statements may be identified by the use of words such as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan".

Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as but not limited to; changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; changing foreign exchange rates and other matters discussed in this MD&A.

Readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not assume any obligation to update or revise any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws, whether as a result of new information, future events or otherwise.