



WILDCAT SILVER CORPORATION

Consolidated Financial Statements

For the Year Ended December 31, 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The preparation and presentation of these consolidated financial statements and accompanying Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments at this time. The financial information presented throughout the Management's Discussion and Analysis dated March 24, 2014 is consistent with that contained in the consolidated financial statements.

The Company maintains systems of internal accounting controls, policies and procedures to provide reasonable assurance as to the reliability of the financial records and the safeguarding of its assets. Management meets the objectives of internal accounting control through the prudent selection and training of personnel and an organization providing for appropriate delegation of authorities and segregation of responsibilities.

The Board of Directors reviews management's responsibilities with respect to the consolidated financial statements primarily through the activities of its Audit Committee, which is composed solely of independent directors of the Company. The Audit Committee meets with management and the Company's independent auditors to review the consolidated financial statements and recommend their approval by the Board of Directors. The Audit Committee is also responsible for making recommendations with respect to the appointment, remuneration and the terms of engagement of the Company's auditors. The Audit Committee also meets with the auditors, without the presence of Management, to discuss the results of the audit, related findings and their suggestions.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, who were appointed by the shareholders of the Company at the annual shareholders' meeting. The auditor's report follows.

/s/ Richard W. Warke
Chairman and Chief Executive Officer

/s/ Paul J. Ireland
Chief Financial Officer

March 24, 2014



March 25, 2014

Independent Auditor's Report

To the Shareholders of Wildcat Silver Corporation

We have audited the accompanying consolidated financial statements of Wildcat Silver Corporation and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise 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.

Auditor's 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 auditor's 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 the Company as at December 31, 2013 and December 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Emphasis of matter

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

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

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Wildcat Silver Corporation
Consolidated Statements of Financial Position
(U.S. dollars)

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 650,347	\$ 1,136,193
Amounts receivable (note 5)	122,737	310,891
Prepays and other	129,495	132,704
	<u>902,579</u>	<u>1,579,788</u>
Due from related party (note 6)	1,459,000	1,427,000
Investment in marketable securities (note 4)	-	180,923
Property, plant and equipment	77,037	104,358
Other assets (note 10)	330,849	92,710
Exploration and evaluation assets (note 7)	67,085,359	59,313,433
	<u>\$ 69,854,824</u>	<u>\$ 62,698,212</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 453,046	\$ 684,008
Other liabilities (note 8)	1,459,000	1,852,700
Due to related parties (note 10)	11,261	8,559
Total liabilities	<u>1,923,307</u>	<u>2,545,267</u>
Equity		
Equity attributable to shareholders of the Company:		
Common shares (note 9)	83,075,289	75,478,222
Reserves	5,114,840	4,580,510
Deficit	(25,697,122)	(24,544,680)
	<u>62,493,007</u>	<u>55,514,052</u>
Non-controlling interest (note 6)	5,438,510	4,638,893
Total equity	<u>67,931,517</u>	<u>60,152,945</u>
	<u>\$ 69,854,824</u>	<u>\$ 62,698,212</u>

Nature of operations and going concern (note 1)

APPROVED BY THE DIRECTORS

/s/ Donald Young

Donald Young – Director

/s/ Richard W. Warke

Richard W. Warke – Director

March 24, 2014

See accompanying notes to the consolidated financial statements.

Wildcat Silver Corporation

Consolidated Statements of Net Loss and Comprehensive Loss (U.S. dollars)

	Year ended December 31,	
	2013	2012
Expenses:		
Salaries and benefits	\$ 1,055,215	\$ 1,839,942
Stock based compensation (note 9b)	455,567	1,407,522
Office and administrative	326,098	360,423
Professional services	135,416	168,357
Investor relations	119,656	189,391
Directors' fees	65,759	11,006
Insurance	62,341	84,919
Legal	41,561	97,979
Filing and regulatory	34,427	41,121
Travel	23,885	32,118
Fiscal and advisory services	23,107	20,594
Depreciation	9,457	10,421
Loss from operations	(2,352,489)	(4,263,793)
Impairment of marketable securities (note 4)	(289,454)	-
Interest and finance charges	(14,822)	(6,725)
Foreign exchange gain (loss)	9,504	(146,812)
Interest and other income	14,753	40,420
Gain on extinguishment of debt (note 15)	1,459,151	-
Net loss	(1,173,357)	(4,376,910)
Other comprehensive loss (income):		
Items that may be reclassified to profit or loss:		
Unrealized loss on marketable securities	-	144,096
Impairment of marketable securities reclassified to loss (note 4)	(239,866)	-
Foreign currency translation (gain) loss	210,129	(263,057)
	29,737	118,961
Comprehensive loss	\$ (1,143,620)	\$ (4,257,949)
Net loss attributable to:		
Shareholders of the Company	\$ (1,152,442)	\$ (4,358,029)
Non-controlling interest	(20,915)	(18,881)
	\$ (1,173,357)	\$ (4,376,910)
Comprehensive loss attributable to:		
Shareholders of the Company	\$ (1,122,705)	\$ (4,239,068)
Non-controlling interest	(20,915)	(18,881)
	\$ (1,143,620)	\$ (4,257,949)
Basic and diluted net loss per share attributable to shareholders of the Company	\$ (0.008)	\$ (0.033)
Weighted average number of shares outstanding	139,648,009	132,294,551

See accompanying notes to the consolidated financial statements.

Wildcat Silver Corporation
Consolidated Statements of Changes in Equity
(U.S. dollars)

	Share Capital		Reserves				Non-controlling interest (note 6)	Total equity
	Number of Shares	Amount	Accumulated other comprehensive income	Options and warrants	Total	Deficit		
Balance, January 1, 2013	132,627,251	\$ 75,478,222	\$ (642,867)	\$ 5,223,377	\$ 4,580,510	\$ (24,544,680)	\$ 4,638,893	\$ 60,152,945
Stock based compensation expense	-	-	-	455,567	455,567	-	-	455,567
Stock based compensation applied to exploration and evaluation assets	-	-	-	161,430	161,430	-	-	161,430
Issued on acquisition of Riva (note 4)	9,871,492	7,377,713	-	-	-	-	-	7,377,713
Share issue costs (note 4)	-	(198,478)	-	9,991	9,991	-	-	(188,487)
Issued pursuant to change of control of Riva (note 4)	767,037	295,437	-	-	-	-	-	295,437
Issued on exercise of stock options (note 9)	134,056	-	-	-	-	-	-	-
Fair value of options exercised	-	122,395	-	(122,395)	(122,395)	-	-	-
Required contributions for project costs (note 6)	-	-	-	-	-	-	820,532	820,532
Comprehensive loss	-	-	29,737	-	29,737	(1,152,442)	(20,915)	(1,143,620)
Balance, December 31, 2013	143,399,836	\$ 83,075,289	\$ (613,130)	\$ 5,727,970	\$ 5,114,840	\$ (25,697,122)	\$ 5,438,510	\$ 67,931,517

See accompanying notes to the consolidated financial statements.

Wildcat Silver Corporation
Consolidated Statements of Changes in Equity
(U.S. dollars)

	Share Capital		Reserves				Non-controlling interest (note 6)	Total equity
	Number of Shares	Amount	Accumulated other comprehensive income	Options and warrants	Total	Deficit		
Balance, January 1, 2012	131,751,798	\$ 74,695,934	\$ (761,828)	\$ 4,249,400	\$ 3,487,572	\$ (20,186,651)	\$ 3,566,014	\$ 61,562,869
Stock based compensation expense	-	-	-	1,407,522	1,407,522	-	-	1,407,522
Stock based compensation applied to exploration and evaluation assets	-	-	-	316,690	316,690	-	-	316,690
Issued on exercise of stock options (note 9)	875,453	36,112	-	-	-	-	-	36,112
Share issue costs	-	(4,059)	-	-	-	-	-	(4,059)
Fair value of options exercised	-	750,235	-	(750,235)	(750,235)	-	-	-
Required contributions for project costs (note 6)	-	-	-	-	-	-	1,091,760	1,091,760
Comprehensive income (loss)	-	-	118,961	-	118,961	(4,358,029)	(18,881)	(4,257,949)
Balance, December 31, 2012	132,627,251	\$ 75,478,222	\$ (642,867)	\$ 5,223,377	\$ 4,580,510	\$ (24,544,680)	\$ 4,638,893	\$ 60,152,945

See accompanying notes to the consolidated financial statements.

Wildcat Silver Corporation
Consolidated Statements of Cash Flows
(U.S. dollars)

	Year ended December 31,	
	2013	2012
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (1,173,357)	\$ (4,376,910)
Items not affecting cash:		
Stock based compensation	455,567	1,407,522
Unrealized foreign exchange (gain) loss	(111,959)	170,840
Gain on extinguishment of debt	(1,459,151)	-
Impairment of marketable securities	289,454	-
Interest expense	9,221	-
Depreciation	9,457	10,421
	<u>(1,980,768)</u>	<u>(2,788,127)</u>
Net changes in non-cash working capital items:		
Amounts receivable	41,285	(120,773)
Prepays and other	16,482	(73,542)
Accounts payable and accrued liabilities	(381,520)	(105,854)
Due to related parties	(727)	(12,276)
	<u>(2,305,248)</u>	<u>(3,100,572)</u>
Financing activities:		
Cash acquired on acquisition of Riva (note 4)	7,068,311	-
Share issue costs (note 4)	(188,487)	(4,059)
Cash advance from Riva prior to the acquisition (note 4)	973,331	-
Interest paid	(9,221)	-
Exercise of share warrants and options	-	36,112
Contributions from non-controlling interest	874,590	1,235,071
	<u>8,718,524</u>	<u>1,267,124</u>
Investing activities:		
Purchase of property, plant and equipment	(2,986)	(32,758)
Other assets	(178,039)	-
Additions to exploration and evaluation assets	(8,110,409)	(10,959,497)
Proceeds from extinguishment of debt	1,459,151	-
	<u>(6,832,283)</u>	<u>(10,992,255)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(66,839)</u>	<u>76,302</u>
Decrease in cash and cash equivalents	(485,846)	(12,749,401)
Cash and cash equivalents, beginning of year	1,136,193	13,885,594
Cash and cash equivalents, end of year	<u>\$ 650,347</u>	<u>\$ 1,136,193</u>
Supplementary information:		
Cash and cash equivalents, end of year comprise:		
Cash and balances with banks	\$ 141,771	\$ 83,391
Short-term investments	508,576	1,052,802
	<u>\$ 650,347</u>	<u>\$ 1,136,193</u>
Non-cash financing and investing activities (note 16)		

See accompanying notes to the consolidated financial statements.

Wildcat Silver Corporation

Notes to Consolidated Financial Statements

For the year ended December 31, 2013

(U.S. dollars unless otherwise noted)

1. Nature of Operations and Going Concern

Wildcat Silver Corporation (the “Company” or “Wildcat”) is incorporated in British Columbia, Canada. The Company holds a majority ownership interest in the Hermosa property in Arizona, United States, through its ownership of 80% of the common shares of Arizona Minerals Inc. (“Arizona Minerals”), a Nevada corporation and the holder of the property. The remaining 20% of the common shares of Arizona Minerals are held by 5348 Investments Ltd. (“5348 Investments”), a wholly-owned subsidiary of Diamond Hill Investment Corp. (“Diamond Hill”). Diamond Hill, a private British Columbia company controlled by R. Stuart Angus, a director of the Company, also holds a 2% net smelter royalty interest in the approximately 152 acres of patented claims and approximately 478 acres of the unpatented claims on the Hermosa property. The Company’s registered office is located at Suite 555 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1 and its shares are listed on the Toronto Stock Exchange.

The Company is engaged in the acquisition, exploration and development of mineral property interests. The business of mining and the exploration for minerals involves a high degree of risk and there can be no assurance that such activities will result in profitable mining operations. The amounts shown as exploration and evaluation assets represent acquisition and exploration costs and do not necessarily represent present or future values. Recoverability of the amounts shown for exploration and evaluation assets is dependent upon maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral properties, and on future profitable production or proceeds from the disposition of the mineral properties. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title.

At December 31, 2013 the Company had: cash and cash equivalents of \$650,347, working capital of \$438,272 excluding other liabilities, a net loss for the year ended December 31, 2013 of \$1,173,357, and a deficit of \$25,697,122. The Company will require financing early in the second quarter of fiscal 2014 to meet its ongoing requirements. This material uncertainty casts significant doubt about the Company’s ability to continue as a going concern. The Company has historically raised funds principally through the sale of securities. The Company expects that it will obtain funding through equity financing, debt financing or other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms.

These financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. These financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Basis of Presentation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Board of Directors authorized these financial statements for issue on March 24, 2014.

Wildcat Silver Corporation

Notes to Consolidated Financial Statements

For the year ended December 31, 2013

(U.S. dollars unless otherwise noted)

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit and loss or available for sale securities which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Basis of consolidation

These consolidated financial statements include the consolidation of Wildcat Silver Corporation with its 80% owned subsidiary, Arizona Minerals and Riva Gold Corporation ("Riva"), a wholly-owned subsidiary following its acquisition on May 6, 2013 (see note 4). Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

d) Presentation and functional currency

These consolidated financial statements are presented in United States dollars, which is the Company's presentation currency. The functional currency of the parent is the Canadian dollar and its financial statements have been translated into US dollars in accordance with IAS 21. These guidelines require that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the exchange rate at the dates of the transactions. All resulting exchange differences are reported as a separate component of reserves in shareholders' equity entitled "Accumulated Other Comprehensive Income". The functional currency of the Company's 80% owned subsidiary, Arizona Minerals, is the United States dollar. The functional currency of the Company's wholly-owned subsidiary, Riva, is the Canadian dollar.

Transactions in foreign currencies are initially recorded into the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates, unless the item is carried at fair value, in which case it will be translated at the exchange rate in effect at the date when the fair value was determined. Resulting foreign exchange gains and losses are recognized in the income statement.

e) Comparative amounts

The Company has revised its financial statements as of December 31, 2012 to correct for an error in the recognition of the 20% non-controlling interest in Arizona Minerals, held by 5348 Investments. A further 20% interest in \$4,568,401 of net assets of the subsidiary at the date the Company acquired control of Arizona Minerals has now been recorded as non-controlling interest.

As a result, at December 31, 2012 the revision results in an increase in exploration and evaluation assets of \$913,680, an increase in the deficit of \$115,872, and an increase in non-controlling interest of \$1,029,552. This change had no impact on the Company's previously reported consolidated statements of net loss and comprehensive loss, basic and fully diluted loss per common share, or consolidated statements of cash flows. The impact of these adjustments to the prior periods is not material.

Wildcat Silver Corporation

Notes to Consolidated Financial Statements

For the year ended December 31, 2013

(U.S. dollars unless otherwise noted)

The Company has revised its financial statements at December 31, 2012 to combine mineral properties of \$27,596,466 and exploration and evaluation expenditures of \$31,716,967 as exploration and exploration and evaluation assets of \$59,313,433 to better align the presentation with industry practice.

f) Use of estimates and judgements

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions in the process of applying the Company's accounting policies that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continually evaluated. However, actual outcomes could materially differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Information about critical judgements and estimates in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are as follows:

- Exploration and evaluation assets impairment estimation – The Company assesses its exploration and evaluation assets on a periodic basis to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate is made of the recoverable amount, which is the higher of the fair market value less costs to sell and its value in use. In determining the value in use the Company will develop an estimated cash flow for the mineral property, which will be based on the Company's estimates of ore reserves and mineral resources. The Company estimates its ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects requirements. The estimation of mineral reserves and resources is based upon the results, assumptions and interpretation of various exploration techniques and information and includes additional factors such as metallurgical assumptions, expected commodity prices, capital requirements and operating costs that will also be used to develop the cash flow model. The Company must also determine an appropriate discount rate at which to discount the cash flows to determine the net present value. Changes in any of these assumptions, interpretations and estimates may have a significant impact on the net present value and therefore may also impact the carrying value of the exploration and evaluation assets.
- Stock based compensation – In determining the fair value of stock based compensation, which the Company both expenses and capitalizes to exploration and evaluation assets, the Company uses the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of highly subjective assumptions such as the expected life of the options, estimates of interest rates and share price volatility that can materially affect the fair value estimate.
- Gain on extinguishment of debt – The Company recorded a gain of \$1,459,131 with respect to cash it received in October, 2013 for unclaimed shares relating to the spin-out in 2006 of a former subsidiary of the Company. Based on legal advice and its judgement, the Company determined that the cash can be utilized for operating purposes and accordingly, has recorded a gain in the consolidated statements of net loss and comprehensive loss.
- Other liabilities – estimation of ultimate withholding tax liability with respect to the Company's acquisition of 80% of the common shares of Arizona Minerals – see note 6 for further details.

Wildcat Silver Corporation

Notes to Consolidated Financial Statements

For the year ended December 31, 2013

(U.S. dollars unless otherwise noted)

3. Summary of Significant Accounting Policies

The Company has consistently applied the same accounting policies throughout all periods presented, except as described in Note 3k.

a) Cash and cash equivalents

Cash and cash equivalents include amounts held in banks and short-term investments with maturities at point of purchase of 90 days or less or are cashable after 30 days at the option of the Company. Interest from cash and cash equivalents is recorded on an accrual basis.

b) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation.

Depreciation is calculated using the straight-line method, based on the estimated useful lives of the assets as follows:

Storage containers	10 years straight-line
Vehicles	5 years straight-line
Furniture and equipment	5 years straight-line
Computer hardware and software	3 years straight-line

c) Exploration and evaluation assets

Mineral property acquisition costs and resource exploration and evaluation costs are capitalized on an individual project basis once legal right to explore a specific area has been obtained.

Capitalized costs are considered to be tangible assets as they form part of the underlying mineral property and are recorded within 'exploration and evaluation assets' at cost less impairment charges, if applicable. No amortization is charged during the exploration and evaluation phase because the asset is not available for use. When the Company considers that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the associated exploration and evaluation assets are reclassified to mineral properties.

Exploration and evaluation assets for properties placed into production will be amortized on a unit-of-production basis, based on proven and probable reserves. Costs for prospects that are abandoned are written off at the time a decision is made not to continue exploration and development. Payments received by the Company when a property is optioned to another party are recorded as an offset to acquisition costs until those payments exceed expenditures, at which point they are recognized in net income.

The Company reviews and evaluates its exploration and evaluation assets for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Where such indications exist the recoverable amount is estimated by calculating the higher of the asset's fair value less cost to sell and its value in use. Where information is available estimated future net cash flows are calculated using estimated future prices, proven and probable reserves, resources and operating and capital costs on a discounted basis. If the estimated discounted future net cash flows are less than the carrying value of the asset, an impairment charge is recorded. Where estimated future cash flows are not available the carrying value is written down to its estimated fair value.

Wildcat Silver Corporation

Notes to Consolidated Financial Statements

For the year ended December 31, 2013

(U.S. dollars unless otherwise noted)

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized such that the recoverable amount has increased.

d) Share capital

Proceeds from share issuances are recorded net of issue costs. Share capital issued as non-monetary consideration is recorded at an amount based on the fair value of the consideration received.

e) Loss per share

Basic loss per share calculations are based on the net loss attributable to common shareholders for the period divided by the weighted average number of common shares issued and outstanding during the respective periods.

Diluted loss per share calculations are based on the net loss attributable to common shareholders for the period divided by the weighted average number of common share outstanding during the period plus the effects of dilutive common share equivalents. The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from the in-the-money options and other dilutive instruments are used to repurchase common shares at the prevailing market rate.

f) Share-based payments

The Company has established a share-based payment plan (stock options) for eligible directors, officers, employees and contractors and accounts for this plan using the fair value method of accounting. Under this method, the grant date fair value of an award under the plan is recognized as an expense or addition to exploration and evaluation assets using a graded method, with a corresponding increase in reserves. The Company estimates the grant date fair value of the award using the Black-Scholes option pricing model. The number of options expected to vest are estimated at the grant date and reviewed at least annually thereafter. Where the stock options are exercised, the proceeds are credited to share capital and the associated fair value at the date of grant is reclassified from reserves to share capital.

For awards subject to vesting, the Company recognizes an expense or addition to exploration and evaluation assets over the period that the holder becomes unconditionally entitled to the awards. Awards not subject to vesting are recognized as an expense or addition to exploration and evaluation assets at the grant date.

Non-employee stock options are re-valued at each period end reporting date until the measurement date occurs, which is when the Company receives the goods or the counterparty renders service. Any change in value is charged to earnings or added to exploration and evaluation assets until the measurement date, with the offset recorded against reserves.

Wildcat Silver Corporation

Notes to Consolidated Financial Statements

For the year ended December 31, 2013

(U.S. dollars unless otherwise noted)

g) Financial assets

Upon initial recognition all financial assets are initially recorded at fair value and designated into one of the following four categories: held to maturity, available-for-sale, loans and receivables, or at fair value through profit or loss ("FVTPL"). The designation depends on the purpose for which the financial assets were acquired.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company has not designated any financial assets upon initial recognition as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's cash and cash equivalents, amounts receivable and due from related party are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains or losses recognized in other comprehensive income and loss except for losses in value that are considered impairments which are recognized in earnings. At December 31, 2012 and December 31, 2011, the Company's investments in marketable securities are classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

h) Financial liabilities

All of the Company's financial liabilities are classified as other financial liabilities. The Company does not have any financial liabilities classified as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, to, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and amounts due to related parties are classified as other financial liabilities.

i) Reclamation and restoration provision

The reclamation and restoration provision arises due to legal or constructive obligations as a result of the Company's exploration activities, and are recorded in the period in which the activity generating the liability is incurred. The estimated present value of such reclamation and restoration costs, calculated using a risk-free, pre-tax discount rate, are capitalized to exploration and evaluation assets along with the recording of a corresponding liability as soon as the obligation to incur such cost arises. The liability is adjusted each year for the unwinding of the discount rate, changes to the current market based discount rate and for the amount or timing of the underlying cash flows needed to settle the obligation.

Wildcat Silver Corporation

Notes to Consolidated Financial Statements

For the year ended December 31, 2013

(U.S. dollars unless otherwise noted)

j) Income taxes

Income tax is recognized in net income (loss) for the period except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or equity, respectively. Deferred tax is provided using the balance sheet method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

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.

k) New accounting policies adopted during the year

Effective January 1, 2013, the Company adopted the following changes in accounting standards: IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosures of Interest in Other Entities* and IFRS 13, *Fair Value Measurement*. The changes adopted from IFRS 12 are reflected in note 6. Adoption of IFRS 10, IFRS 11 and IFRS 13 did not result in any significant changes to the Company's accounting or in the disclosure in its consolidated financial statements.

l) New accounting standards, amendments and interpretations

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC). Some updates that are not applicable or are not consequential to the Company may have been excluded.

IFRS 9, *Financial Instruments: Classification and Measurement* is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss. The IASB has deferred the mandatory effective date for annual periods beginning on or after January 1, 2015 and has left it open pending the finalization of the impairment and classification and measurement requirements.

IAS 36, *Impairment of Assets* provides for additional disclosures that may be required in the event the Company recognises an impairment loss or the reversal of an impairment loss. IAS 36 is effective for years beginning on or after January 1, 2014.

The Company has not yet assessed the impact of these standards on its financial reporting.

Wildcat Silver Corporation

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4. Financing Through Acquisition of Riva Gold Corporation

On May 6, 2013, the Company closed the acquisition of all of the outstanding common shares of Riva Gold Corporation ("Riva"), a company related to Wildcat through certain common directors and officers. Riva was a Canadian-based mineral exploration company that had been assessing strategic alternatives and evaluating potential opportunities and did not hold any mineral properties. Consideration for the acquisition consisted of 9,871,492 common shares of the Company based on the agreed share exchange ratio of one common share of Wildcat for each 4.7 Riva common shares. The acquisition has been accounted for as an acquisition of assets and assumption of liabilities at fair values as follows:

Assets acquired:		
Cash and cash equivalents	\$	7,068,311
Loan due from Wildcat Silver Corporation		992,556
Amounts receivable		19,234
Prepays and other		5,463
Other assets (non-current)		69,768
		<hr/>
		8,155,332
Liabilities assumed:		
Accounts payable and accrued liabilities		(645,158)
Due to related parties		(3,429)
		<hr/>
Net assets acquired		7,506,745
Less: existing investment in Riva Gold Corporation		(129,032)
		<hr/>
Value ascribed to common shares issued as consideration for the acquisition	\$	<u>7,377,713</u>

The loan from Riva of C\$1.0 million was received by the Company in March 2013 following the announcement of the acquisition.

Accounts payable and accrued liabilities assumed include change of control payments and associated withholdings due to certain of Riva's former management totalling \$491,648, of which \$295,437 was subsequently settled through the issuance of 767,037 Wildcat common shares.

In accordance with the terms of the acquisition agreement, Riva's 1,790,000 stock options outstanding at the date of the acquisition vested on the change of control and may be converted into 380,851 Wildcat common shares at an average exercise price of \$3.30 based on the exchange ratio of one Wildcat common share for each 4.7 Riva stock options.

The Company's costs associated with completing the transaction of \$198,478 have been included in share issue costs. Included in this amount is \$9,991 with respect to the fair value of the Riva options.

As a consequence of the acquisition of Riva, the Company recorded an unrealized permanent impairment loss of \$49,588 in the income statement in the three months ended March 31, 2013 with respect to the change in fair value of the one million Riva shares the Company already held. The Company also transferred the unrealized loss of \$239,866 previously recorded in accumulated other comprehensive loss to the income statement.

Wildcat Silver Corporation

Notes to Consolidated Financial Statements

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5. Amounts Receivable

	December 31, 2013		December 31, 2012
Due from 5348 Investments (Note 6)	\$ 66,393	\$	120,451
Due from related party (Note 10)	42,493		49,921
GST/HST receivable	6,215		17,948
Other	7,636		122,571
	<u>\$ 122,737</u>	<u>\$</u>	<u>310,891</u>

All amounts receivable are current and the Company does not have any allowance for doubtful accounts. Due to their short-term maturities, the fair value of amounts receivable approximates their carrying value.

6. Non-Controlling Interest

Non-controlling interest ("NCI") represents the 20% interest in the common shares of Arizona Minerals held by 5348 Investments, a wholly-owned subsidiary of Diamond Hill.

Pursuant to a shareholders' agreement (the "Shareholders' Agreement") governing the affairs of Arizona Minerals, the Company controls the affairs of Arizona Minerals and acts as the operator of the Hermosa property. Funding is provided to Arizona Minerals in accordance with the Shareholders' Agreement and is by way of advances, which are subsequently converted to preference shares. The preference shares have priority over the common shares with respect to distributions and repayment. The Shareholders' Agreement generally requires 5348 Investments to fund 10% of Arizona Minerals costs and provides 5348 Investments with a 10% carried interest in the approximately 152 acres of patented claims and approximately 3,100 acres of the unpatented claims on the Hermosa property. The Shareholders' Agreement provides for dilution of 5348 Investments' non-carried equity interest in the event it fails to fund its share of any funding for approved programs.

Non-controlling interest increased by \$799,617 in the year ended December 31, 2013 (December 31, 2012 – \$1,072,879) as a result of \$820,532 (December 31, 2012 – \$1,091,760) of contributions less the non-controlling interest share of Arizona Minerals loss for the period of \$20,915 (December 31, 2012 – \$18,881). Amounts receivable includes \$66,393 (December 31, 2012 – \$120,451) outstanding from 5348 Investments with respect to these arrangements, which was subsequently received by the Company.

The Company acquired its 80% interest in the common shares of Arizona Minerals from Diamond Hill in May 2006. Based on the purchase consideration and related tax filings, at December 31, 2013, the Company has an estimated withholding tax obligation with respect to the acquisition of \$1,459,000 (December 31, 2012 – \$1,427,000), including penalties and interest, which has been included in other liabilities. Diamond Hill and 5348 Investments have provided indemnification to the Company in the event the Company is required to pay the withholding tax, which is secured against 5348 Investments' 20% ownership interest in Arizona Minerals. As a consequence of the indemnification the Company has recorded an amount due from related party for \$1,459,000 (December 31, 2012 – \$1,427,000).

Wildcat Silver Corporation
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Summarised financial information for Arizona Minerals, before intragroup eliminations, is set out below:

	December 31, 2013	December 31, 2012
Non-current assets	\$ 46,826,802	\$ 39,242,612
Current assets	124,381	219,690
	<u>\$ 46,951,183</u>	<u>\$ 39,462,302</u>
Current liabilities	\$ 395,801	\$ 1,018,869
Total liabilities	395,801	1,018,869
Equity attributable to shareholders of the Company	41,116,872	33,804,540
Equity attributable to non-controlling interests	5,438,510	4,638,893
	<u>\$ 46,951,183</u>	<u>\$ 39,462,302</u>
Loss and comprehensive loss for the year attributable to shareholders of the Company	\$ (83,661)	\$ (75,521)
Loss and comprehensive loss for the year attributable to NCI	(20,915)	(18,881)
Loss and comprehensive loss for the year	<u>\$ (104,576)</u>	<u>\$ (94,402)</u>
Net cash used in operating activities	\$ (103,957)	\$ (100,092)
Net cash from financing activities	8,216,525	10,008,778
Net cash used in investing activities	(8,112,590)	(9,924,495)
Net cash outflow	<u>\$ (22)</u>	<u>\$ (15,809)</u>

7. Exploration and Evaluation Assets

Exploration and evaluation assets relate to the acquisition costs and exploration and evaluation expenditures on the Company's interest in the Hermosa property, in Arizona, United States.

The following is a summary of changes in exploration and evaluation assets:

	Year ended December 31, 2013	Year ended December 31, 2012
Balance, start of period	\$ 59,313,433	\$ 48,434,447
Additions:		
Drilling	-	1,631,903
Property access, restoration and maintenance	264,164	1,764,808
Assay and analysis	35,823	851,589
Salaries, benefits and stock based compensation	1,207,627	1,101,568
Geologic consulting and support	548,176	1,086,068
Engineering and metallurgy	3,860,159	2,623,400
Environmental baseline studies	1,001,632	951,645
Permitting	283,879	130,247
Claims maintenance	121,343	62,874
Other	449,123	674,884
	<u>7,771,926</u>	<u>10,878,986</u>
Balance, end of period	<u>\$ 67,085,359</u>	<u>\$ 59,313,433</u>

Wildcat Silver Corporation

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8. Other liabilities

	December 31, 2013		December 31, 2012
Withholding tax provision (note 6)	\$ 1,459,000	\$	1,427,000
Reclamation and restoration provision	-		425,700
	<u>\$ 1,459,000</u>	\$	<u>1,852,700</u>

9. Share Capital

a) Common shares

Authorized: Unlimited common shares and unlimited preferred shares, with no par value

Issued and fully paid: 143,399,836 (December 31, 2012 – 132,627,251)

b) Stock options

The Company has a stock option plan providing for the issuance of options that shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company as at the date of grant of the options. The Company may grant options to directors, officers, employees, consultants and other personnel of the Company or any of its subsidiaries. The exercise price of each option is determined by the Board of Directors but cannot be lower than the previous day's closing market price of the Company's shares on the date of grant. The options vest and become exercisable as determined by the Board of Directors at the time of the grant. Unless determined otherwise by the Board of Directors, the options expire within 5 years from the date of grant.

For the year ended December 31, 2013, the Company recognized a stock-based compensation charge against income of \$455,567 (December 31, 2012 – \$1,407,522). A further \$161,430 (December 31, 2012 – \$316,690) was capitalized to exploration and evaluation assets.

The assumptions used in the Black-Scholes option-pricing model for the options granted during the years ended December 31, 2013 and 2012 were as follows:

	Year ended December 31, 2013	Year ended December 31, 2012
Weighted average:		
Expected term (years)	5	5
Volatility ⁽¹⁾	108%	119%
Expected dividend yield	-	-
Risk-free interest rate	1.5%	1.4%

⁽¹⁾ The expected volatility is based on the historical volatility of the Company's shares.

Wildcat Silver Corporation

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The following table shows the change in the Company's stock options during the years ended December 31, 2013 and 2012:

	Year ended December 31, 2013		Year ended December 31, 2012	
	Number of Options	Weighted Average Exercise Price (in CAD)	Number of Options	Weighted Average Exercise Price (in CAD)
Balance, start of period	6,924,500	\$0.78	8,102,000	\$0.70
Granted	785,000	\$0.63	820,000	\$1.51
Riva Transaction (Note 4)	380,851	\$3.30	-	-
Exercised	(400,000)	\$0.33	(1,604,999)	\$0.52
Forfeited	(126,668)	\$1.11	(130,834)	\$1.57
Expired	(1,345,523)	\$1.20	(261,667)	\$1.85
Balance, end of period	6,218,160	\$0.84	6,924,500	\$0.78

During the year ended December 31, 2013, 400,000 (December 31, 2012 – 1,500,000) options with an exercise price of \$0.33 (December 31, 2012 – \$0.535) were exercised under the cashless exercise provisions of the Company's stock option plan resulting in the issuance of 134,056 (December 31, 2012 – 770,454) common shares of the Company. The cashless exercise feature allows the optionee, on exercise, to receive that number of common shares in the Company equivalent to the market value of the common shares underlying the number of options exercised less the exercise price, without payment of cash or any other consideration.

The following table provides information on outstanding and exercisable stock options at December 31, 2013:

Grant Date	Exercise Price (in CAD)	Options Outstanding		Options Exercisable	
		Number of Options	Weighted average remaining contractual life (years)	Number of Options	Weighted average remaining contractual life (years)
September 4, 2009	\$0.49	1,548,000	0.68	1,548,000	0.68
December 9, 2009	\$0.44	275,000	0.94	275,000	0.94
June 1, 2010	\$0.46	440,000	1.42	440,000	1.42
August 25, 2010	\$0.35	450,000	1.65	450,000	1.65
October 1, 2010	\$0.41	125,000	1.75	125,000	1.75
December 29, 2010	\$0.54	1,050,000	1.99	1,050,000	1.99
February 25, 2011	\$0.70	35,000	2.15	23,333	2.15
June 14, 2011	\$1.81	762,500	2.45	593,333	2.45
July 11, 2011	\$2.18	75,000	2.53	50,000	2.53
March 2, 2012	\$2.16	240,000	3.17	240,000	3.17
May 4, 2012	\$1.27	250,000	3.34	83,333	3.34
May 28, 2012	\$0.90	200,000	3.41	66,667	3.41
March 14, 2013	\$0.67	590,000	4.20	90,000	4.20
June 25, 2013	\$0.38	100,000	4.48	50,000	4.48
May 6, 2013 ⁽¹⁾	\$2.35	38,298	1.75	38,298	1.75
May 6, 2013 ⁽¹⁾	\$7.29	31,915	1.91	31,915	1.91
May 6, 2013 ⁽¹⁾	\$8.46	7,447	2.22	7,447	2.22
		6,218,160	2.01	5,162,326	1.67

⁽¹⁾ Represent Riva options convertible into Wildcat Silver common shares (see note 4).

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10. Related Party Transactions

Compensation of key management

Key management includes the Company's directors and certain senior management. Key management compensation for the years ended December 31, 2013 and 2012 comprised:

	Year ended December 31, 2013	Year ended December 31, 2012
Salaries and benefits ⁽¹⁾	\$ 906,635	\$ 1,512,676
Stock based compensation ⁽¹⁾	403,997	1,510,590

⁽¹⁾ Amounts are expensed or allocated to exploration and evaluation assets depending on the nature of the services provided. Salaries and benefits and stock based compensation for the year ended December 31, 2012 include \$720,000 and \$148,801, respectively in connection with severance on the termination of the former President and Chief Executive Officer.

Related party transactions

In addition to the related party transactions or balances disclosed elsewhere in these consolidated financial statements, the Company had the following related party transactions.

The Company shares office space, equipment, personnel and various administrative services with other companies related by virtue of certain common directors and management. These services have been mainly provided through a management company equally owned by the related companies. Costs incurred by the management company are allocated between the related companies based on time incurred and use of services and are charged at cost. In addition, certain other professional administrative services have been provided by other related companies and charged at cost. The Company was charged for the following with respect to these arrangements in the years ended:

	December 31, 2013	December 31, 2012
Salaries and benefits	\$ 902,097	\$ 849,930
Office and administrative	399,973	412,983
Other assets	183,323	25,370
	<u>\$ 1,485,393</u>	<u>\$ 1,288,283</u>

Included in these amounts is \$42,378 (December 31, 2012 – \$110,959) with respect to office space owned by Diamond Hill. At December 31, 2013, amounts receivable includes a balance due from related companies of \$42,493 (December 31, 2012 – \$49,921) and there is an amount due to related companies of \$11,261 (December 31, 2012 – \$8,559) with respect to these arrangements. Amounts are due on demand, unsecured, and have no terms of repayment.

Other assets of \$330,849 (December 31, 2012 – \$92,710) relate to the Company's share of jointly owned assets (primarily security deposits, leasehold improvements, and furniture and equipment) held by the management company.

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11. Financial Instruments and Capital Management

The Company's financial instruments are classified into the following categories of financial assets and liabilities (shown at carrying value):

Category	Measurement	December 31, 2013	December 31, 2012
Cash and cash equivalents	Loans and receivables	\$ 650,347	\$ 1,136,193
Amounts receivable	Loans and receivables	\$ 122,737	\$ 310,891
Due from related party	Loans and receivables	\$ 1,459,000	\$ 1,427,000
Investment in marketable securities	Available for sale	\$ -	\$ 180,923
Accounts payable and accrued liabilities	Other financial liabilities	\$ 453,046	\$ 684,008
Other liabilities	Other financial liabilities	\$ 1,459,000	\$ 1,427,000
Due to related parties	Other financial liabilities	\$ 11,261	\$ 8,559

The carrying values of the Company's financial instruments in the table above approximate their fair values as a result of their short-term nature except for the investment in marketable securities and due from related party. Investment in marketable securities at December 31, 2012 was carried at fair value and was classified as Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Due from related party, which is not classified as a current asset, is carried in the consolidated financial statements at the same amount as the Company's withholding tax obligation (see note 6) and accordingly, approximates its fair value.

Financial Risk Management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure and attempts to manage the risk, where possible. These risks include market risk, liquidity risk and credit risk.

a) Market risk

Market risk represents the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in market prices. In particular:

Foreign exchange risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate.

The Company incurs expenditures in Canadian and US dollars with the majority of the expenditures being incurred in US dollars exploring on its Hermosa property. The parent company has adopted a policy of converting the majority of its cash balances into US dollars, except to the extent Canadian dollars are required to fund corporate operations. As the functional currency of the parent company is Canadian dollars, foreign exchange risk arises because the amount of the US dollar cash and cash equivalents will vary in Canadian dollar terms due to changes in exchange rates. However, to the extent the US dollar balances will be used to fund future exploration expenditures on the Hermosa property the risk is negated and provides more certainty in terms of the funds available for that purpose.

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At December 31, 2013, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars held by the Canadian parent company:

	December 31, 2013		December 31, 2012
Cash and cash equivalents	US\$ 40,099	US\$	281,688
Amounts receivable	-		8,125
Due from related party	1,525,393		1,547,451
Accounts payable and accrued liabilities	(457)		(7,565)
Other liabilities	(1,459,000)		(1,427,000)
	<u>US\$ 106,035</u>	<u>US\$</u>	<u>402,699</u>

As at December 31, 2013, based on the above net exposures a 10% change in the Canadian-US dollar exchange rate would impact the Company's earnings by approximately \$11,000 (December 31, 2012 – \$40,000). As the Company reports in US dollars this amount would be offset by an approximately equivalent amount as part of other comprehensive income.

Price and Interest rate risk

Price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate and currency risk. The Company is not materially exposed to price risk at this time.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not materially exposed to interest rate risk at this time.

b) Liquidity risk

Liquidity risk represents the risk that the Company will be unable to meet its obligations associated with its financial liabilities. The Company endeavours to manage its liquidity risk by maintaining sufficient readily available cash in order to meet its liquidity requirements at any point in time (see discussion on going concern in note 1).

c) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk arises for the Company from cash and cash equivalents held with banks and financial institutions, as well as credit exposure on outstanding amounts receivable and amounts due from a related party. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company manages its exposure to credit risk by holding its cash and cash equivalents through Canadian or US chartered banks, with short-term investments held in high-interest bank accounts and GIC's.

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Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its Hermosa property and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level.

There are no externally imposed capital requirements on the Company. In the definition of capital, the Company includes shareholders' equity. The Company's properties are at the exploration stage and as such the Company is dependent on external financing to fund all of its activities. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, its expected funding requirements and the risk characteristics of its underlying assets. The Company's funding requirements are determined based on cash forecasts, which are approved by the Company's board of directors. To maintain or adjust the capital structure, the Company may issue shares, issue debt, acquire or dispose of assets and/or consider strategic alliances. In order to maximize ongoing exploration efforts, the Company does not pay cash dividends.

12. Commitments

The Company is committed to payments under operating leases for building and other commitments through 2018 in the total amount of approximately \$984,500. Payments by fiscal year are:

2014	244,700
2015	228,000
2016	194,800
2017	191,700
2018	125,300

13. Segment Information

The Company operates in one industry segment, being mineral exploration and development. Geographic information is as follows:

	United States	Canada	Total
Long-term assets as at:			
December 31, 2013	\$ 67,160,449	\$ 1,791,796	\$ 68,952,245
December 31, 2012	\$ 59,414,828	\$ 1,703,596	\$ 61,118,424

14. Income Tax

The provision for income taxes reported differs from the amount computed by applying the cumulative Canadian Federal and Provincial income tax rates to the loss before the tax provision due to the following:

	Year ended December 31, 2013	Year ended December 31, 2012
Statutory tax rate	26.00%	25.00%
Expected income tax recovery	\$ (305,073)	\$ (1,094,228)
Difference in tax rates with foreign jurisdictions	(12,743)	(12,447)
Non-deductible expenses	122,158	357,100
Unrecognized tax losses	195,658	749,575
Income tax recovery	\$ -	\$ -

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At December 31, 2013, the Company had Canadian tax loss carry forwards of approximately CAD\$7,706,000 (December 31, 2012 – CAD\$7,358,000) and US tax loss carry forwards of approximately \$3,926,000 (December 31, 2012 – \$1,086,000). The tax loss carry forwards expire at various times between 2025 and 2033.

At December 31, 2013, the Company had Canadian deductible temporary differences of approximately CAD\$3,450,481 with respect to exploration and evaluation assets (December 31, 2012 – CAD\$3,450,481) for which no deferred tax asset has been recognized. The Company had US taxable temporary differences of approximately \$1,754,396 (December 31, 2012 – \$nil) with respect to exploration and evaluation assets for which no deferred tax liability has been recognized. The deductible temporary differences do not expire under current legislation.

15. Gain on extinguishment of debt

In October 2013, the Company received \$1,459,151 (CAD\$1,531,233) with respect to 117,246 common shares of Ventana Gold Corp. (“Ventana”) held by the Company. The shares were held in connection with a Plan of Arrangement by the Company in 2006 under which it spun out Ventana, which was until that time a wholly owned subsidiary. Shares held by non-resident shareholders of the Company that did not obtain the required clearance certificate from Canada Revenue Agency were held in the Company’s name pending subsequent receipt of the documentation. In the spring of 2011, Ventana was acquired in an all cash transaction at C\$13.06 per share. The \$1,459,151 has been recorded as a gain in the consolidated statements of net loss and comprehensive loss and is being utilized by the Company for general corporate purposes. A recent decision in the Supreme Court of British Columbia with respect to a similar case but with a different fact pattern supports the Company’s position that as a result of the Court Orders approving the plans of arrangement, the passage of time and the application of the Limitations Act the Company is able to utilize the funds.

16. Non-Cash Financing and Investing Activities

	December 31, 2013	December 31, 2012
Change in accounts payable and accrued liabilities reflected in investing activities	\$ (199,163)	\$ (843,235)
Change in other liabilities reflected in investing activities	\$ (425,700)	\$ 425,700
Settlement of Riva accounts payable and accrued liabilities through issuance of common shares (note 4)	\$ (295,437)	\$ -