Canasil resources inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

Expressed in Canadian Dollars

Unaudited

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the Company's interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

"Bahman Yamini"	*"Kerry Spong"*
President and Chief Executive Officer	**Vice President, Finance & CFO**

November 27, 2013

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CANASIL RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Expressed in Canadian Dollars

Unaudited

ASSETS		September 30, 2013		December 31, 2012
Current				
Cash and cash equivalents	$	229,700	$	772,600
Receivables		221,404		202,854
Prepaid expenses		19,141		30,842
		470,245		1,006,296
Reclamation bonds		28,000		28,000
Property and equipment		63,570		69,903
	$	561,815	$	1,104,199

LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	324,165	$	93,899
Flow-through premium liability *(Note 6)*		6,551		73,632
Due to related party *(Note 5)*		150,000		-
		480,716		167,531
SHAREHOLDERS' EQUITY				
Share capital *(Note 6)*		16,762,291		16,128,607
Subscriptions received in advance *(Note 6)*		-		397,500
Contributed surplus		1,622,649		1,622,649
Deficit		(18,303,841)		(17,212,088)
		81,099		936,668
	$	561,815	$	1,104,199

Nature and continuance of operations *(Note 1)*
Subsequent events *(Note 9)*

ON BEHALF OF THE BOARD:

"Alvin Jackson", Director

"Michael McInnis", Director

CANASIL RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Expressed in Canadian Dollars
Unaudited

	Number of Shares		Share Capital *(Notes 6,7)*		Contributed Surplus *(Note 7)*		Subscriptions Received in Advance *(Note 6)*		Deficit		Total
Balance – December 31, 2011	63,827,092	$	15,198,369	$	1,397,026	$	-	$	(15,909,375)	$	686,020
Private placement	3,000,000		675,000		-		-		-		675,000
Share issuance costs	-		(29,194)		-		-		-		(29,194)
Share-based compensation	-		-		181,481		-		-		181,481
Comprehensive loss for the period	-		-		-		-		(1,021,569)		(1,021,569)
Balance – September 30, 2012	66,827,092		15,844,175		1,578,507		-		(16,930,944)		491,738
Private placement	2,103,782		389,200		-		-		-		389,200
Share issuance costs	-		(31,136)		-		-		-		(31,136)
Flow-through premium liability	-		(73,632)		-		-		-		(73,632)
Subscriptions received in advance	-		-		-		397,500		-		397,500
Share-based compensation	-		-		44,142		-		-		44,142
Comprehensive loss for the period	-		-		-		-		(281,144)		(281,144)
Balance – December 31, 2012	68,930,874		16,128,607		1,622,649		397,500		(17,212,088)		936,668
Private placement	4,476,999		671,550		-		(397,500)		-		274,050
Share issuance costs	-		(37,866)		-		-		-		(37,866)
Comprehensive loss for the period	-		-		-		-		(1,091,753)		(1,091,753)
Balance – September 30, 2013	73,407,873	$	16,762,291	$	1,622,649	$	-	$	(18,303,841)	$	81,099

- See Accompanying Notes -

CANASIL RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian Dollars
Unaudited

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2013	2012	2013	2012
Expenses				
Accounting and audit	$ 7,950	$ 8,760	$ 24,225	$ 43,333
Conferences and conventions	2,341	6,036	19,511	25,294
Consulting	-	-	-	7,600
Depreciation	2,916	4,152	8,749	12,374
Exploration and evaluation *(Note 4)*	502,549	(19,067)	743,738	351,697
Foreign exchange loss (gain)	9,511	633	1,639	1,015
General exploration	1,307	2,092	3,856	7,241
Investor relations and promotions	541	4,586	25,887	53,553
Legal fees	1,055	752	7,224	11,672
Listing and filing fees	-	(436)	10,903	14,634
Management fees	15,000	15,000	45,000	42,500
Office services and supplies	20,508	24,530	73,563	74,925
Salaries and wages	56,542	55,691	173,367	157,972
Shareholder communications	1,145	2,181	6,911	15,627
Share-based compensation *(Note 7)*	-	-	-	181,481
Transfer agent fees	3,852	1,167	6,532	7,705
Travel and accommodation	816	749	7,729	12,946
	(626,033)	(106,826)	(1,158,834)	(1,021,569)
Other item				
Deferred flow-through premium realized *(Note 6)*	60,510	-	67,081	-
Loss and comprehensive loss for the period	$ (565,523)	$ (106,826)	$ (1,091,753)	$ (1,021,569)
Loss per share - basic and diluted	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.02)
Weighted-average shares Outstanding – basic and diluted	73,407,873	66,827,092	73,311,056	66,279,647

- See Accompanying Notes -

CANASIL RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30

Expressed in Canadian Dollars
Unaudited

CASH RESOURCES PROVIDED BY (USED IN)	2013	2012
Operating activities		
Loss for the period	$ (1,091,753)	$ (1,021,569)
Items not involving cash		
Depreciation	8,749	12,374
Deferred flow-through premium realized	(67,081)	-
Share-based compensation	-	181,481
	(1,150,085)	(827,714)
Changes in non-cash working capital		
Receivables	(17,057)	8,681
Prepaid expenses	11,701	(14,570)
Accounts payable and accrued liabilities	230,266	(21,996)
	(925,175)	(855,599)
Investing activities		
Purchase of equipment	(2,416)	(549)
Financing activities		
Share capital issued for cash	274,050	675,000
Share issuance costs	(37,866)	(29,194)
Due to related party	150,000	-
	386,184	645,806
Effect of exchange rate changes	(1,493)	-
Change in cash and cash equivalents for the period	(542,900)	(210,342)
Cash and cash equivalents - beginning of period	772,600	498,853
Cash and cash equivalents - end of period	$ 229,700	$ 288,511

Expressed in Canadian Dollars

1. NATURE AND CONTINUANCE OF OPERATIONS

Canasil Resources Inc. (the "Company") is a mineral exploration company incorporated in British Columbia with its head office located at 915 – 700 West Pender Street, Vancouver, British Columbia. The Company is considered to be in the exploration stage with respect to its interest in mineral properties, which are located in Canada and Mexico. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The Company's continuing operation is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the financing necessary to maintain operations and successfully complete its exploration and development, and the attainment of future profitable production.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Several adverse conditions and material uncertainties cast significant doubt upon the validity of this assumption. Consistent with other junior exploration companies, the Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests.

These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

		September 30, 2013		December 31, 2012
Deficit	$	18,803,841	$	17,212,088
Working capital (deficiency)	$	(10,471)	$	838,765

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These statements do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments and information considered necessary for fair presentation have been included in these financial statements.

Except for accounting policy changes as detailed in Note 3, these condensed interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements including the notes thereto for the year ended December 31, 2012. All financial information presented herein is unaudited. The Company's board of directors approved these condensed interim consolidated financial statements for issue on November 27, 2013.

3. CHANGES IN ACCOUNTING POLICIES

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its financial statements.

IFRS 10 – *Consolidated Financial Statements*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12, *Consolidation – Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

IFRS 11 - *Joint Arrangements*

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

IFRS 12 – *Disclosure of Interests in Other Entities*

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

IFRS 13 - *Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

Amendment to IAS 1 - *Presentation of Financial Statements*

The amendments to IAS 1 require items to be grouped within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified.

Amendment to IAS 34 - *Interim financial reporting*

IAS 34 was amended to establish criteria for disclosing total segmented assets and require certain fair value disclosures.

4. EXPLORATION AND EVALUATION

The Company expenses exploration and evaluation costs relating to its mineral property interests in the period incurred. A description of the Company's mineral interests follows:

La Esperanza project, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in the La Esperanza project, subject to a Net Smelter Returns royalty ("NSR") of up to 1%, which can be purchased by the Company for US$100,000. The claims are located in Zacatecas State, Mexico. The Company acquired its 100% interest in these claims by making option payments of US$160,000 over a four-year period with the final payment of US$75,000 being completed in May 2011. From 2006 to 2010, the Company added further claims by direct staking to increase the project area.

In August 2010, the Company signed an agreement with MAG Silver Corp. ("MAG") providing MAG the option to earn a 60% interest in the La Esperanza project by making cash payments of $500,000 to the Company and completing $5,000,000 in exploration expenditures over a period of four years. Mag completed the first three cash payments totalling $300,000 and subscribed for private placements totalling $350,000 in accordance with the agreement. In May 2013, MAG terminated the option agreement and returned the property to the Company.

Sandra and Escobar projects, Mexico

The Company has staked the Sandra claims located in Durango State, Mexico. In 2008, the Company entered into an agreement with Pan American Silver Corp. ("Pan American") providing an option for the Company to earn a 51% interest in Pan American's Escobar claims for US$1,000,000 in exploration expenditures over three years. Upon the Company earning in, Pan American had the option to back-in to a 51% interest in the combined claims of Pan American's Escobar project and the Company's Sandra project by paying the Company three times its exploration expenditures on the combined claims, forming a 51% Pan American and 49% Canasil joint venture.

During 2012, the Company provided Pan American with notice that it had earned its interest in the Escobar claims. The agreement provided that should Pan American decide not to exercise its back-in right, it could sell its 49% interest in the Escobar claims to the Company for US$5,000,000 in a combination of cash and shares to be paid over three years, and would retain a 2.5% NSR on future production from the Escobar claims. If the Company decided not to purchase Pan American's 49% interest, then the Company's 51% interest in the Escobar claims would revert to a 40% interest. Pan American advised the Company that it did not intend to exercise its back-in right and the Company advised Pan American that it did not intend to purchase the 49% interest in the Escobar claims, thereby reducing the Company's interest in the Escobar claims to 40%.

During 2011, the Company entered into an option agreement granting the Company the right to earn a 100% interest in certain claims that form part of the Sandra and Escobar projects. The agreement calls for payments of US$300,000 and exploration expenditures of US$150,000 over 42 months and provides for a 2% NSR that the Company can purchase for US$200,000. To September 30, 2013, the Company had made payments of US$55,000 under the agreement; in July 2013, the Company terminated the agreement and returned the property to the owner. In addition, the Company has entered into a further agreement to purchase various additional claims in the area for approximately $25,000.

4. EXPLORATION AND EVALUATION - *continued*

Salamandra and Victoria projects, Mexico

During 2006, the Company entered into an option agreement to earn a 100% interest in the Salamandra project located in Durango State, Mexico, subject to an NSR of 2%. The Company can purchase one-half of the NSR for US$1,000,000. The agreement required the Company to make cash payments totalling US$500,000 over a period of five years and provided for an option to extend the final payment over an additional three or five years. The Company completed payments of US$50,000 and in May 2012 elected to extend the final payment of US$450,000 over a period of five years based on a specific schedule of payments totalling US$550,000. In February 2013, the Company and the optionor amended the agreement to provide for a further option to extend the final payment over a period of eight years based on a specific schedule of payments totalling $600,000. During the period, the Company made additional payments of US$50,000 bringing the total payments made to September 30, 2013 to US$100,000. The Company has also staked additional claims to significantly increase the project area.

In May 2013, the Company signed an option agreement with MAG on the Salamandra project providing MAG with the right to earn up to a 70% interest in the property. MAG can earn an initial 55% interest by paying the Company $750,000 and incurring $5,500,000 in exploration expenditures over a four-year period. Thereafter, MAG can earn an additional 15% interest by delivering a feasibility study on the project or by incurring an additional $20,000,000 in exploration expenditures within four years. Upon executing a binding letter agreement, the Company received the initial cash payment of $150,000. The letter agreement calls for the Company and MAG to sign a definitive agreement with 120 days (extended by 30 days), at which point the first year expenditure requirement of $1,000,000 (including a minimum of 3,000 metres of drilling) becomes a firm commitment. Upon MAG earning either a 55% or 70% interest in the project, the Company and MAG will form a joint venture to further develop the property.

Carina project, Mexico

During 2010, the Company signed an agreement providing Pan American with the option to earn a 55% interest in the Carina project by making cash payments of US$365,000 to the Company and completing US$3,650,000 in exploration expenditures over a period of four years. The Company received the first two cash payments, totalling US$109,500, and Pan American fulfilled the minimum $200,000 required exploration expenditures in accordance with the agreement. In April 2012, Pan American terminated the option agreement and returned the property to the Company.

Other projects

The Company has staked other claims located in Durango and Sinaloa States, Mexico which include the Colibri, Vizcaino, Nora, Victoria, Los Azules, San Fransisco, and Buenavista projects. The Company has also staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects. The Company holds a 100% interest in all of these claims.

In January 2011, the Company signed an agreement to acquire a 100% interest in the Candelaria claims that now form part of the Nora project. Upon signing, the Company paid US$30,000 and issued 200,000 stock options at $0.35 to the optionors. The agreement provides for a 1% NSR and calls for semi-annual lease payments starting at US$5,000 in 2011 and gradually increasing to US$20,000 by 2014 and thereafter. All such lease payments made will be credited towards the Company's purchase of the NSR for an agreed price of US$3,000,000. To September 30, 2013, the Company has made semi-annual lease payments totalling US$10,000. During 2012, the Company and the optionor amended the agreement to suspend further semi-annual lease payments until such time as the Company either enters into an option or joint venture agreement with a third party, or commences active exploration activities, including drilling, on the Candelaria property.

Expressed in Canadian Dollars

4. EXPLORATION AND EVALUATION - *continued*

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 conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

Expenditures for the period and cumulative expenditures as at September 30 are as follows:

2013	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	$ -	$ 286,016	$ 286,016	$ 2,304,468
- Expenditure recoveries	-	-	-	(203,180)
Other, Canada	-	71,806	71,806	217,668
- Expenditure recoveries	-	-	-	(18,661)
Sandra and Escobar, Mexico	29,681	125,988	155,669	1,367,350
La Esperanza, Mexico	-	89,644	89,644	1,115,039
- Expenditure recoveries	-	-	-	(235,782)
- Option payments received	-	-	-	(300,000)
Colibri, Mexico	-	44,569	44,569	1,751,318
Salamandra, Mexico	51,408	156,225	207,633	1,532,819
- Expenditure recoveries	(51,408)	(58,576)	(109,984)	(128,666)
- Option payments received	(150,000)	-	(150,000)	(203,989)
Victoria, Mexico	-	11,142	11,142	396,638
- Expenditure recoveries	-	-	-	(113,848)
- Option payments received	-	-	-	(21,596)
Carina, Mexico	-	55,702	55,702	174,407
- Expenditure recoveries	-	-	-	(17,498)
- Option payments received	-	-	-	(111,875)
Other, Mexico	-	81,541	81,541	458,932
	$ (120,319)	$ 864,057	$ 743,738	$ 7,963,544

2012	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	$ -	$ 4,782	$ 4,782	$ 2,018,452
- Expenditure recoveries	-	-	-	(202,669)
Other, Canada	2,000	11,011	13,011	142,982
Sandra and Escobar, Mexico	19,028	152,154	171,182	1,181,322
La Esperanza, Mexico	-	85,226	85,226	1,002,047
- Expenditure recoveries	-	(69,307)	(69,307)	(235,782)
- Option payments received	(150,000)	-	(150,000)	(300,000)
Colibri, Mexico	-	38,156	38,156	1,705,474
Salamandra, Mexico	-	103,667	103,667	1,299,236
- Expenditure recoveries	-	-	-	(18,682)
- Option payments received	-	-	-	(53,989)
Victoria, Mexico	-	46,039	46,039	383,972
- Expenditure recoveries	-	-	-	(113,848)
- Option payments received	-	-	-	(21,596)
Carina, Mexico	-	37,075	37,075	117,468
- Expenditure recoveries	-	(17,498)	(17,498)	(17,498)
- Option payments received	-	--	-	(111,875)
Other, Mexico	5,089	84,275	89,364	374,578
	$ (123,883)	$ 475,580	$ 351,697	$ 7,149,592

Expressed in Canadian Dollars

4. EXPLORATION AND EVALUATION - *continued*

Expenditures for the period ending September 30, by activity, are as follows:

		2013		2012
Acquisition and option payments	$	81,089	$	26,116
Administration		90,670		72,011
Assays		22,436		21,827
Drilling		179,285		-
Field costs		85,910		25,919
Geology		130,013		98,301
Geophysical		33,195		29,790
Land holding costs		303,997		300,741
Legal		38,062		5,656
Mapping and surveying		2,301		5,723
Transportation and rentals		36,764		2,418
Expenditure recoveries		(109,984)		(86,805)
Option payments received		(150,000)		(150,000)
	$	743,738	$	351,697

5. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had related party transactions with associated persons or corporations, which were undertaken in the normal course of operations as follows:

- accounts payable includes $21,480 (2012 – $nil) in legal fees, management fees, and salaries due to directors and officers;
- accounts payable includes $nil (2012 – $70,000) in accrued director fees due to non-executive directors;
- due to related party includes loan advances totaling $150,000 made to the Company by a company with a director in common. The loan advances are unsecured, non-interest bearing, and have no fixed terms of repayment.
- key management includes executive and non-executive directors and officers. The compensation paid or payable to key management is as follows:

		2013		2012
Salaries and wages	$	112,500	$	112,500
Management fees		45,000		42,500
Geological consulting fees		-		7,350
Legal fees		42,420		11,672
Share-based compensation *(i)*		-		128,114
	$	199,920	$	302,136

(i) Calculated using the Black-Scholes Option-Pricing Model, using the assumptions detailed in Note 7.

6. SHARE CAPITAL

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

Private placements

In February 2012, the Company issued 3,000,000 units at a price of $0.225 per unit for gross proceeds of $675,000. Each unit consisted of one common share and one-half of one share purchase warrant with each full warrant entitling the holder to purchase one common share at a price of $0.35 until February 20, 2013. The warrants are subject to an accelerated exercise provision. The Company paid commissions and finder's fees of $29,194.

In December 2012, the Company issued 2,103,782 flow-through shares at a price of $0.185 per share for gross proceeds of $389,200 and accrued a finder's fee of $31,136. The flow-through feature of the shares was valued at $0.035 per share, resulting in a flow-through premium liability of $73,632. The Company is required to incur $389,200 in qualifying expenditures during 2013. During the period, the Company incurred $354,572 in qualifying expenditures and realized $67,081 of the deferred flow through premium.

In January 2013, the Company issued 4,476,999 units at price of $0.15 per unit for gross proceeds of $671,550. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share of the Company at a price of $0.225 until January 2014. Subscriptions totalling $397,500 in respect of these shares were received during December 2012. The warrants are subject to an accelerated exercise provision. The Company paid finders' fees of $27,000 and legal and filing fees of $10,866.

Shareholder rights plan

On October 4, 2012, the Company adopted a shareholder rights plan that has been approved by the TSX Venture exchange and is subject to ratification by the Company's shareholders. The plan is designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Company. Pursuant to the terms of the plan, any bids that meet certain criteria intended to protect the interests of all shareholders are deemed to be "Permitted Bids". In the event that a bid, other than a Permitted Bid, to acquire 20% or more of the common shares is made, shareholders other than those involved in the take-over bid will be entitled to exercise rights to acquire common shares of the Company at a discount to the market price. The shareholders rights plan expires on October 4, 2015.

7. STOCK OPTIONS AND WARRANTS

The Company has an Incentive Stock Option Plan (the "Plan") which complies with the rules set forth by the TSX Venture Exchange limiting the total number of incentive stock options to 10% of the issued common shares, and providing that at no time may more than 5% of the outstanding issued common shares be reserved for incentive stock options granted to any one individual. The Plan provides for the issuance of options to directors, officers, employees and consultants of the Company and its subsidiary to purchase common shares of the Company. The stock options may be issued at the discretion of the board of directors and may be exercisable during a period not exceeding ten years. Vesting provisions are at the discretion of the board of directors, subject to the policies of the TSX Venture Exchange.

Expressed in Canadian Dollars

7. STOCK OPTIONS AND WARRANTS *- continued*

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants			Options		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, December 31, 2011	610,000	$	0.600	3,980,000	$	0.29
Issued/granted	1,500,000	$	0.350	1,700,000	$	0.19
Expired	(610,000)	$	0.210	(755,000)	$	0.50
Outstanding, December 31, 2012	1,500,000	$	0.350	4,925,000	$	0.22
Issued/granted	4,476,999	$	0.225	-	$	-
Expired	-	$	-	(437,500)	$	0.30
Forfeited	-	$	-	(112,500)	$	0.18
Outstanding, September 30, 2013	5,976,999	$	0.225	4,375,000	$	0.22
Exercisable, September 30, 2013	5,976,999	$	0.225	4,375,000	$	0.22

At September 30, 2013, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares		Exercise Price	Expiry Date
Options	75,000	$	0.20	January 20, 2014
	875,000	$	0.10	January 27, 2015
	1,750,000	$	0.28	November 23, 2015
	200,000	$	0.35	January 13, 2016
	1,175,000	$	0.20	January 20, 2017
	300,000	$	0.18	October 29, 2017
	4,375,000			
Warrants	1,500,000	$	0.225	November 20, 2013 (i)
	3,176,999	$	0.225	January 4, 2014
	1,300,000	$	0.225	January 14, 2014
	5,976,999			

(i) On February 20, 2013, the Company reduced the exercise price of these warrants from $0.35 to $0.225 and extended the expiry date to November 20, 2013. On November 14, 2013, the Company further reduced the exercise price of these warrant to $0.08 leaving the expiry date unchanged *(Note 9)*.

Expressed in Canadian Dollars

7. STOCK OPTIONS AND WARRANTS *– continued*

Share-based compensation

The following table presents information relating to incentive stock options granted to directors, officers and consultants of the Company during the periods ended September 30. Share-based compensation is recorded over the vesting period.

	2013	2012
Total options granted	-	1,250,000
Average exercise price	$ -	$ 0.20
Estimated fair value of options granted	$ -	$ 176,952
Estimated fair value per option	$ -	$ 0.14

The fair value of the share-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2013	2012
Risk-free interest rate	-	1.38%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	95%
Expected forfeiture rate	-	0.00%
Expected option life in years	-	4.82

The Company has recorded share-based compensation during the period as follows:

	2013	2012
Number of options vested in period	37,500	1,325,000
Compensation recognized in period	$ -	$ 181,481

8. SEGMENTED INFORMATION

The company currently operates in only one operating segment, that being the mineral exploration industry. The Company operates in the following geographical locations:

2013	Canada	Mexico	Total
Plant and equipment	$ 8,936	$ 54,634	$ 63,570

2012	Canada	Mexico	Total
Plant and equipment	$ 9,620	$ 64,408	$ 74,028

9. SUBSEQUENT EVENTS

Subsequent to September 30, 2013, the Company received cash proceeds of $31,200 upon exercise of 390,000 share purchase warrants.