1100 – 1199 West Hastings Street,
Vancouver, BC, V6E 3T5
Tel: 604-684-9384 Fax: 604-688-4670
www.southernsilverexploration.com

Consolidated Financial Statements
Years Ended April 30, 2014 and 2013
(Expressed in Canadian Dollars)

Index **Page**

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, 2014 and 2013, 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, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 Accountants

Vancouver, British Columbia
August 28, 2014

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

Tel: 604 687 1231
Fax: 604 688 4675
smytheratcliffe.com

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Statements of Comprehensive Loss
Years Ended April 30, 2014 and 2013
(Expressed in Canadian Dollars)

	Note	2014	2013
Expenses			
Administration		$ 94,500	$ 121,000
Consulting		193,933	222,585
Exploration and evaluation, net of recoveries	8(e)	(287,207)	544
Independent directors' fees		35,990	37,673
Investor relations		155,382	140,363
Office and general		32,569	62,162
Professional fees		197,811	226,152
Regulatory fees and taxes		23,384	13,796
Share-based payments	11(g)	6,610	253,301
Shareholders' communications		3,153	11,508
Transfer agent		7,366	15,483
Travel and promotion		2,126	17,822
		465,617	**1,122,389**
Foreign exchange loss (gain)		22,656	(11,969)
Interest income		(249)	(283)
Loan interest accretion		2,380	6,455
Mineral property impairment	8	1,625,360	-
		1,650,147	**(5,797)**
Net Loss for the Year		**$ 2,115,764**	**$ 1,116,592**
Other Comprehensive (Income) Loss			
Unrealized (gain) loss on fair value of marketable securities	6	(7,000)	2,000
Net Loss and Comprehensive Loss for the Year		**$ 2,108,764**	**$ 1,118,592**
Loss per share - basic and diluted		$ 0.01	$ 0.01
Weighted average number of common shares outstanding		158,750,839	131,746,288

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, 2014	April 30, 2013
Current Assets			
Cash		$ 121,247	$ 16,054
Taxes and other receivables	8(a)	132,031	26,890
Marketable securities	6	16,000	9,000
Prepaids		32,692	19,622
		301,970	**71,566**
Non-Current Assets			
Reclamation bonds	7	43,881	119,068
Mineral properties	8	1,378,892	3,059,621
		1,422,773	**3,178,689**
		$ 1,724,743	**$ 3,250,255**
Current Liabilities			
Accounts payable and accrued liabilities	9(h)	$ 656,433	$ 630,614
Due to related parties	9	170,309	118,056
Loans payable	10	51,430	49,050
		878,172	**797,720**
Equity			
Share capital	11	29,551,475	29,073,186
Share-based payments reserve		891,522	1,054,446
Warrants reserve		66,270	66,270
Accumulated other comprehensive income (loss)		5,000	(2,000)
Deficit		(29,667,696)	(27,739,367)
		846,571	**2,452,535**
		$ 1,724,743	**$ 3,250,255**

Approved on behalf of the Board

"Lawrence Page" — **Lawrence Page, Q.C.**

"Dale Janowsky" — **Dale Janowsky**

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, 2014 and 2013
(Expressed in Canadian Dollars)

	Share Capital		Share-based		Accumulated Other		
	Number of Shares	Amount	Payments Reserve	Warrants Reserve	Comprehensive Income (Loss)	Deficit	Total
Balance as at April 30, 2012	**128,240,913**	**$ 28,345,365**	**$ 1,297,771**	**$ 66,270**	**$ -**	**$ (27,130,744)**	**$ 2,578,662**
Issued							
Private Placements	15,662,000	783,100	-	-	-	-	783,100
Shares for mineral property	700,000	35,000	-	-	-	-	35,000
Shares for loan	96,000	4,800	-	-	-	-	4,800
Returned to treasury	(4)	-	-	-	-	-	-
Share issue costs	-	(95,079)	11,343	-	-	-	(83,736)
Fair value of options and warrants expired	-	-	(507,969)	-	-	507,969	-
Share-based payments	-	-	253,301	-	-	-	253,301
Unrealized loss on marketable securities	-	-	-	-	(2,000)	-	(2,000)
Net loss for the year	-	-	-	-	-	(1,116,592)	(1,116,592)
Balance as at April 30, 2013	**144,698,909**	**29,073,186**	**1,054,446**	**66,270**	**(2,000)**	**(27,739,367)**	**2,452,535**
Issued							
Private Placement	24,280,150	485,603	-	-	-	-	485,603
Shares for services	1,000,000	50,000	-	-	-	-	50,000
Share issue costs	-	(57,314)	17,901	-	-	-	(39,413)
Fair value of options and warrants expired	-	-	(187,435)	-	-	187,435	-
Share-based payments	-	-	6,610	-	-	-	6,610
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	**169,979,059**	**$ 29,551,475**	**$ 891,522**	**$ 66,270**	**$ 5,000**	**$ (29,667,696)**	**$ 846,571**

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
Years Ended April 30, 2014 and 2013
(Expressed in Canadian Dollars)

	2014	2013
Operating Activities		
Net loss for the year	$ (2,115,764)	$ (1,116,592)
Items not involving cash:		
Interest accretion	2,380	5,850
Mineral property impairment	1,625,360	-
Share-based payments	6,610	253,301
Shares issued for services	50,000	-
Unrealized foreign exchange loss (gain)	7,636	(11,714)
	(423,778)	(869,155)
Changes in non-cash working capital		
Taxes and other receivables	(105,141)	20,791
Prepaids	(13,070)	681
Accounts payable and accrued liabilities	25,819	73,203
Due to related parties	52,253	78,097
	(40,139)	172,772
Cash Used in Operating Activities	(463,917)	(696,383)
Investing Activities		
Mineral property recovery (acquisition)	55,369	(493,849)
Reclamation bond recovery	75,574	-
Cash Provided by (Used in) Investing Activities	130,943	(493,849)
Financing Activities		
Proceeds from issuance of shares, net	446,190	699,364
Loans received	-	48,000
Cash Provided by Financing Activities	446,190	747,364
Foreign Exchange Effect on Cash	(8,023)	6,578
Increase in Cash During the Year	105,193	(436,290)
Cash, Beginning of Year	16,054	452,344
Cash, End of Year	$ 121,247	$ 16,054

Supplemental cash flow information (Note 14)

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, 2014, the Company had a working capital deficiency of $576,202 (2013 - $726,154). The Company incurred a net loss of $2,115,764 for the year ended April 30, 2014 (2013 - $1,116,592) and had an accumulated deficit of $29,667,696 as at April 30, 2014 (2013 - $27,739,367).

As at April 30, 2014, the Company does not have sufficient working capital to meet its administrative overheads and continue its exploration programs. The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company will be required to issue share capital to finance future activities through private placements and the exercise of options and warrants. There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists that casts substantial 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.

2. Basis of Preparation, continued

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 28, 2014.

3. Summary of Significant Accounting Policies

(a) Significant Accounting Estimates and Judgments

The preparation of 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 estimation 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.

3. Summary of Significant Accounting Policies, continued

(a) Significant Accounting Estimates and Judgments, continued

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards 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.

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, 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, 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.

3. Summary of Significant Accounting Policies, continued

(b) Mineral Properties, continued

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.

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 and 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) 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.

(e) 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.

3. Summary of Significant Accounting Policies, continued

(f) 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.

(g) 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.

(h) 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 and loss using the graded vesting method, with the offset credit to share-based payment reserve.

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.

(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 loss carry forwards, 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.

3. Summary of Significant Accounting Policies, continued

(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.

(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.

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.

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.

(l) Future Accounting Standards Changes

IFRS 9: *Financial Instruments* includes requirements for recognition and measurement, derecognition and hedge accounting. The IASB is adding to the standard as it completes the various phases of its comprehensive project on financial instruments, and so it will eventually form a complete replacement for IAS 39: *Financial Instruments: Recognition and Measurement*.

IFRS 9 was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. The current version of IFRS 9 does not include a mandatory effective date but is available for adoption. An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued.

IAS 36: *Impairment of Assets*, as amended, will reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. Applicable to annual periods beginning on or after January 1, 2014.

IAS 24: *Related Party Disclosures*, as amended, will clarify how payments to entities providing management services are to be disclosed. Applicable to annual periods beginning on or after July 1, 2014.

The Company has assessed the impact of adopting the above future accounting standard changes on its consolidated financial statements and the impact is not expected to be material.

4. Financial Instruments

(a) Categories of Financial Instruments

The Company's financial instruments include cash, other receivables, marketable securities, reclamation bonds, accounts payable and accrued liabilities, 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
Receivables (Advances)	Loans and Receivables	Amortized Cost
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 receivables (April 30, 2014 - $129,859 : April 30, 2013 - $3,449), 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, currency risk, interest rate risk, credit 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, 2014, all of the Company's financial liabilities are either past due or have contractual maturities of less than 90 days. The Company does not have sufficient resources to meet requirements for administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months. The Company will be required to raise additional capital in the future to fund its operations.

4. Financial Instruments, continued

(c) Financial Risk Management, continued

(ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or 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, 2014, cash totalling $110,333 (April 30, 2013 - $10,355) was held in US dollars and $8,531 (April 30, 2013 - $5,708) in Mexican Pesos. As at April 30, 2014, other receivables totalling $128,000 (April 30, 2013 - $nil) were receivable in US dollars As at April 30, 2014, accounts payable and accrued liabilities totalling $456,237 (April 30, 2013 - $397,633) were payable in US dollars, $12,225 in British pounds (April 30, 2013 - $nil) and $39,172 (April 30, 2013 - $64,964) 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.

(iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Cash and loans payable earn and accrue interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as of April 30, 2014.

(iv) 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 its receivables and managing its cash, which is held with Canadian and Mexican financial institutions. The Company mitigates credit risk by risk management policies that require the Company to enter into contractual relationships with reputable companies and 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.

(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.

(Expressed in Canadian Dollars)

5. Capital Management

The Company's capital includes components of shareholders' 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, 2014.

6. Marketable Securities

On January 14, 2013, the Company entered into an agreement and granted Desert Star Resources Ltd. ("Desert Star") an option to acquire up to a 70% interest in the Oro property (Note 8(c)). Under the option agreement, Desert Star issued 100,000 common shares to the Company. On May 16, 2014, the Company sold its entire holding for gross proceeds of $16,000.

	April 30, 2014			April 30, 2013		
	Cost $	Accumulated unrealized gain $	Fair value $	Cost $	Accumulated unrealized loss $	Fair value $
Desert Star	**11,000**	**5,000**	**16,000**	**11,000**	**(2,000)**	**9,000**

7. Reclamation Bonds

The Company has posted non-interest-bearing reclamation bonds as security for future reclamation costs that are held in trust to be released after required reclamation is satisfactorily completed as follows:

- With respect to the 1% net smelter return ("NSR") royalty payable on the El Magistral mineral concession (Note 8(b)), a bond of $43,881 (Mexican peso 523,778) (April 30, 2013 - $43,494 (Mexican peso 523,778)) is being held in escrow by the Mexican government.
- With respect to the American Mine claims (Note 8(c)), a bond of $nil (April 30, 2013 - $44,250 (US $43,920)) was being held in escrow by the US government. The bond was returned during the year as Desert Star assumed responsibility for future reclamation costs (Note 8(c)).
- With respect to a proposed project in New Mexico, a bond of $nil (April 30, 2013 - $31,324 (US $31,092)) was being held in escrow by the US government. The bond was returned during the year.

(Expressed in Canadian Dollars)

8. Mineral Properties

Mineral property acquisition costs as at April 30, 2014 and 2013, were as follows:

	Mexico		USA		
	Cerro Las Minitas $	Minas de Ameca $	Oro $	Dragoon $	Total $
Balance as at April 30, 2012	1,041,098	331,395	1,091,799	77,480	2,541,772
Additions, net	418,127	31,810	41,481	26,431	517,849
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**

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

(a) Cerro Las Minitas - Mexico

Pursuant to an agreement dated November 18, 2010, as amended, the Company can earn a 100% interest in the Cerro Las Minitas property located in Durango, Mexico.

Remaining staged payments are due as follows (plus applicable local taxes):

(i) US $250,000 on May 18, 2014 (paid subsequent to year end);
(ii) US $500,000 on November 18, 2014; and
(iii) US $500,000 on March 18, 2015 (to be reduced to US $100,000 if optionor fails to deliver registered title to certain claims upon closing).

Pursuant to an agreement dated October 19, 2012, the Company granted Freeport-McMoRan Exploration Corporation ("FMEC") the right to earn an indirect 70% interest in the property.

FMEC has the option to earn respective 51% and 19% indirect interests in the property through the acquisition of common shares of a subsidiary of the Company which has the right to purchase a 100% interest in the property.

To acquire the initial 51% interest FMEC shall:

(i) Pay to the Company US $600,000 as a deduction from work expenditure commitments (paid), US $100,000 on or before October 19, 2013 (paid), US $200,000 on or before October 19, 2014, and US $300,000 on or before October 19, 2015;

8. Mineral Properties, continued

(a) Cerro Las Minitas - Mexico, continued

(ii) Incur exploration expenditures, which include option payments to the optionor of the property, of US $1,500,000 on or before October 19, 2013 (incurred), an additional US $1,300,000 (incurred) on or before October 19, 2014, and an additional US $1,600,000 on or before October 19, 2015; and

To acquire the additional 19% interest, FMEC shall elect to do so within 90 days from the date of acquisition of the initial 51 % interest and:

(i) Pay to the Company US $1,000,000 on or before October 19, 2022; and
(ii) Complete on or before October 19, 2022, a feasibility study and incur additional exploration expenditures of at least US $19,000,000.

As at April 30, 2014, $128,000 is receivable from FMEC for exploration expenditures incurred and is included in taxes and other receivables.

During September 2013, the Company received notice from FMEC that its affiliate had acquired an interest in additional mineral rights ("El Sol Concession") within the defined area of interest. FMEC offered, and the Company agreed, to include the El Sol Concession under the agreement.

FMEC's interest in the El Sol Concession is an option to acquire a 100% interest for cumulative payments of US $2,000,000, payable over a three year period. To the extent paid by FMEC, these will be counted as a credit towards its earn-in of the Cerro Las Minitas property.

Upon acquisition of the initial 51% interest, and should FMEC elect to earn the additional 19% interest, operations on the property will be conducted pursuant to a shareholders' agreement with each shareholder bearing its proportionate share of further expenditures. Provision for dilution of a participating interest will apply and if a participating interest is diluted to less than 10%, that participating interest will be converted to a 2% NSR.

(b) Minas de Ameca (Magistral) - Mexico

Pursuant to an agreement dated July 4, 2006, as amended, the Company could earn a 65% interest in the Magistral I mining exploration concession ("Magistral") located in Mexico.

On October 18, 2006, the Company purchased a 100% interest in the 1,366 hectare El Magistral mineral concession in the Ameca region in the State of Jalisco, Mexico. The mineral concession is subject to a 1% NSR payable to the Mexican government.

The Company has not been compliant with some underlying terms of the Magistral agreement since July 2011 and has been negotiating a revised agreement since that date, including sale to a third party. Accordingly, the Company has recorded an impairment provision against all capitalized costs relating to these claims totalling $369,610 (2013 - $nil).

8. Mineral Properties, continued

(c) Oro - New Mexico, USA

Pursuant to an agreement dated August 28, 2006, as amended, the Company owns a 100% interest in several patented and unpatented mining claims in the Eureka Mining District, Grant County, New Mexico.

The property is 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 an agreement effective December 1, 2007, as amended, the Company owns a 100% interest in the American Mine claims consisting of eight patented lode mining claims and surface rights to a contiguous property. The American Mine claims are adjacent to the above claims.

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 in the Eureka Mining District, Grant County, New Mexico.

Remaining lease payments are due as follows:

(i) US $6,000 annually from May 1, 2015 to 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. The property is subject to a 1% NSR payable to the optionors, which terminates when aggregate payments thereunder equal US $500,000.

Pursuant to an agreement dated January 14, 2013, the Company granted Desert Star the right to earn up to an undivided 70% interest in the property. On July 8, 2014, the Company received notice of termination of this agreement from Desert Star.

As at April 30, 2014, the Company considered prevalent market conditions to be an indicator of impairment and, accordingly, an impairment provision was recorded against all capitalized costs relating to these claims totalling $1,137,047 (2013 - $nil).

(d) Dragoon - Arizona, USA

Pursuant to an agreement dated August 28, 2007, as amended, the Company could earn a 100% interest in certain claims located in the state of Arizona.

The Company was unable to pay the final remaining staged payment due on or before August 28, 2013. The Company is in the process of returning the property and, accordingly, an impairment provision was recorded against all capitalized costs relating to these claims totalling $118,703 (2013 - $nil).

(Expressed in Canadian Dollars)

8. Mineral Properties, continued

(e) Exploration and Evaluation Expenses

Exploration expenditures incurred for the years ended April 30, 2014 and 2013, were as follows:

	Mexico		USA					
	Cerro Las Minitas		Oro		Dragoon		Total	
	$	$	$	$	$	$	$	$
	2014	2013	2014	2013	2014	2013	2014	2013
Assays and geochemistry	51,994	36,609	-	-	-	-	51,994	36,609
Camp, utilities and supplies	18,613	13,750	(652)	3,071	-	-	17,961	16,821
Drilling	714,750	291,719	-	-	-	-	714,750	291,719
Environmental	254	5,841	-	113	-	-	254	5,954
Equipment and field supplies	30,183	25,375	37	56	-	-	30,220	25,431
Geological and geophysics	236,606	156,812	1,426	4,261	-	617	238,032	161,690
Land fees	49,001	-	-	-	-	-	49,001	-
Project supervision	109,423	200,617	2,378	6,131	2,137	6,246	113,938	212,994
Project support	12,873	16,534	-	-	-	-	12,873	16,534
Taxes	259,147	246,597	-	-	-	-	259,147	246,597
Travel	2,899	57	-	169	-	-	2,899	226
Recoveries	(1,791,634)	(1,032,099)	-	-	-	-	(1,791,634)	(1,032,099)
	(305,891)	**(38,188)**	**3,189**	**13,801**	**2,137**	**6,863**	(300,565)	(17,524)
General exploration - other							13,358	18,068
							(287,207)	**544**

(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.

8. Mineral Properties, continued

(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

In addition to those transactions disclosed elsewhere in these consolidated financial statements, the Company entered into the following related party transactions during the year ended April 30, 2014:

(a) Under a service agreement, ceased effective February 1, 2014 (Note 13), between the Company and a private company controlled by a director and an officer of the Company, the Company was charged as follows:

- $94,500 (2013 - $121,000) for office space and general administration services;
- $51,013 (2013 - $48,745) for professional services;
- $16,614 (2013 - $26,079) for consulting services;
- $15,550 (2013 - $72,903) for investor relations services;
- $32,003 (2013 - $37,400) for geological consulting services in relation to mineral properties;
- $1,463 (2013 - $4,109) for the mark-up on out-of-pocket expenses; and
- $68 (2013 - $1,403) for office and general.

Amounts payable as at April 30, 2014 were $25,577 (2013 - $67,141).

(b) Fees in the amount of $112,320 (2013 - $112,320) were charged by a director and an officer of the Company for consulting services. Amounts payable as at April 30, 2014 were $93,551 (2013 - $18,443).

(Expressed in Canadian Dollars)

9. Related Party Balances and Transactions, continued

(c) Fees in the amount of $37,356 (2013 - $83,014) were charged by a law firm controlled by a director and an officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at April 30, 2014 were $22,225 (2013 - $9,141).

(d) Fees in the amount of $nil (2013 - $24,000) were charged by a director of the Company for geological services. Amounts payable as at April 30, 2014 were $nil (2013 - $nil).

(e) Fees in the amount of $2,500 (2013 - $30,000) were charged by a private company controlled by a director and an officer of the Company for consultancy services. Amounts payable as at April 30, 2014 were $3,350 (2013 - $8,225). Agreement expired effective May 30, 2013.

(f) Fees in the amount of $nil (2013 - $67,460) were charged by a private company controlled by a former director and officer of the Company for consultancy services and included in consulting fees and share issue costs. Amounts payable as at April 30, 2014 were $15,106 (2013 - $15,106).

(g) Fees in the amount of $11,000 (2013 - $nil) were charged by an officer of the Company for consultancy services. Amounts payable as at April 30, 2014 were $10,500 (2013 - $nil).

(h) Fees of $35,990 (2013 - $37,673) were payable with respect to independent directors' fees. As at April 30, 2014, $57,613 was outstanding and included in accounts payable and accrued liabilities (2013 - $21,622).

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, 2014 was $18,720. The Company has no long-term employee or post-employment benefits.

Compensation awarded to key management, included in (b), (d), (e), (g) and (h) above, was as follows:

		2014		**2013**
Short-term benefits	$	161,810	$	203,993
Share-based payments		-		86,052
Total	$	161,810	$	290,045

10. Loans Payable

During August 2012, the Company entered into two loan agreements, one with a private company controlled by a director and the other with a private company controlled by a consultant, for $33,000 and $15,000 respectively. The initial term of the 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 the loan (Note 11(c)).

No principal amounts were repaid and therefore all outstanding balances are now repayable on demand. The Company, in its sole discretion, can elect to repay all interest and loan balances by the issuance of common shares.

11. Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

(a) Equity Financings

Year ended April 30, 2014

On September 13, 2013, the Company closed the first tranche of a private placement and issued 6,830,150 units at a price of $0.02 per unit for gross proceeds of $136,603. On October 11, 2013, the Company closed, and subsequently amended, the final tranche of this private placement and issued 17,450,000 units at a price of $0.02 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 $0.05 per share.

The Company also issued 200,000 finders' warrants at an exercise price of $0.05 per share expiring on September 13, 2016, with a fair value of $8,005 (Note 11(g)), and 917,500 finders' warrants at an exercise price of $0.05 per share expiring on October 11, 2016, with a fair value of $9,896 (Note 11(g)).

Year ended April 30, 2013

On January 31, 2013, the Company closed the first tranche of a private placement and issued 8,002,000 units at a price of $0.05 per unit for gross proceeds of $400,100. On February 28, 2013, the Company closed the final tranche of this private placement and issued 7,660,000 units at a price of $0.05 per unit for gross proceeds of $383,000.

Each unit consisted of one common share and one share purchase warrant with each warrant exercisable to purchase one common share at an exercise price of $0.10 for a period of three years.

11. Share Capital, continued

(a) Equity Financings, continued

The Company also issued 450,000 finders' warrants at an exercise price of $0.10 per share expiring on January 31, 2016, with a fair value of $7,691 (Note 11(g)), and 213,000 finders' warrants at an exercise price of $0.10 per share expiring on February 28, 2016, with a fair value of $3,652 (Note 11(g)).

(b) Shares Issued for Mineral Properties

Year ended April 30, 2013

On January 17, 2013, the Company issued 200,000 common shares with a fair value of $10,000 pursuant to a mineral property option extension agreement.

On January 17, 2013, pursuant to a mineral property finder's fee agreement, the Company issued 500,000 common shares with a fair value of $25,000 and 250,000 common share purchase warrants, with each warrant contingently exercisable to purchase one common share at a price of $0.30 for a period of two years from the date on which FMEC exercises its option to acquire a 51% indirect interest in the Cerro Las Minitas property, and 250,000 common share purchase warrants, with each warrant contingently exercisable to purchase one common share at a price of $0.40 for a period of 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.

(c) Shares Issued for Loan Bonus

Year ended April 30, 2013

On October 17, 2012, in accordance with two loan agreements, the Company issued 96,000 common shares with a fair value of $4,800 (Note 10).

(d) Shares Issued for Services

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, respectively, the Company issued 500,000 common shares each valued at $25,000.

(e) 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.

(Expressed in Canadian Dollars)

11. Share Capital, continued

(e) Stock Options, continued

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.

- On March 24, 2014, the Company granted 500,000 fully vested stock options to a consultant at an exercise price of $0.05 per share exercisable for a period of five years (Note 11(g)).

Stock options outstanding and exercisable as at April 30, 2014 and 2013, were as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance April 30, 2013	Granted	Expired	Balance April 30, 2014
$0.16	$0.15	January 8, 2015	2,410,000	-	300,000	2,110,000
$0.17	$0.13	November 29, 2015	2,290,000	-	175,000	2,115,000
$0.17	$0.11	December 13, 2015	315,000	-	30,000	285,000
$0.15	$0.13	November 8, 2016	250,000	-	250,000	-
$0.10	$0.06	June 5, 2017	350,000	-	-	350,000
$0.10	$0.03	March 14, 2018	7,824,000	-	954,000	6,870,000
$0.05	$0.01	March 24, 2019	-	500,000	-	500,000
			13,439,000	**500,000**	**1,709,000**	**12,230,000**
Weighted average exercise price			$0.13	$0.05	$0.13	$0.12
Weighted average remaining life in years			3.82			2.90

Exercise Price	Grant Date Fair Value	Expiry Date	Balance April 30, 2012	Granted	Expired	Balance April 30, 2013
$0.58	$0.37	October 19, 2012	25,000	-	25,000	-
$0.21	$0.12	March 26, 2013	455,000	-	455,000	-
$0.16	$0.15	January 8, 2015	2,515,000	-	105,000	2,410,000
$0.17	$0.13	November 29, 2015	2,380,000	-	90,000	2,290,000
$0.17	$0.11	December 13, 2015	315,000	-	-	315,000
$0.15	$0.13	November 8, 2016	500,000	-	250,000	250,000
$0.15	$0.10	February 2, 2017	150,000	-	150,000	-
$0.10	$0.06	June 5, 2017	-	350,000	-	350,000
$0.10	$0.03	March 14, 2018	-	7,824,000	-	7,824,000
Options outstanding			**6,340,000**	**8,174,000**	**1,075,000**	**13,439,000**
Options exercisable			**6,227,500**			**13,439,000**
Weighted average exercise price (outstanding and exercisable)			$0.17	$0.10	$0.19	$13.00
Weighted average remaining life in years (outstanding)			3.13			3.82
Weighted average remaining life in years (exercisable)			3.10			3.82

(Expressed in Canadian Dollars)

11. Share Capital, continued

(f) Share Purchase Warrants

Share purchase warrants outstanding as at April 30, 2014 and 2013, were as follows:

Exercise Price	Expiry Date	Balance April 30, 2013	Issued	Expired	Balance April 30, 2014
$0.22	July 20, 2013	15,400,177	-	15,400,177	-
$0.22	August 16, 2013	5,146,627	-	5,146,627	-
$0.22	August 29, 2013	45,534	-	45,534	-
$0.20	December 5, 2013	6,821,000	-	6,821,000	-
$0.20	January 5, 2014	440,000	-	440,000	-
$0.17	April 23, 2015	6,809,000	-	-	6,809,000
$0.30	*Note 1*	250,000	-	-	250,000
$0.40	*Note 2*	250,000	-	-	250,000
$0.10	January 31, 2016	8,452,000	-	-	8,452,000
$0.10	February 28, 2016	7,873,000	-	-	7,873,000
$0.05	September 13, 2016	-	7,030,150	-	7,030,150
$0.05	October 11, 2016	-	18,367,500	-	18,367,500
		51,487,338	**25,397,650**	**27,853,338**	**49,031,650**
Weighted average exercise price		$0.17	$0.05	$0.21	$0.09
Weighted average remaining life in years		1.33			1.99

Exercise Price	Expiry Date	Balance April 30, 2012	Issued	Expired	Balance April 30, 2013
$0.20	June 10, 2012	11,847,500	-	11,847,500	-
$0.20	June 24, 2012	2,740,000	-	2,740,000	-
$0.20	October 27, 2012	10,497,000	-	10,497,000	-
$0.20	November 26, 2012	11,444,500	-	11,444,500	-
$0.20	December 10, 2012	4,874,000	-	4,874,000	-
$0.22	July 20, 2013	15,400,177	-	-	15,400,177
$0.22	August 16, 2013	5,146,627	-	-	5,146,627
$0.22	August 29, 2013	45,534	-	-	45,534
$0.20	December 5, 2013	6,821,000	-	-	6,821,000
$0.20	January 5, 2014	440,000	-	-	440,000
$0.17	April 23, 2015	6,809,000	-	-	6,809,000
$0.30	*Note 1*	-	250,000	-	250,000
$0.40	*Note 2*	-	250,000	-	250,000
$0.10	January 31, 2016	-	8,452,000	-	8,452,000
$0.10	February 28, 2016	-	7,873,000	-	7,873,000
		76,065,338	**16,825,000**	**41,403,000**	**51,487,338**
Weighted average exercise price		$0.20	$0.11	$0.20	$0.17
Weighted average remaining life in years		0.97			1.33

(Expressed in Canadian Dollars)

11. Share Capital, continued

(f) Share Purchase Warrants, continued

Note 1: Expiry date is two years from the date on which FMEC exercises its option to acquire a 51% indirect interest in the Cerro Las Minitas property.

Note 2: Expiry date is 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.

(g) Fair Value Determination

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

	2014		**2013**	
	Options	**Warrants**	**Options**	**Warrants**
Risk-free interest rate	1.72%	1.43%	1.40%	1.18%
Expected share price volatility	106.95%	114.18%	119.64%	98.82%
Expected option/warrant life (years)	5.00	3.00	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 both historical and implied volatility of the Company's share price.

The total calculated fair value of share-based payments for the years ended April 30, 2014 and 2013, were included in the consolidated statements of comprehensive loss or changes in equity as follows:

	2014	**2013**
Consolidated Statements of Comprehensive Loss		
Directors and officers	$ -	$ 86,052
Consultants	6,610	167,249
	6,610	253,301
Consolidated Statements of Changes in Equity		
Finders' warrants	17,901	11,343
Total	$ 24,511	$ 264,644

(Expressed in Canadian Dollars)

12. Segmented Information

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties. The Company's non-current assets were distributed by geographic location as follows:

	April 30, 2014		April 30, 2013	
	$	%	$	%
Mexico	1,422,773	100%	1,865,924	59%
USA	-	0%	1,312,765	41%
	1,422,773	**100%**	**3,178,689**	**100%**

13. Commitments

Effective July 1, 2012, under a service agreement originally expiring on August 31, 2017, between the Company and a private company controlled by a director and officer of the Company, the Company was charged $10,500 per month for office accommodation and services ("Basic Rent") and $1,750 per month per dedicated office ("Specific Rent"). The Company could terminate the agreement through written notice at any time by paying the Basic and Specific Rents for the lesser of 24 months or the remainder of the term.

Effective February 1, 2014, the Company received notice that it was in default of the service agreement and that office accommodation and other personnel services would no longer be provided until the default is remedied.

14. Supplemental Cash Flow Information

	2014	2013
Cash items		
Interest received	$ 249	$ 283
Income tax paid	$ -	$ -
Interest paid	$ -	$ 605
Non-cash items		
Financing and Investing Activities		
Share issuance costs	$ 17,901	$ 11,343
Shares issued for services	$ 50,000	$ -
Shares issued for mineral property	$ -	$ 35,000
Shares issued for loan bonus	$ -	$ 4,800

(Expressed in Canadian Dollars)

15. Income Tax

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

		2014		2013
Income tax benefit at statutory rate of 26.00% (2013 - 25.08%)	$	550,100	$	280,076
Permanent differences		(329,874)		38,279
Temporary differences		126,717		71,572
Change in timing differences		414,863		(167,123)
Foreign exchange gains or losses		413,478		79,733
Change resulting from tax rate reduction		7,408		108,789
Adjustment attributable to income taxes of other countries		43,039		32,163
Unused tax losses and tax offsets not recognized		(1,225,731)		(443,489)
	$	-	$	-

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

		2014		2013
Deferred income tax assets				
Tax value over book value of non-capital losses	$	451,233	$	510,151
		451,233		510,151
Deferred income tax liabilities				
Book value over tax value of mineral properties	$	(451,233)	$	(510,151)
Net deferred tax assets	$	-	$	-

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

		2014		2013
Non-capital losses	$	23,107,064	$	22,270,177
Capital losses		56,084		56,084
Share issue costs		351,437		547,707
Tax value over book value of mineral properties		4,887,770		1,891,500
Tax value over book value of marketable securities		-		1,000
Tax value over book value of income tax credits		1,534		1,534
Tax value over book value of equipment		24,831		27,497
	$	28,428,720	$	24,795,499

(Expressed in Canadian Dollars)

15. Income Tax, continued

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

	CDN $	**US $**	**Mexican Pesos**
2015	410,000	-	1,179,000
2016	-	-	11,625,000
2017	-	-	12,453,000
2018	-	-	17,365,000
2019	-	-	6,613,000
2020	-	-	4,373,000
2021	-	-	29,002,000
2022	-	-	21,719,000
2023	-	-	10,652,000
2024	-	-	1,537,000
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	1,062,000	5,000	-
2032	1,565,000	4,000	-
2033	1,004,000	46,000	-
2034	886,000	246,000	-
	9,900,000	2,033,000	116,518,000

16. Events After the Reporting Period

In addition to the events disclosed elsewhere in these consolidated financial statements, the following occurred subsequent to April 30, 2014:

- On July 29, 2014, 120,000 stock options with an exercise price of $0.10 per share, expired unexercised.
- On August 5, 2014, the Company issued 500,000 common shares in accordance with a shares for services agreement.

1100 – 1199 West Hastings Street,
Vancouver, BC, V6E 3T5
Tel: 604-684-9384 Fax: 604-688-4670
www.southernsilverexploration.com

Management's Discussion and Analysis
For the Year Ended April 30, 2014
Dated: August 28, 2014

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, 2014 and is dated August 28, 2014. 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, 2014, 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, 2014	Year ended April 30, 2013
Rate at end of period	1.0960	1.0075
Average rate for period	1.0603	0.9958
High for period	1.1245	1.0549
Low for period	1.0033	0.9428

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	Grams/Tonne

C. Foreign Exchange Information and Conversion Tables, continued

Precious metal units and conversion factors [2]								
- Part per billion	1	ppb	=	0.0010	ppm	=	0.000030	oz/t
- Part per million	100	ppb	=	0.1000	ppm	=	0.002920	oz/t
- Ounce (troy)	10,000	ppb	=	10.0000	ppm	=	0.291670	oz/t
- Ounce per ton (avdp.)	1	ppm	=	1.0000	ug/g	=	1.000000	g/tonne
- Gram								
- gram per metric ton	1	oz/t	=	34.2857	ppm			
- milligram	1	Carat	=	41.6660	mg/g			
- kilogram	1	ton (avdp.)	=	907.1848	kg			
- 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 is engaged in the acquisition, exploration and development of high-grade precious / base metals properties within North America.

The Company is continuing to advance its core asset - the Cerro Las Minitas silver-lead-zinc property located in Durango State, Mexico. At over 150 square kilometers in size, the property features a large land position within the prolific Faja de Plata (Belt of Silver) of northern Mexico.

Freeport-McMoRan Exploration Corporation ("FMEC") has been funding and directing exploration on the property pursuant to an earn-in agreement since October 2012. FMEC can earn a 70% indirect interest in the project by making staged purchase payments and funding exploration and development expenditures of $25 million on the project over a ten year period. During September 2013, the Company received notice from FMEC that its affiliate had acquired an interest in additional mineral rights ("El Sol Concession") within the defined area of interest. FMEC offered, and the Company agreed, to include the El Sol Concession under the agreement.

The Company also continues to advance the wholly owned gold-silver-copper-lead-zinc Oro property located in New Mexico, USA. At 1,150 hectares in size, the property features a classic porphyry zonation over a six square kilometre area 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 totaling 15,125 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. Certain claims are subject to receipt of registered title, failing receipt of which, will result in a reduction to final option payment obligations.

D. Summary of Mineral Properties, continued

Cerro Las Minitas - Durango, Mexico, continued

Since execution of the earn-in agreement, FMEC has funded over 7,000 metres of diamond drilling, a program of soil and vegetation geochemistry and geophysical surveys over the entire property, three additional lines of deep-penetrating IP geophysics and a gravity survey that have confirmed both the lateral extent of anomalies identified in earlier work completed by the Company and have significantly extended the projection of several of the existing targets to over 600 metres depth.

An initial 8 core hole, 3,445 metre drill program completed in early 2013 that targeted both lateral and vertical offsets to known mineralized zones at the Blind Zone, El Sol Zone and South Skarn targets as well as several geophysical and geochemical targets throughout the property, which was successful in both confirming the distribution of high-grade mineralization in the Blind Zone and identifying significant extensions of mineralization at each of El Sol Zone and South Skarn targets.

Blind Zone - El Sol Zone

Multiple mineralized intercepts have been identified in most drill holes and are open in all directions. A preliminary interpretation of the drill data suggests good continuity within three main mineralized structures associated with monzonitic and felsic intrusives and several secondary footwall and hanging wall zones. Initial drilling in early 2011 identified high-grade silver mineralization in the El Sol Zone, an area located approximately 150 metres to the east of the Blind Zone mineralization.

Geological modeling using a nominal 80g/t AgEq cut-off has identified multiple distinct mineralized structures with a 820 metre cumulative strike-length, with depth projections of up to 300 metres below surface. Mineralization occurs in sub-vertical structures that demonstrate good continuity between drill holes. True thickness of the mineralized intervals are estimated at 60% to 70% of the down hole thicknesses. A Reconnaissance IP survey covering the remainder of the concessions has identified new, previously undetected targets in gravel covered areas for further surface exploration and potential drill testing.

A single west to east oriented 680 metre drill hole previously tested both a shallow offset of mineralization within the Blind Zone and the depth projection of mineralization in the El Sol Zone, and returned extremely encouraging results which confirm the continuity of shallow high-grade silver mineralization in the upper portions of the Blind Zone. The deeper intercepts project to previously identified, near surface, mineralization in the El Sol Zone which had been tested during 2012 exploration to less than 200 metres depth. The intercepts are reported as down-hole thickness. True thickness of the mineralized intervals is estimated at about 40% of the reported thickness.

La Bocona

This target area is located 750 metres to the northeast of the Blind Zone deposit and mineralization is open along strike for several hundred metres. Previous drilling tested a northwest extension of the deposit and returned a 1.3 metre interval grading 466g/t silver. Mineralization occurs within skarn and hornfels limestone on the eastern margin of a thick northwest-trending felsic dyke.

Additional drilling is planned to further test and delineate this zone of mineralization.

D. Summary of Mineral Properties, continued

Cerro Las Minitas - Durango, Mexico, continued

South Skarn

This zone of gold-copper mineralization is gravel covered and is located approximately 1.5 kilometres to the southeast of the Blind Zone deposit and is open in all directions.

Previous drilling intersected an outer zone of weakly to moderately altered limestone followed by a 37 metre thick diatreme breccia, an intermixed zone of hematite breccia, skarn-hornfels and aplite dyke before entering variably altered monzonite/feldspar porphyry. Strongly anomalous gold mineralization was identified over a 20 metre interval within the hematite breccia which averaged 0.8g/t gold and included a 4.3 metre interval averaging 2.8g/t gold and 28g/t silver. A second 4.3 metre interval averaging 1.4g/t gold, 89g/t silver and 1.8% copper was intersected further down hole and is hosted in chlorite-garnet skarn related to the adjacent intrusions.

Mineralization in the South Skarn target is open both along strike to the northeast and at depth. Accurate orientations of the mineralized zones have not been determined; however mineralization appears to dip moderately to steeply southward. True thickness of the mineralized intervals may be up to +70% of the reported thickness.

2013/14 Exploration Program

In January 2014, a second phase of drilling on the property was completed, which comprised an additional 2,055 metres of new drilling in the area of historic mining and further surface sampling and geophysical surveys on targeted areas throughout the larger property.

Three new core holes were drilled and three previously cored holes were extended in a program that was designed to test several IP and gravity geophysical targets outboard of the central intrusion and the depth extensions of known mineralization in the Blind and El Sol zones. The program was successful in identifying additional high-grade Ag-Pb-Zn mineralization at depth in the El Sol zone from hole 13CLM-071 and a potential new target along the southwestern margin of the central intrusive in the area of hole 13CLM-073.

Biogeochemical sampling of Acacia plants was carried out late in 2013 and identified multi-element anomalies in several localities throughout the larger property and was followed up with further IP geophysics over one target area.

The most recent phase drilling has now been completed which comprised three holes for approximately 2,377 metres designed to test at depth several previously identified copper anomalies. These included an extension of drill hole CLM-073, which terminated in anomalous copper mineralization at 708 metres depth; and a down-dip test of copper mineralization at the North Skarn target (CLM-003: 16.6 metres averaging 56g/t Ag, 0.8% Cu, 0.5%Pb and 1.6% Zn). Assays are pending.

D. Summary of Mineral Properties, continued

Cerro Las Minitas - Durango, Mexico, continued

Select composites from 2013/4 drilling:

Hole No.	From m	To m	Interval m	Ag g/t	Au g/t	Cu %	Pb %	Zn %	AgEq g/t
13CLM-063	228.60	230.15	1.55	160.00	1.03	0.09	3.25	0.36	319.20
13CLM-066	62.75	63.80	1.05	3.80	8.63	0.00	0.07	0.06	472.40
13CLM-066	88.35	97.50	9.15	401.24	0.10	0.13	8.49	5.05	777.17
inc	92.90	97.50	4.60	726.88	0.18	0.09	13.49	7.03	1,288.93
inc	92.90	94.95	2.05	1,190.00	0.20	0.04	21.62	12.95	2,119.81
13CLM-066	138.00	151.10	13.10	52.98	0.13	0.15	2.93	1.36	187.23
inc	149.00	151.10	2.10	67.80	0.62	0.31	5.61	2.48	343.88
13CLM-066	165.80	176.80	11.00	53.00	0.10	0.10	3.90	3.50	264.00
13CLM-066	534.60	585.15	50.60	40.81	0.01	0.01	0.71	5.33	202.01
inc	546.00	561.00	15.00	66.75	0.01	0.01	0.46	5.98	238.40
and	573.00	585.15	12.15	45.06	0.01	0.02	1.70	10.82	379.29
13CLM-066	633.30	642.60	9.30	9.42	0.00	0.13	0.07	13.04	368.78
inc	638.20	640.35	2.15	13.60	0.01	0.41	0.01	20.60	597.28
13CLM-067	194.10	195.60	1.50	2.50	0.15	0.01	1.94	0.26	69.50
13CLM-068	285.40	299.30	13.90	135.82	0.24	0.03	2.41	1.31	250.44
inc	285.40	287.80	2.40	545.50	0.18	0.15	10.27	3.85	942.81
13CLM-068	307.00	307.90	0.90	1,140.00	0.42	0.10	18.10	21.00	2,207.07
13CLM-069	380.50	382.70	2.20	225.00	0.72	0.17	3.50	0.47	384.57
13CLM-071	594.00	595.50	1.50	238.00	-	0.10	5.70	9.10	634.70
and	683.40	687.50	4.10	44.00	-	-	0.60	4.70	186.40
inc	683.40	685.40	2.00	82.00	-	-	1.10	8.20	328.00
13CLM-073	433.50	433.90	0.40	21.00	-	0.70	-	3.40	193.00
and	576.00	654.00	78.00	8.00	-	-	0.10	0.10	17.80

Minas de Ameca - Jalisco, Mexico

The Company has not been compliant with some underlying terms of the Magistral agreement since July 2011 and has been negotiating a revised agreement since that date, including sale to a third party.

Accordingly, the Company recorded an impairment provision against all capitalized costs relating to these claims totalling $369,610 during the year ended April 30, 2014 (2013 - $nil).

Oro - New Mexico, USA

The Oro Project comprises a contiguous block of Federal, State and private land totaling 17.2 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.

D. Summary of Mineral Properties, continued

Oro - New Mexico, USA, continued

The claims surround a highly prospective six square kilometre 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 Oro project claims also include 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.

Pursuant to an agreement dated January 14, 2013, the Company granted Desert Star the right to earn up to an undivided 70% interest in the property. On July 8, 2014, the Company received notice of termination of this agreement from Desert Star.

The Company considered prevalent market conditions to be an indicator of impairment and, accordingly, recorded an impairment provision against all capitalized costs relating to these claims totalling $1,137,047 during the year ended April 30, 2014 (2013 - $nil).

Dragoon Property - Arizona, USA

The Company was unable to pay the final remaining staged payment due on or before August 28, 2013. The Company is in the process of returning the property and, accordingly, recorded an impairment provision against all capitalized costs relating to these claims totalling $118,703 during the year ended April 30, 2014 (2013 - $nil).

Acquisition costs

The Company's accounting policy related to expenditures incurred for the acquisition of mineral properties is to capitalize on a property-by-property basis, net of recoveries. During the years ended April 30, 2014 and 2013, the Company incurred acquisition costs on its mineral properties as follows:

	Mexico		USA		
	Cerro Las Minitas $	Minas de Ameca $	Oro $	Dragoon $	Total $
Balance as at April 30, 2012	1,041,098	331,395	1,091,799	77,480	2,541,772
Additions, net	418,127	31,810	41,481	26,431	517,849
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**

D. Summary of Mineral Properties, continued

Exploration costs

The Company's accounting policy related to expenditures incurred for the exploration and development of mineral properties is to expense to the consolidated statement of comprehensive loss in the period in which they are incurred, net of recoveries. During the years ended April 30, 2014 and 2013, the Company incurred exploration costs on its mineral properties as follows:

	Mexico		USA					
	Cerro Las Minitas		Oro		Dragoon		Total	
	$ 2014	$ 2013	$ 2014	$ 2013	$ 2014	$ 2013	$ 2014	$ 2013
Assays and geochemistry	51,994	36,609	-	-	-	-	51,994	36,609
Camp, utilities and supplies	18,613	13,750	(652)	3,071	-	-	17,961	16,821
Drilling	714,750	291,719	-	-	-	-	714,750	291,719
Environmental	254	5,841	-	113	-	-	254	5,954
Equipment and field supplies	30,183	25,375	37	56	-	-	30,220	25,431
Geological and geophysics	236,606	156,812	1,426	4,261	-	617	238,032	161,690
Land fees	49,001	-	-	-	-	-	49,001	-
Project supervision	109,423	200,617	2,378	6,131	2,137	6,246	113,938	212,994
Project support	12,873	16,534	-	-	-	-	12,873	16,534
Taxes	259,147	246,597	-	-	-	-	259,147	246,597
Travel	2,899	57	-	169	-	-	2,899	226
Recoveries	(1,791,634)	(1,032,099)	-	-	-	-	(1,791,634)	(1,032,099)
	(305,891)	**(38,188)**	**3,189**	**13,801**	**2,137**	**6,863**	(300,565)	(17,524)
General exploration - other							13,358	18,068
							(287,207)	**544**

E. Results of Operations

During the year ended April 30, 2014, the Company recognized a net loss and comprehensive loss of $2,108,764 (2013 - $1,118,592).

Administration expenses, office expenses and professional fees, previously provided under a services agreement, all decreased due to the cessation of the agreement that came into effect on February 1, 2014.

Consulting fees decreased as a result of fewer consultants utilized and a reduction in CFO fees.

E. Results of Operations, continued

Investor relations, regulatory fees, shareholders' communications, transfer agent and travel and promotion expenses fluctuate based on the number of conferences and trade shows attended and other work performed in preparation of financing and filing activities.

As per the Company's mandate to acquire, explore, and develop mineral resource properties, the Company has continued to invest in its current properties based on financial resources that have been available. During the year, the Company continued its earn-in agreement with FMEC.

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

The Company considered prevalent market conditions and compliance with certain option agreements to be indicators of impairment and, accordingly, recorded an impairment provision against all capitalized costs relating to the Magistral, Oro and Dragon properties.

Foreign exchange gains and losses fluctuate based on the US and Canadian dollar exchange rate.

The following table summarizes the variances in the consolidated statements of comprehensive loss:

	2014	2013	Variance	
	$	$	$	%
Administration	94,500	121,000	(26,500)	(22%)
Consulting	193,933	222,585	(28,652)	(13%)
Exploration and evaluation, net of recoveries	(287,207)	544	(287,751)	(52,895%)
Independent directors' fees	35,990	37,673	(1,683)	(4%)
Investor relations	155,382	140,363	15,019	11%
Office and general	32,569	62,162	(29,593)	(48%)
Professional fees	197,811	226,152	(28,341)	(13%)
Regulatory fees and taxes	23,384	13,796	9,588	69%
Share-based payments	6,610	253,301	(246,691)	(97%)
Shareholders' communications	3,153	11,508	(8,355)	(73%)
Transfer agent	7,366	15,483	(8,117)	(52%)
Travel and promotion	2,126	17,822	(15,696)	(88%)
Foreign exchange loss (gain)	22,656	(11,969)	(34,625)	(289%)
Interest income	(249)	(283)	(34)	(12%)
Loan interest accretion	2,380	6,455	4,075	(63%)
Mineral property impairment	1,625,360	-	(1,625,360)	-
Unrealized (gain) loss on fair value of marketable securities	(7,000)	2,000	9,000	(450%)

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, 2014 $	Jan 31, 2014 $	Oct 31, 2013 $	Jul 31, 2013 $	Apr 30, 2013 $	Jan 31, 2013 $	Oct 31, 2012 $	Jul 31, 2012 $
Net loss	1,321,479	170,114	570,446	53,725	476,895	(166,292)	282,508	523,481
Basic and diluted loss per share	$ 0.01	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ (0.00)	$ 0.00	$ 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 mainly relate to the cessation of a services agreement that came into effect on February 1, 2014, share-based payments which vary 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.

Significant impairment charges were recognized in the three months ended April 30, 2014.

G. Fourth Quarter

No unusual events affected the Company's financial performance or cash flows during the fourth quarter.

H. Summary of Annual Information

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

	2014 $	2013 $	2012 $
Net loss	(2,115,764)	(1,116,592)	(4,809,566)
Basic and diluted loss per share	(0.01)	(0.01)	(0.04)
Current assets	301,970	71,566	520,328
Other non-current assets	43,881	119,068	113,932
Mineral properties	1,378,892	3,059,621	2,541,772
Total assets	1,724,743	3,250,255	3,176,032
Total non-current financial liabilities	-	-	-
Cash dividends per common share	-	-	-

H. Summary of Annual Information, continued

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.

Significant impairment charges were recognized in the year ended April 30, 2014.

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

I. Related Party Transactions

The Company entered into the following related party transactions during the year ended April 30, 2014:

(a) Under a service agreement, ceased effective February 1, 2014, between the Company and a private company controlled by a director and an officer of the Company, the Company was charged as follows:

- $94,500 (2013 - $121,000) for office space and general administration services;
- $51,013 (2013 - $48,745) for professional services;
- $16,614 (2013 - $26,079) for consulting services;
- $15,550 (2013 - $72,903) for investor relations services;
- $32,003 (2013 - $37,400) for geological consulting services in relation to mineral properties;
- $1,463 (2013 - $4,109) for the mark-up on out-of-pocket expenses; and
- $68 (2013 - $1,403) for office and general.

Amounts payable as at April 30, 2014 were $25,577 (2013 - $67,141).

(b) Fees in the amount of $112,320 (2013 - $112,320) were charged by a director and an officer of the Company for consulting services. Amounts payable as at April 30, 2014 were $93,551 (2013 - $18,443).

(c) Fees in the amount of $37,356 (2013 - $83,014) were charged by a law firm controlled by a director and an officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at April 30, 2014 were $22,225 (2013 - $9,141).

(d) Fees in the amount of $nil (2013 - $24,000) were charged by a director of the Company for geological services. Amounts payable as at April 30, 2014 were $nil (2013 - $nil).

(e) Fees in the amount of $2,500 (2013 - $30,000) were charged by a private company controlled by a director and an officer of the Company for consultancy services. Amounts payable as at April 30, 2014 were $3,350 (2013 - $8,225). Agreement expired effective May 30, 2013.

I. Related Party Transactions, continued

(f) Fees in the amount of $nil (2013 - $67,460) were charged by a private company controlled by a former director and officer of the Company for consultancy services and included in consulting fees and share issue costs. Amounts payable as at April 30, 2014 were $15,106 (2013 - $15,106).

(g) Fees in the amount of $11,000 (2013 - $nil) were charged by an officer of the Company for consultancy services. Amounts payable as at April 30, 2014 were $10,500 (2013 - $nil).

(h) Fees of $35,990 (2013 - $37,673) were payable with respect to independent directors' fees. As at April 30, 2014, $57,613 was outstanding and included in accounts payable and accrued liabilities (2013 - $21,622).

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, 2014 was $18,720. The Company has no long-term employee or post-employment benefits.

Compensation awarded to key management, included in (b), (d), (e), (g) and (h) above, was as follows:

		2014		2013
Short-term benefits	$	161,810	$	203,993
Share-based payments		-		86,052
Total	$	161,810	$	290,045

During August 2012, the Company entered into a loan agreement with a private company controlled by a director for $33,000.

The initial term of the loan was for a period of six months with interest payable quarterly at prime plus two percent per annum. As further consideration for providing the loan, the lender also received common shares equal to ten per cent of the value of the loan.

No amounts were repaid and therefore all outstanding balances are now repayable on demand. The Company, in its sole discretion, can elect to repay all interest and loan balances by the issuance of common shares.

J. Financial Condition, Liquidity and Capital Resources

As at April 30, 2014, the Company had a working capital deficiency of $576,202 (2013 - $726,154). The Company has been reducing general and administration costs, where possible, 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. However, the Company does not generate any revenue from operations and, without further financing, the Company does not have sufficient capital to meet the requirements for its administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months.

For the foreseeable future, the Company will need to rely on raising capital in the equity markets and/or enter into further joint venture agreements with third parties to provide working capital and to finance its mineral property acquisition and exploration activities. 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.

Commitments

Effective July 1, 2012, under a service agreement originally expiring on August 31, 2017, between the Company and a private company controlled by a director and officer of the Company, the Company was charged $10,500 per month for office accommodation and services ("Basic Rent") and $1,750 per month per dedicated office ("Specific Rent"). The Company could terminate the agreement through written notice at any time by paying the Basic and Specific Rents for the lesser of 24 months or the remainder of the term.

Effective February 1, 2014, the Company received notice that it was in default of the service agreement and that office accommodation and other personnel services would no longer be provided until the default is remedied.

K. Outstanding Equity and Convertible Securities

i) Issued and Outstanding Shares

As at April 30, 2014, the Company had 169,979,059 common shares issued and outstanding.

On August 5, 2014, the Company issued 500,000 common shares pursuant to a shares for services consulting agreement.

As at August 28, 2014, the Company had 170,479,059 common shares issued and outstanding.

K. Outstanding Equity and Convertible Securities, continued

ii) Stock Options

As at August 28, 2014, the Company had stock options outstanding as follows:

Exercise Price	Expiry Date	Balance April 30, 2014	Expired	Balance August 28, 2014
$0.16	January 8, 2015	2,110,000	-	2,110,000
$0.17	November 29, 2015	2,115,000	-	2,115,000
$0.17	December 13, 2015	285,000	-	285,000
$0.10	June 5, 2017	350,000	-	350,000
$0.10	March 14, 2018	6,870,000	120,000	6,750,000
$0.05	March 24, 2019	500,000	-	500,000
		12,230,000	**120,000**	**12,110,000**
Weighted average exercise price		$0.12	$0.10	$0.12
Weighted average remaining life in years		2.90		2.56

iii) Share Purchase Warrants

As at August 28, 2014, the Company had share purchase warrants outstanding as follows:

Exercise Price	Expiry Date	Balance April 30, 2014	Balance August 28, 2014
$0.17	April 23, 2015	6,809,000	6,809,000
$0.30	*Note 1*	250,000	250,000
$0.40	*Note 2*	250,000	250,000
$0.10	January 31, 2016	8,452,000	8,452,000
$0.10	February 28, 2016	7,873,000	7,873,000
$0.05	September 13, 2016	7,030,150	7,030,150
$0.05	October 11, 2016	18,367,500	18,367,500
		49,031,650	**49,031,650**
Weighted average exercise price		$0.09	$0.09
Weighted average remaining life in years		1.99	0.87

Note 1 - Expiry date is two years from the date on which FMEC exercises its option to acquire a 51% indirect interest in the Cerro Las Minitas property.

Note 2 - Expiry date is 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.

L. Subsequent Events and Outlook

There are no significant events subsequent to the date of this document.

M. Financial Instruments

The Company's financial instruments include cash, other receivables, marketable securities, reclamation bonds, accounts payable and accrued liabilities, 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
Receivables (Advances)	Loans and Receivables	Amortized Cost
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

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 receivables (April 30, 2014 - $1,859 : April 30, 2013 - $3,449), 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.

These financial instruments have no material risk exposure. Risk is managed with respect to cash by risk management policies that require 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.

N. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate having them 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 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.

O. Disclosure Controls and Procedures, continued

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. 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.

P. Risks and Uncertainties, continued

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.

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.

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.

P. Risks and Uncertainties, continued

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.

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.

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* includes requirements for recognition and measurement, derecognition and hedge accounting. The IASB is adding to the standard as it completes the various phases of its comprehensive project on financial instruments, and so it will eventually form a complete replacement for IAS 39: *Financial Instruments: Recognition and Measurement*.

IFRS 9 was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. The current version of IFRS 9 does not include a mandatory effective date but is available for adoption. An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued.

IAS 36: *Impairment of Assets*, as amended, will reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. Applicable to annual periods beginning on or after January 1, 2014.

Q. Changes in Accounting Policies, Including Initial Adoption, continued

IAS 24: *Related Party Disclosures*, as amended, will clarify how payments to entities providing management services are to be disclosed. Applicable to annual periods beginning on or after July 1, 2014.

The Company has assessed the impact of adopting the above future accounting standard changes on its consolidated financial statements and the impact is not expected to be material.

R. Proposed Transactions

Other than normal course review of monthly submittals, there are no 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.