DOLLY VARDEN SILVER CORPORATION

(Formerly Dolly Varden Silver Ltd.)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012

UNAUDITED –Prepared by Management

(Expressed in Canadian Dollars)

TO THE SHAREHOLDERS OF DOLLY VARDEN SILVER CORPORATION

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the 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 financial statements of the Company at September 30, 2013 have been prepared by management and have been reviewed and approved by the Company's Audit Committee and Board of Directors.

The Company's independent auditor, Davidson & Company LLP, has not performed a review of these condensed interim financial statements for the three and nine month periods ended September 30, 2013 and 2012.

DOLLY VARDEN SILVER CORPORATION
Condensed Interim Statement of Financial Position
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

		September 30, 2013		December 31, 2012
Assets				
Current				
Cash	$	975,227	$	1,270,135
Prepaid expenses (Note 3)		35,795		17,399
Receivables (Note 4)		902,408		349,073
		1,913,430		1,636,607
Non-Current				
Deposits (Note 6)		50,000		50,000
Exploration and evaluation advances (Note 6)		128,471		141,033
Equipment (Note 5)		255,241		267,999
Exploration and evaluation assets (Note 6)		14,088,288		11,314,347
	$	16,435,430	$	13,409,986
Liabilities and shareholders' equity				
Current				
Accounts payable & accrued liabilities (Note 7 and 13)	$	622,745	$	1,145,293
		622,745		1,145,293
Shareholders' equity				
Share Capital (Note 8)		21,348,291		16,710,441
Reserves		2,779,262		2,021,630
Deficit		(8,314,868)		(6,467,378)
		15,812,685		12,264,693
	$	16,435,430	$	13,409,986

Nature of Operations and Going Concern - Note 1
Contingent Liability - Note 13

APPROVED ON BEHALF OF THE BOARD:

"Allan Marter"	***"John King Burns"***
DIRECTOR	DIRECTOR

(The accompanying notes are an integral part of these condensed interim financial statements)

DOLLY VARDEN SILVER CORPORATION

Condensed Interim Statement of Loss and Comprehensive Loss

Unaudited –Prepared by Management

(Expressed in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2013	**2012**	**2013**	**2012**
Expenses				
Administrative & Consulting fees	$ 29,445	$ 24,860	$ 78,279	$ 61,313
Directors fees (Note 7)	45,489	-	106,489	-
Management fees	46,500	57,000	164,000	176,500
Marketing and communications	65,612	89,252	224,747	271,425
Office	26,361	13,416	51,988	71,538
Professional fees	32,865	43,497	136,049	212,376
Rent and maintenance	14,355	17,355	44,065	49,150
Salaries and benefits	16,804	40,220	106,202	132,323
Share-based compensation (Note 8)	628,036	32,542	734,851	1,470,831
Transfer agent and filing fees	12,943	3,054	30,237	103,469
Travel & Accommodation	86,298	51,636	200,279	100,042
Cost of public listing (Note 9)	-	-	-	1,854,417
Exchange (gain)/loss	(168)	6,721	(596)	7,155
Operating loss	(1,004,540)	(379,553)	(1,876,590)	(4,510,539)
Interest income	13,467	5,805	29,100	12,557
Other - flow through premium	-	-	-	18,000
Total loss and comprehensive loss for period	$ (991,073)	$ (373,748)	$ (1,847,490)	$ (4,479,982)
Loss per common share, basic and diluted	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.05)
Weighted average number of common shares outstanding	131,397,919	85,967,109	122,645,489	81,551,932

(The accompanying notes are an integral part of these condensed interim financial statements)

DOLLY VARDEN SILVER CORPORATION
Condensed Interim Statement of Changes in Equity
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

	Share Capital		Share subscriptions received	Share subscriptions receivable	Reserves	Deficit	Total
	Number	Amount					
Balance - December 31, 2011	**74,615,000**	**$ 11,597,366**	$ -	**$ (110,500)**	**$ 33,204**	**$ (1,658,796)**	**$ 9,861,274**
Fair value assigned to the shares on reverse takeover transaction	5,650,000	1,412,500	-	-	-	-	1,412,500
Fair value assigned to the stock options and warrants on reverse takeover transaction	-	-	-	-	515,118	-	515,118
Issuance of common shares for cash	20,000,000	3,200,000	-	-	-	-	3,200,000
Share issuance costs	-	(53,089)	-	-	-	-	(53,089)
Exercise of stock options	25,000	3,750	-	-	-	-	3,750
Fair value assigned to exercised stock options	-	2,500	-	-	(2,500)	-	-
Exercise of warrants	147,000	22,050	-	-	-	-	22,050
Fair value assigned to exercised warrants	-	14,700	-	-	(14,700)	-	-
Share subcriptions receivable	-	-	-	110,500	-	-	110,500
Share-based compensation	-	-	-	-	1,470,831	-	1,470,831
Total loss and comprehensive loss for the period	-	-	-	-	-	(4,479,982)	(4,479,982)
Balance - September 30, 2012	**100,437,000**	**16,199,777**	-	-	**2,001,953**	**(6,138,778)**	**12,062,952**
Issuance of flow-through common shares for cash	2,660,000	532,000	-	-	-	-	532,000
Share issuance costs	-	(53,280)	-	-	-	-	(53,280)
Exercise of warrants	230,500	34,575	-	-	-	-	34,575
Fair value assigned to exercised warrants	-	23,050	-	-	(23,050)	-	-
Fair value assigned to finders warrants	-	(25,681)	-	-	25,681	-	-
Share-based compensation	-	-	-	-	17,046	-	17,046
Total loss and comprehensive loss for the period	-	-	-	-	-	(328,600)	(328,600)
Balance - December 31, 2012	**103,327,500**	**16,710,441**	-	-	**2,021,630**	**(6,467,378)**	**12,264,693**
Issuance of flow-through common shares for cash	687,508	137,501	-	-	-	-	137,501
Issuance of common shares for cash	25,850,411	4,643,560	-	-	-	-	4,643,560
Share issuance costs	-	(350,305)	-	-	-	-	(350,305)
Exercise of warrants	1,532,500	229,875	-	-	-	-	229,875
Fair value assigned to exercised warrants	-	153,250	-	-	(153,250)	-	-
Fair value assigned to issued finders' warrants	-	(176,031)	-	-	176,031	-	-
Share-based compensation	-	-	-	-	734,851	-	734,851
Total loss and comprehensive loss for the period	-	-	-	-	-	(1,847,490)	(1,847,490)
Balance - September 30, 2013	**131,397,919**	**$ 21,348,291**	**$ -**	**$ -**	**$ 2,779,262**	**$ (8,314,868)**	**$ 15,812,685**

(The accompanying notes are an integral part of these condensed interim financial statements)

DOLLY VARDEN SILVER CORPORATION
Condensed Interim Statement of Cash Flows
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

	Nine months ended September 30, 2013	2012
Cash flows from operating activities		
Loss for the period	$ (1,847,490)	$ (4,479,982)
Items not affecting cash:		
Cost of public listing	-	1,854,417
Share-based compensation	734,851	1,470,831
Depreciation of office equipment	1,423	
Other income - Flow-through premium	-	(18,000)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	205,544	448,609
(Increase) decrease in prepaid expenses	(18,396)	(303,613)
Increase (decrease) in accounts payable & accrued liabilities	89,436	(83,407)
Net cash used in operating activities	(834,632)	(1,111,145)
Cash flows from investing activities		
Exploration and evaluation assets	(4,096,422)	(657,692)
Equipment	(37,047)	-
Exploration and evaluation assets advances	12,562	-
Cash acquired in reverse takeover transaction	-	71,207
Net cash used in investing activities	(4,120,907)	(586,485)
Cash flows from financing activities		
Issuance of common shares for cash	5,010,936	3,172,711
Subscriptions received in advance	(350,305)	110,500
Net cash provided by financing activities	4,660,631	3,283,211
Net change in cash for the period	(294,908)	1,585,581
Cash - beginning of the period	1,270,135	2,183,734
Cash - end of the period	$ 975,227	$ 3,769,315

	2013	2012
Supplemental disclosure with respect to cash flows:		
Interest received in cash	$ 23,736	$ 3,523
Interest paid in cash	-	-
Income taxes paid in cash	-	-
Non-cash transactions:		
Accrual of exploration and evaluation asset expenditures	$ 424,665	$ 1,868,911
Accrual of BC METC (Note 4)	$ 758,879	-
Reverse takeover transaction with Twin Glacier (Note 9)	-	$ 1,854,417
Property acquisition upon consolidation	-	$ 46,801
Depreciation included in exploration and evaluation assets	$ 48,382	$ 59,379
Fair value of warrants exercised	$ 153,250	$ 14,700
Fair value of finders warrants issued	$ 176,031	-
Fair value of options exercised	-	$ 2,500

(The accompanying notes are an integral part of these condensed interim financial statements)

1 NATURE OF OPERATIONS AND GOING CONCERN

On January 30, 2012, an amalgamation of Twin Glacier Resources Ltd. ("Twin") and Dolly Varden Silver Ltd. ("Dolly") by way of a reverse takeover ("RTO") (Note 9) created Dolly Varden Silver Corporation (the "Company"). The Company was incorporated under the Canada Business Corporation Act in the Province of British Columbia on March 4, 2011. The Company's primary business is the acquisition, exploration, evaluation and development of exploration and evaluation assets and it is considered to be in the exploration and evaluation stage. The Company's registered head office is suite 910 – 355 Burrard Street, Vancouver, BC V6C 2G8.

The Company owns interests in multiple mineral titles and claims. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements and to complete the development of properties and upon future profitable production or proceeds from the disposition thereof.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, 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. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2013, the Company had incurred accumulated losses of $8,314,868 (December 31, 2012: accumulated loss of $6,467,378) since inception, and has a working capital of $1,290,685 (December 31, 2012: $491,314). The Company expects to incur further losses in the development of its business and accordingly there is material uncertainty in the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to continue to raise adequate financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with IAS 1 "Presentation of Financial Statements' ("IAS 1") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements were approved by the board of directors of the Company on November 25, 2013.

(b) Basis of Presentation

The condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these condensed interim financial statements are in accordance with IFRS and have not been audited.

The preparation of the condensed interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

(Expressed in Canadian Dollars)

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

These condensed interim financial statements do not include all of the notes required for full annual financial statements.

The significant accounting policies for the periods are consistent with those disclosed in the audited annual financial statements of the Company for the year ended December 31, 2012 except as specified below. The accompanying unaudited condensed interim financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2012.

For the comparative financial statements, the Company re-classified certain 2012 accounts in order to conform with the 2013 presentation.

(c) Accounting Standards, amendments and interpretations issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended September 30, 2013, and have not been applied in preparing these financial statements.

Effective for annual periods beginning on or after January 1, 2015

IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The amendments are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

The Company does not anticipate that the above item will have a significant impact on its financial statements.

3 PREPAID EXPENSES

Prepaid expenses consist of:

	September 30, 2013	December 31, 2012
Trade show/Conference	$ 16,639	$ 9,604
Insurance	5,454	3,198
Other	13,702	4,597
	$ 35,795	$ 17,399

4 RECEIVABLES

Receivables consist of:

	September 30, 2013	December 31, 2012
GST/HST	$ 117,237	$ 259,143
Accrued interest on GICs	5,364	-
BC METC [(1)]	758,879	-
Refundable Vendor Credits	20,928	-
Other (Note 11)	-	89,930
	$ 902,408	$ 349,073

[(1)] **Refers to the BC Mining Exploration Tax Credit, a government assistance program that gives** refundable tax credits at 20% of certain qualified mining exploration expenditures. The amount represents the amount filed for the 2012 fiscal year.

(Expressed in Canadian Dollars)

5 EQUIPMENT

	Boat	Dock	Tents & trailers	Equipment	Vehicles	Gas tank	Computer Hardware	Total
Cost								
At December 31, 2012	$ 43,095	$ 15,571	$ 132,617	$ 31,082	$ 129,136	$ 40,000	$ -	$ 391,501
Additions	-	-	5,904	20,797	-	-	10,346	$ 37,047
At September 30, 2013	**$ 43,095**	**$ 15,571**	**$ 138,521**	**$ 51,879**	**$ 129,136**	**$ 40,000**	**$ 10,346**	**$ 428,548**
Accumulated depreciation								
At December 31, 2012	$ 9,212	$ 1,148	$ 49,982	$ 5,315	$ 52,045	$ 5,800	$ -	$ 123,502
Depreciation for the period	3,813	540	18,889	5,229	17,346	2,565	1,423	49,805
At September 30, 2013	**$ 13,025**	**$ 1,688**	**$ 68,871**	**$ 10,544**	**$ 69,391**	**$ 8,365**	**$ 1,423**	**$ 173,307**
NET BOOK VALUE								
At December 31, 2012	**$ 33,883**	**$ 14,423**	**$ 82,635**	**$ 25,767**	**$ 77,091**	**$ 34,200**	**$ -**	**$ 267,999**
At September 30, 2013	**$ 30,070**	**$ 13,883**	**$ 69,650**	**$ 41,335**	**$ 59,745**	**$ 31,635**	**$ 8,923**	**$ 255,241**

6 EXPLORATION AND EVALUATION ASSETS

Dolly Varden Property

During the period from inception March 4, 2011 to October 31, 2011, the Company purchased the Dolly Varden Property, consisting of fee simple titles, mineral claims and mineral tenures in respect of certain lands located in the Kitsault area of British Columbia. A finder’s fee of $62,500 was paid through the issuance of shares to a shareholder of the Company. The property is subject to a 2% net smelter return royalty (“NSR”) of which one half (or 1% NSR) can be repurchased by the Company for $1,000,000 at any time. A company in which a former director holds an indirect 20% interest holds the 2% NSR and holds a License agreement for use of nearby property at a monthly cost to the Company of $2,500 through to June 30, 2014. Other directors no longer have any entitlement of interest in the company that holds the 2% NSR and License agreement.

The Company has entered into a Master Services agreement (the “MSA”) on September 1, 2012 with a company controlled by a former director who continues as an officer for ongoing exploration, including a range of geological and geoscience services and project management. The MSA includes an additional 4% overall fee on costs related to the project. Upon signing the MSA, an additional fee of $185,000 was paid.

The Company has provided a $50,000 deposit for the reclamation bond for the property.

Iskut Property

On January 30, 2012, the Company, as part of the amalgamation with Twin as disclosed in Note 9, acquired 100% ownership in the Iskut property in Northern BC.

Musketeer Property

On March 18, 2013, the Company entered into an option agreement to acquire 100% interest in the Musketeer property located in northwestern British Columbia, Canada for a purchase price of $1,050,000 payable over four years, subject to a 2% NSR. The Company has the option to reduce the NSR by 1% by paying $1,750,000 to the royalty holders within 3 years of acquiring the Musketeer property.

(Expressed in Canadian Dollars)

6 EXPLORATION AND EVALUATION ASSETS (cont'd)

The Company paid an aggregate option payment of $350,000 on March 18, 2013 and the remaining option payments are due as follows:

February 14, 2014	$233,333
February 13, 2015	$233,333
February 12, 2016	$233,334

The following is a summary of acquisition costs and exploration expenditures in exploration and evaluation assets for the nine months ended September 30, 2013:

	Balance as at December 31, 2012	Dolly Varden Property	Iskut Property	Musketeer Property	Balance as at September 30, 2013
Acquisition Costs					
Finders' fees	$ 62,500	$ -	$ -	$ -	$ 62,500
Legal fees	82,520	-	-	11,303	93,823
Property acquisition	2,546,801	-	-	350,000	2,896,801
Total acquisition costs	$ 2,691,821	$ -	$ -	$ 361,303	$ 3,053,124
Exploration Costs					
Assay	$ 117,340	$ 67,613	$ -	$ -	$ 184,953
Camp, food, supplies and misc.	688,418	251,884	-	-	940,302
Claim maintenance	73,608	35,758	-	196	109,562
Data and sampling analysis	218,695	111,352	-	-	330,047
Depreciation	123,503	48,381	-	-	171,884
Drilling	815,229	317,155	-	-	1,132,384
Equipment and warehouse rental	451,845	234,685	-	-	686,530
Field labour and support	614,025	124,787	-	-	738,812
Field project and management	1,557,955	737,860	-	-	2,295,815
Fuel	271,364	103,374	-	-	374,738
Geological and Geoscience consulting	1,026,536	488,554	-	-	1,515,090
Geotechnical studies	250,410	173,420	-	-	423,830
Mapping and modelling	370,635	267,590	-	-	638,225
Road and drill pad preparation	497,375	108,181	-	-	605,556
Site preparation	61,578	85,940	-	-	147,518
Survey and assessment	357,070	23,753	-	-	380,823
Transport, travel and accomodation	1,126,940	549,487	-	-	1,676,427
Cost recovery - BC METC	-	(1,317,332)	-	-	(1,317,332)
Total exploration costs	$ 8,622,526	$ 2,412,442	$ -	$ 196	$ 11,035,164
Total Exploration and Evaluation Assets	$ 11,314,347	$ 2,412,442	$ -	$ 361,499	$ 14,088,288

At September 30, 2013, the Company has advanced $128,471 (December 31, 2012- $141,033) for upcoming exploration work to various suppliers.

(Expressed in Canadian Dollars)

7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Consists of:

	September 30, 2013	December 31, 2012
Trade payables [(1)]	$ 43,091	$ 69,481
Exploration and evaluation asset payables and accruals [(2)]	424,665	1,036,649
Other accrual [(3)]	154,989	39,163
	$ 622,745	$ 1,145,293

(1) Includes $13,360 (December 31, 2012- $Nil) owed to directors and officers for consulting fees and travelling expenses.

(2) Includes $249,589 (December 31, 2012- $1,031,858) payable to a Company owned by a former director who is also an officer of the company.

(3) Includes $Nil (December 31, 2012- $8,125) payable to an officer of the company and $106,489 (December 31, 2012 - $Nil) to independent directors for directors' fees.

8 SHARE CAPITAL AND RESERVES

Share Capital:

Authorized: Unlimited common shares without par value

(a) During the year ended December 31, 2012, the Company issued the following common shares:

(i) On January 30, 2012, the Company completed its securities amalgamation as disclosed in Note 9. Under the amalgamation, the Company issued 74,615,000 common shares to former shareholders of Dolly and 5,650,000 common shares to former shareholders of Twin. In addition, the Company issued 5,329,400 new share purchase warrants to replace the pre-amalgamation warrants of the Company and issued 5,150,000 new share purchase warrants and 25,000 new stock options to replace the share purchase warrants and stock options of Twin. Of these share purchase warrants, 4,450,000 are each exercisable into one common share at $0.15 per common share, while 700,000 are each exercisable into one common share at $0.25 per common share each with an expiry date of January 8, 2013. The stock options issued to replace the stock options of Twin are each exercisable into one common share at $0.15 per common share with an expiry date of March 20, 2016.

(ii) On September 4, 2012, the Company issued 20,000,000 common shares pursuant to an ancillary rights agreement with a wholly owned subsidiary of Hecla Mining Company ("Hecla") for a total consideration of $3,200,000. According to the terms of the ancillary rights agreement, Hecla was granted various rights as long as Hecla holds more than 10% interest in the Company. These rights include: (a) a right to nominate one person to Dolly Varden's board of directors, (b) a right to nominate one person to a technical committee, to be established to design and execute the Company's exploration programs, (c) a right of first refusal in respect of any proposed transfer or sale of the Company's properties, and (d) a pre-emptive right to participate in any future financing to maintain Hecla's pro rata interest. Hecla also agreed to a voting agreement whereby Hecla will vote in favour of management's proposals on matters of routine business (being the election of directors, the appointment of auditors, and the approval of the Company' stock option plan) for a period of 12 months from the closing of the Financing and a 12 month standstill which has expired.

8 SHARE CAPITAL AND RESERVES (cont'd)

(iii) On December 28, 2012, the Company completed a non-brokered private placement through the issuance of 2,660,000 flow-through common shares at $0.20 per share for gross proceeds of $532,000. The Company paid or accrued $43,167 and issued 212,800 finders' warrants valued at $25,681 as finders' fees in connection with the transaction. Each finders' warrant is exercisable into one common share at $0.20 per common share until December 28, 2014.

(iv) During fiscal 2012, the Company issued 25,000 common shares pursuant to the exercise of stock options for total proceeds of $3,750 and issued 377,500 common shares pursuant to the exercise of warrants for proceeds of $56,625.

(b) During the nine months ended September 30, 2013, the Company issued the following common shares:

(i) On January 22, 2013, Hecla exercised its pre-emptive right on financing to maintain its pro rata interest in the Company by acquiring 662,508 flow-through shares at $0.20 per share and 475,711 common shares at $0.16 per share for gross proceeds of $208,615.

(ii) On March 15, 2013, the Company completed its first tranche of a non-brokered private placement by issuing 10,310,000 common shares at $0.18 per share and 25,000 flow-through shares at $0.20 per share for total gross proceeds of $1,860,800. In connection with the first tranche, the Company paid total financing fees of $290,500. Additionally, the Company issued 1,613,750 warrants for financing fees, of which 1,612,500 warrants are exercisable at $0.18 and 1,250 warrants are exercisable at $0.20 per share, expiring on March 15, 2015.

(iii) On April 17, 2013, the Company issued 15,064,700 common shares at $0.18 to Hecla, as it again exercised its pre-emptive right to maintain its 19.94% interest. This financing, in part, replaces the 10,000,000 shares traded by Hecla in February 2013.

(iv) During the nine months ended September 30, 2013 the Company issued 1,532,500 common shares pursuant to the exercise of warrants for proceeds of $229,875.

Included in the common shares outstanding at September 30, 2013 are Nil (December 31, 2012- 3,800,000) common shares held in escrow. The escrowed common shares may not be transferred, assigned or otherwise dealt without the consent of the regulators.

Certain common shares released from escrow are subject to Seed Share Resale Restrictions ("SSRR") and will be released at 20% every three months over a period of one year.

(Expressed in Canadian Dollars)

8 SHARE CAPITAL AND RESERVES (cont'd)

Warrants:

Warrant transactions summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, January 1, 2012	5,329,400	$	0.11
Issued for RTO	5,150,000	$	0.17
Issued for financing	212,800	$	0.17
Expired	(307,200)	$	0.23
Exercised	(377,500)	$	0.15
Balance, December 31, 2012	10,007,500	$	0.13
Issued for financing	1,613,750	$	0.18
Expired	(3,262,200)	$	0.17
Exercised	(1,532,500)	$	0.15
Balance, September 30, 2013	6,826,550	$	0.12

At September 30, 2013, share purchase warrants were outstanding as follows:

Number of warrants		Exercise Price	Expiry Date
5,000,000	$	0.10	February 14, 2014
212,800	$	0.20	December 28, 2014
1,612,500	$	0.18	March 15, 2015
1,250	$	0.20	March 15, 2015
6,826,550			

The weighted average remaining contractual life of the warrants outstanding as at September 30, 2013 was 0.66 years.

The following weighted average assumptions were used for the Black-Scholes valuation of warrants:

	Nine months ended September 30, 2013	2012
Risk free interest rate	1.20%	1.00%
Expected life of warrants	2 years	0.14 years
Annualized stock price volatility	131.50%	100%
Expected dividend yield	0%	0%

Included in the warrants outstanding at September 30, 2013 are Nil (December 31, 2012- 1,590,000) warrants held in escrow.

Certain warrants released from escrow are subject to Seed Share Resale Restrictions and will be released at 20% every three months over a period of one year.

(Expressed in Canadian Dollars)

8 SHARE CAPITAL AND RESERVES (cont'd)

Stock Options:

The Company has a stock option plan under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option shall be no less than the discounted market price of the Company's shares prior to the grant as in accordance with TSX Venture Exchange policies. Options are granted for a maximum term of 10 years. Vesting is at the discretion of the Board of directors. In the absence of a vesting schedule, such options shall vest immediately.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price
Outstanding at - January 1, 2012	-	$ -
Granted for services	7,700,000	$ 0.26
Granted for RTO	25,000	$ 0.15
Exercised	(25,000)	$ 0.15
Forfeited	(100,000)	$ 0.35
Outstanding at - December 31, 2012	7,600,000	$ 0.26
Granted for services	5,539,750	$ 0.16
Outstanding at - September 30, 2013	13,139,750	$ 0.22
Number of options exercisable at September 30, 2013	12,577,250	$ 0.22

As at September 30, 2013, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of options	Exercise Price	Expiry Date
6,350,000	$ 0.25	January 30, 2017
750,000	$ 0.35	March 1, 2017
500,000	$ 0.20	June 4, 2017
1,150,000	$ 0.18	March 18, 2018
4,389,750	$ 0.16	July 26, 2018
13,139,750		

The weighted average remaining contractual life of the stock options outstanding as at September 30, 2013, was 4.13 years.

(Expressed in Canadian Dollars)

8 SHARE CAPITAL AND RESERVES (cont'd)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	Nine months ended September 30,	
	2013	**2012**
Risk free interest rate	1.21% - 1.74%	1.29%
Expected dividend yield	0%	0%
Annualized stock price volatility	126.81% - 131.50%	103%
Expected life of options	4 - 5 years	4.98 years
Expected forfeiture rate	0%	0%

9 REVERSE TAKEOVER TRANSACTION (AMALGAMATION)

As described in Note 1, on January 30, 2012, Dolly completed a merger with Twin resulting in Dolly owning all of the issued and outstanding securities of Twin. Pursuant to the amalgamation, all of the issued and outstanding common shares of Dolly ("Dolly Shares") and Twin ("Twin Shares") were exchanged for common shares of Amalco ("the Company Shares") on the basis of one Company share for each Dolly share and one Company share for each Twin share. All stock options, warrants, and other securities convertible into common shares of Dolly and Twin were exchanged for stock options, warrants or other securities convertible into common shares of the Company at the same exercise price and on the same ratio as the exchange of Dolly Shares or Twin Shares for the Company Shares, as the case may be.

On February 14, 2012, under the amalgamation, the Company issued 74,615,000 new common shares to the shareholders of Dolly and 5,650,000 common shares to former shareholders of Twin. In addition, the Company also issued 5,329,400 new warrants to replace the pre-amalgamation warrants of Dolly, and 5,150,000 warrants and 25,000 options of Twin.

Although the transaction resulted in a single entity, control passed to the former shareholders of Dolly and the transaction constitutes a reverse take-over of Twin by Dolly and has been accounted for as a reverse takeover transaction in accordance with guidance provided in IFRS 2 *Share-based Payment* and IFRS 3 *Business Combinations*. As Twin did not qualify as a business according to the definition in IFRS 3, this reverse takeover transaction does not constitute a business combination; rather it is treated as an issuance of shares by the Company for the net assets of Twin and its public listing.

(Expressed in Canadian Dollars)

9 REVERSE TAKEOVER TRANSACTION (AMALGAMATION) (cont'd)

The net assets of Twin received were as follows:

Net assets acquired		
Cash	$	71,207
Receivables		6,482
Exploration and evaluation assets		46,801
Accounts payable and accrued liability		(51,290)
	$	73,200
Consideration provided		
5,650,000 common shares of Amalco	$	1,412,500
Twin - 700,000 warrants at $0.25		67,551
Twin - 4,450,000 warrants at $0.15		445,066
Twin - 25,000 options		2,500
	$	1,927,617
Cost of public listing	$	1,854,417

The transaction was measured at the fair value of the shares that the Company would have had to issue for the ratio of ownership interest in the combined entity to be equivalent to the ratio of ownership interest (between new and former owners) in the combined entity if the transaction had taken the legal form of Dolly acquiring Twin. This share value was determined based on the Dolly share value and is considered as a significant estimate and judgement. This value of the stock exchange listing of $1,854,417 has been charged to profit or loss as a listing expense.

10 CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue other business opportunities and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The capital of the Company consists of share capital, warrants and options.

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

The Company is dependent on the capital markets as its main source of operating capital and the Company's capital resources are largely determined by the strength of the junior public markets, by the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the nine month period ended September 30, 2013.

(Expressed in Canadian Dollars)

11 RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2013 and 2012, the Company incurred the following amounts charged by officers and directors (being key management personnel) and companies controlled and/or owned by officers and directors of the Company in addition to the related parties transactions disclosed elsewhere in these financial statements:

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Costs included in exploration and evaluation assets	$ 1,895,055	$ 1,422,190
Directors' fees	106,489	12,000
Management & Consulting fees	205,989	196,732
Salaries and benefits	84,278	106,183
Share-based compensation	503,700	1,077,083
	$ 2,795,511	$ 2,814,188

At September 30, 2013, included in accounts payable and accrued liabilities is $369,438 (December 31, 2012- $1,039,983) owed to directors, an officer, and a company owned by a former director who is also an officer of the Company. These amounts are unsecured, non-interest bearing and are due on demand.

At September 30, 2013, included in receivables is $Nil (December 31, 2012 - $89,930) owed by a director who is also an officer of the Company.

12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash, receivables, deposits, and accounts payable and accrued liabilities.

Financial instruments

Cash and deposits are measured at fair value using level one as the basis for measurement in the fair value hierarchy. The carrying value of receivables, and payables and accrued liabilities, approximate fair value because of the short-term nature of these instruments.

12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of bank balances and Guaranteed Investment Certificates at reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments also included receivables from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions.

Liquidity risk

The Company's ability to remain liquid over the long term depends on its ability to obtain additional financing through the issuance of additional securities, the entering into credit facilities or the entering into joint ventures, partnerships or other similar arrangements. As at September 30, 2013, the Company had a cash balance of $ 975,227 to settle current liabilities of $622,475. The Company's current policy is to invest excess cash in demand Guaranteed Investment Certificates issued by its banking institutions.

Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes that interest rate risk is remote as investments are redeemable at anytime and interest can be earned up to the date of redemption.

Price risk

The Company is exposed to price risk with respect to commodity prices. The Company's future mining operations will be significantly affected by changes in the market prices for silver. Precious metal prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities, and stability of exchange rates can all cause significant fluctuations in commodity prices.

13 CONTINGENT LIABILITY

On August 6, 2013, the Company received legal notice that a former officer was seeking remuneration based on specific terms of her employment contract and manner of termination and on November 12, 2013, the Company received Notice of Civil Claim that a related action was filed in The Supreme Court of British Columbia against the Company and the Chair. The Company disputes the allegations claimed in the action and no additional remuneration has been provided in the accounts.