SILVER PREDATOR CORP.

(An Exploration Stage Enterprise)

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2013 AND MAY 31 2012

Management's Responsibility for Financial Reporting

The accompanying financial statements of Silver Predator Corp. (the "Company") have been prepared by management in accordance with International Financial Reporting Standards and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

"Nathan Tewalt"	*"Anthony Jackson"*
Nathan Tewalt Chief Executive Office Vancouver, BC	Anthony Jackson Chief Financial Officer

August 19, 2013

August 19, 2013

Independent Auditor's Report

To the Shareholders of Silver Predator Corp.

We have audited the accompanying consolidated financial statements of Silver Predator Corp. ("the Company"), which comprise the consolidated statements of financial position as at May 31, 2013 and May 31, 2012 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended May 31, 2013 and May 31, 2012, 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 as issued by the International Accounting Standards Board, 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 our audits 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.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Silver Predator Corp. as at May 31, 2013 and May 31, 2012 and the Company's financial performance and its cash flows for the years ended May 31, 2013 and May 31, 2012 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

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

/s/ PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia

Silver Predator Corp.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

		As at May 31, 2013		As at May 31, 2012
ASSETS				
Current				
Cash and cash equivalents (Note 5)	$	512,976	$	790,661
Prepaid expenses and deposits		27,164		40,029
Receivables (Note 6)		18,687		552,310
Investments (Note 7)		195,000		750,000
Promissory notes (Note 8)		-		100,000
		753,827		2,233,000
Reclamation Bond		22,206		22,206
Mineral properties (Note 9)		14,762,333		17,824,204
	$	15,538,366	$	20,079,410
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 10)	$	55,801	$	207,320
Due to related parties (Note 13)		5,128		142,530
		60,929		349,850
Deferred income tax liability (Note 12)		-		622,996
Shareholders' equity				
Share capital (Note 11)		28,254,839		26,518,193
Reserves		2,438,812		1,954,638
Accumulated other comprehensive income		290,296		339,611
Deficit		(15,506,510)		(9,705,878)
		15,477,437		19,106,564
	$	15,538,366	$	20,079,410

Nature of operations and going concern (Note 1)

Approved on behalf of the Board of Directors:

"William B. Harris"

"Nathan A. Tewalt"

The accompanying notes are an integral part of these consolidated financial statements.

Silver Predator Corp.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year ended May 31, 2013	Year ended May 31, 2012 (Note 18)
EXPENSES		
Consulting and management fees	$ 203,589	$ 101,763
General and administrative	93,212	309,425
Filing	21,827	107,043
Insurance	22,925	23,197
Professional fees	192,904	160,672
Salaries and wages	91,884	382,735
Stock-based compensation (Note 11)	227,003	751,244
Travel and promotion	61,480	221,112
Write-off of resource properties (Note 9)	4,998,270	2,030,216
	(5,913,094)	(4,087,407)
OTHER ITEMS		
Write-off of investments	(509,988)	-
Foreign exchange gain (loss)	(6,025)	5,283
Interest income	5,479	69,499
	(510,534)	74,782
Loss before taxes	(6,423,628)	(4,012,625)
Current income tax	-	(19,575)
Deferred income tax (expense) recovery	622,996	(708,620)
Loss for the year	(5,800,632)	(4,740,820)
Loss for the year	$ (5,800,632)	$ (4,740,820)
Change in cumulative translation adjustment	15,697	282,725
Unrealized losses on available-for-sale marketable securities, net of tax	(65,012)	(514,376)
Loss and comprehensive loss for the year	$ (5,849,947)	$ (4,972,471)
Basic and diluted loss per common share	$ (0.12)	$ (0.14)
Weighted average number of common shares outstanding	47,252,147	32,817,105

The accompanying notes are an integral part of these consolidated financial statements.

Silver Predator Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended May 31, 2013	Year ended May 31, 2012
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	$ (5,800,632)	$ (4,740,820)
Items not affecting cash:		
Deferred income tax (recovery) expense	(622,996)	708,620
Write-off of resource properties	4,998,270	2,030,216
Write-off of investments	509,988	
Stock-based compensation	227,003	751,244
	(688,367)	(1,250,740)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	533,623	(429,624)
Decrease in prepaid expenses and deposits	12,865	13,158
(Decrease) increase in due to related parties	(137,402)	7,001
Decrease in accounts payable and accrued liabilities	(151,519)	(8,278)
	(430,800)	(1,668,483)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Collection of promissory note	100,000	-
Cash received from sale of subsidiary	-	100,000
Net cash acquired on acquisition of subsidiary	-	14,591
Mineral property exploration and acquisition costs capitalized	(991,560)	(5,029,601)
	(891,560)	(4,915,010)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Private placements	1,054,600	-
Exercise of warrants	-	820,121
Share issuance costs	(9,925)	(30,176)
	1,044,675	789,945
Change in cash and cash equivalents during the year	(277,685)	(5,793,548)
Cash and cash equivalents, beginning of year	790,661	6,584,209
Cash and cash equivalents, end of year	$ 512,976	$ 790,661

Supplemental disclosures with respect to cash flows (Note 14)

The accompanying notes are an integral part of these consolidated financial statements.

Silver Predator Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share capital					
	Number	**Amount**	**Reserves**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**
Balance, May 31, 2011	28,542,218	20,693,343	1,412,211	571,262	(4,965,058)	17,711,758
Share issuance costs – cash	-	(30,176)	-	-	-	(30,176)
Exercise of warrants	1,640,250	1,056,291	(236,166)	-	-	820,125
Issuance of shares – properties	2,016,667	881,250	-	-	-	881,250
Issuance of shares – Fury Canada	2,533,333	988,000	-	-	-	988,000
Acquisition of subsidiary	7,059,000	2,929,485	27,349	-	-	2,956,834
Stock-based compensation	-	-	751,244	-	-	751,244
Change in value of investments	-	-	-	(514,376)	-	(514,376)
Cumulative translation adjustment	-	-	-	282,725	-	282,725
Net loss for the year	-	-	-	-	(4,740,820)	(4,740,820)
Balance, May 31, 2012	41,791,468	26,518,193	1,954,638	339,611	(9,705,878)	19,106,564
Share issuance costs – cash	-	(9,925)	-	-	-	(9,925)
Issuance of shares – properties	6,265,000	867,390	-	-	-	867,390
Issuance of warrants – properties	-	-	43,925	-	-	43,925
Issuance of shares – cash	5,858,891	879,181	175,419	-	-	1,054,600
Stock-based compensation	-	-	264,830	-	-	264,830
Change in value of investments	-	-	-	(65,012)	-	(65,012)
Cumulative translation adjustment	-	-	-	15,697	-	15,697
Net loss for the year	-	-	-	-	(5,800,632)	(5,800,632)
Balance, May 31, 2013	53,915,359	28,254,839	2,438,812	290,296	(15,506,510)	15,477,437

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Predator Corp. (the "Company") was incorporated under the laws of the Province of British Columbia on May 16, 2006. The Company is in the business of exploring for and developing economically viable mineral resource deposits in the United States and Canada. The Company's current focus is to advance the exploration of its silver properties.

The Company's head office, principal address and registered and records office are located at Suite 1100, 888 Dunsmuir Street, Vancouver, British Columbia, Canada V6C 3K4.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, receipt of necessary permits and regulatory approvals, and the ability of the Company to obtain financing to complete project development and future profitable operations or sale of the properties.

While these consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events cast significant doubt on the validity of this assumption. For the year ended May 31, 2013, the Company reported a loss of $5,800,632 and as at that date had a net working capital balance of $692,898 and an accumulated deficit of $15,506,510. Management estimates that it presently does not have adequate working capital to fund all of its planned activities for the next fiscal year. The Company's continued operations are dependent on its ability to raise additional funding from loans or equity financings or through other arrangements. Management's plan in this regard is to raise equity financing as required. The success of such initiatives cannot be assured.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. BASIS OF PRESENTATION

Basis of presentation and measurement

The Company prepares its consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and stock based awards which have been measured at fair value.

The Company's presentation currency is Canadian dollars. Reference herein to $ is to Canadian dollars. Reference herein to US$ is to United States dollars.

These consolidated financial statements were approved by the board of directors for issue on August 19, 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in these consolidated financial statements are as follows:

a. Basis of consolidation

The financial statements consist of the consolidation of the financial statements of the Company and its subsidiaries.

Subsidiaries are entities over which the Company has control, including the power to govern the financial and operating policies in order obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company. Intragroup transactions, balances, income and expenses are eliminated on consolidation.

The Company's subsidiaries are as follows:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Silver Predator US Holding Corp.	Nevada, USA	100%	Holding Company
Silver Predator Alaska Corp.	Alaska, USA	100%	Mineral exploration
PWH Nevada Inc.	Nevada, USA	100%	Mineral exploration
Silver Predator Canada Corp.	Yukon, Canada	100%	Mineral exploration
Nevgold Resource Corp.	Canada	100%	Mineral exploration
Nevgold USA Inc.	Nevada, USA	100%	Mineral exploration
Fury Explorations (Mexico) S. de R.L. de. C.V.	Mexico	100%	Mineral exploration

b. Translation of foreign currencies

The functional currency of each entity in the Company is the currency of the primary economic environment in which it operates. For many of the Company's entities, this is the currency of the country in which each operates. The Company's presentation currency is Canadian dollars.

Transactions denominated in currencies other than the functional currency are recorded using the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit and loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period where these approximate the rates on the dates of transactions, and where exchange differences arise, they are recognized as a separate component of equity.

c. Cash and cash equivalents

Cash and cash equivalents comprise cash on deposit with banks, and highly liquid short-term interest bearing investments with a term to maturity at the date of purchase of 90 days or less which are subject to an insignificant risk of change in value.

d. Reclamation bonds

Reclamation bonds include bonds that have been pledged for reclamation and closure activities that are not available for immediate disbursement.

e. Mineral properties

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined that there is an impairment in value, the property is written down to its recoverable amount. Mineral properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After all costs relating to a property have been recovered, further payments received are recorded as a gain on option or disposition of mineral property.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

f. Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

g. Impairment of tangible and intangible assets

The Company assesses at each reporting period whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, the Company estimates the recoverable amount of the asset and compares it to the asset's carrying amount. The recoverable amount is the higher of the fair value less cost to sell and the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the statement of loss during the period.

Reversals of impairment arise from subsequent reviews of the impaired assets where the conditions which gave rise to the original impairments are deemed no longer to apply. The carrying value of the asset is increased to the revised estimate of its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as a gain in the statement of loss in the period it is determined.

h. Financial Instruments

Recognition

Financial instruments are recognized on the consolidated balance sheet on the settlement date, the date on which the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

All financial instruments are required to be classified and measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument.

At initial recognition, the Company classifies its financial instruments in the following categories:

Loans and receivables

Loans and receivables include cash and cash equivalents, reclamation bonds, and other current receivables and loans that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

Financial liabilities at amortized cost

Financial liabilities at amortized cost include trade payables, and other liabilities. Trade payables are initially recognized at the amount required to be paid, subsequently are measured at amortized cost using the effective interest method. The fair value of accounts payable and accrued liabilities may be less than the carrying value as a result of the Company's credit and liquidity risk (see Note 1).

Available for sale investments

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from re-measurement are recognized in other comprehensive loss. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the statement of loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

i. Flow-through shares

Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares. These instruments permit the Company to renounce (i.e. transfer) the tax deductions associated with an equal value of qualifying resource expenditures to the investor. The proceeds from the issuance of flow-through shares are allocated between the offering of the flow-through shares and the premium paid for the implied tax benefit received by the investors as a result of acquiring the flow-through shares. The calculated tax benefit is recognized as a liability until the Company incurs the expenditures, at which point the liability is reversed and recorded as a tax recovery on the statement of loss. The Company records a deferred tax liability on the date that the expenditures are incurred. At the time of recognition of the deferred tax liability, an offsetting entry is made to deferred tax expense.

j. Share-based compensation

The Company grants share-based awards in the form of share options in exchange for the provision of services from certain employees, officers, and directors. The share options are equity-settled awards. The Company determines the fair value of the awards on the date of grant. This fair value is charged to loss using a graded vesting attribution method over the vesting period of the options, with a corresponding credit to contributed surplus. When the share options are exercised, the applicable amounts of contributed surplus are transferred to share capital. At the end of the reporting period, the Company updates its estimate of the number of awards that are expected to vest and adjust the total expense to be recognized over the vesting period.

The Company accounts for share purchase warrants using the fair value method. Under this method, the fair value of share purchase warrants is determined using the Black-Scholes valuation model. Upon exercise of a share purchase warrant, consideration paid together with the amount previously recognized in reserves is recorded as an increase to share capital

k. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable earnings for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable earnings will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable earnings nor the accounting earnings. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and investments, and interests in joint ventures, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future..

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to earnings, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Income tax assets and liabilities are offset when there is a legally enforceable right to offset the assets and liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

l. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from the amounts included in the financial statements.

Areas of estimation and judgment that have the most significant effect on the amounts recognized in the financial statements include:

Valuation of mineral properties - The Company, from time to time, acquires exploration and development properties. When a number of properties are acquired in a portfolio, the Company must make a determination of the fair value attributable to each of the properties within the total portfolio. When the Company conducts further exploration on acquired properties, it may determine that certain of the properties do not support the fair values applied at the time of acquisition. If such a determination is made, the property is written down, which could have a material effect on the balance sheet and statement of loss.

New standards not yet adopted

The Company is currently evaluating the impact of the following pronouncements; however, the Company does not anticipate the adoption of the new standards to have a significant impact on its consolidated financial statements.

- IFRS 7 *Financial instrument – disclosure,* was further amended to provide guidelines on the eligibility criteria for offsetting assets and liabilities as a single net amount in the balance sheets. This amendment is effective for annual periods beginning on or after January 1, 2013.

- IFRS 9 *Financial instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial instruments – Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognize in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

- Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value change due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for annual periods beginning on or after January 1, 2015.

- IFRS 10 *Consolidated financial statements* requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—special purpose entities* and parts of IAS 27 *Consolidated and separate financial statements*. This standard is effective for annual periods beginning on or after January 1, 2013.

- IFRS 11 *Joint arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities—non□monetary contributions by venturers*. This standard is effective for annual periods beginning on or after January 1, 2013.

- IFRS 12 *Disclosure of interests in other entities* establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013.

- IFRS 13 *Fair value measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

- IAS 1 *Presentation of financial statements* was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss. This standard is effective for annual periods beginning on or after July 1, 2012.

4. ACQUISITION OF NEVGOLD

On February 28, 2012, Silver Predator Corp. acquired 100% of Nevgold Resource Corp. ("Nevgold") by way of a plan of arrangement (the "Arrangement"). Under the terms of the Arrangement, Silver Predator issued 0.5 of a common share of Silver Predator ("Silver Predator Shares") for each one outstanding common share of Nevgold (the "Exchange Ratio"). Outstanding warrants to acquire common shares of Nevgold now entitle the holders thereof on exercise to receive Silver Predator Shares, adjusted for the Exchange Ratio with a corresponding adjustment to the exercise price.

Pursuant to the Arrangement, Silver Predator issued an aggregate of 7,059,000 Silver Predator Shares to the former Nevgold shareholders, representing approximately 18.8% of the Silver Predator Shares issued and outstanding on closing of the Arrangement. An additional 502,500 Silver Predator Shares have been authorized for issuance upon the exercise of the outstanding Nevgold warrants.

Nevgold is an exploration company with a portfolio that includes the Cornucopia Property, located within the Cornucopia silver mining district in Elko County, Nevada, the Copper King Property located two miles north of the Lucky Friday silver mine in the Coeur d'Alene District of Idaho, the Cordero Property, located seven miles southwest of the town of McDermitt in Humboldt County, north-central Nevada, and the McBride Property, located southwest of Lynn Lake in Manitoba.

Total consideration paid of $3,134,698 included the fair value of 7,059,000 Silver Predator Shares issued at $0.415 (based on the closing price of Silver Predator Shares on February 28, 2012) amounting to $2,929,485, the fair value of 502,500 share purchase warrants amounting to $27,348, and Silver Predator's transaction costs of $177,864. The share purchase warrants were valued using the Black-Scholes pricing option pricing model based on a risk free annual interest rate of approximately 1%, an expected volatility of up to 85%, an expected average life of 9 months, and a dividend yield of nil.

The purchase price was calculated as follows:

Common Shares issued (7,059,000 Silver Predator Shares)	$	2,929,485
Fair value of warrants		27,349
Transaction costs		177,864
Total purchase price	$	3,134,698

The following table sets forth the allocation of the purchase price to the fair value of the assets and liabilities acquired:

Purchase price allocation		
Cash and cash equivalents	$	10,716
Accounts receivable and prepaids		37,131
Reclamation bond		22,206
Mineral properties		3,597,212
Loan payable to Silver Predator		(225,000)
Accounts payable		(307,567)
	$	3,134,698

Included in accounts payable is a US$70,000 loan owing to the former CEO of Nevgold, a current director and CEO of Silver Predator, in respect of funds advanced to Nevgold for working capital purposes. The loan was repaid subsequent to closing of the Arrangement.

(Expressed in Canadian Dollars)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

		May 31, 2013		May 31, 2012
Cash	$	389,976	$	440,661
Short term investments		123,000		350,000
	$	512,976	$	790,661

6. RECEIVABLES

Receivables comprise the following

		May 31, 2013		May 31, 2012
Harmonised Sales Tax recoverable	$	2,451	$	537,968
Other receivables		16,236		14,342
	$	18,687	$	552,310

7. INVESTMENTS

The Company holds securities in other companies as follows:

		May 31, 2013		May 31, 2012
Common shares in public companies – fair value	$	175,000	$	750,000
Common shares in private companies – fair value		20,000		-
	$	195,000	$	750,000

		May 31, 2013		May 31, 2012
Common shares in public companies – cost	$	684,988	$	684,988
Common shares in private companies – cost		-		-
	$	684,988	$	684,988

8. PROMISSORY NOTE

On October 20, 2010, the Company sold its subsidiary, 1794298 Ontario Inc., the holding company of Eucan Minas S.A. de C.V. for the sum of $300,000. $100,000 was received in cash and the remaining $200,000 was in the form of a promissory note. The promissory note is non-interest bearing with the first $100,000 payment due May 31, 2011 (received) and the second $100,000 payment due May 31, 2012, received in the first quarter of 2013.

(Expressed in Canadian Dollars)

9. MINERAL PROPERTIES

2013	Balance May 31, 2012	Acquisition costs incurred in year	Exploration costs incurred in year	*Dispositions and other adjustments	Balance May 31, 2013
Canada					
Plata	$ 2,384,907	$ -	$ 45,629	$ (2,430,536)	$ -
Groundhog, Cyr, Grayling, Zap	1,954,121	-	33,269	-	1,987,390
Touchdown, Pigskin, Shar	1,834,355	-	2,254	-	1,836,609
Rusty, Hy, and Flip	1,876,515	250	114,853	(1,991,618)	-
McBride	453,591	-	-	-	453,591
Staking and other	759,013	-	3,417	(762,430)	-
Total Canada Properties	9,262,502	250	199,422	(5,184,584)	4,277,590
USA					
Treasure Hill, Silver Bow	$ 1,583,014	3,309	39,176	23,634	$ 1,649,133
Taylor	2,771,834	901,060	770,823	(86,733)	4,356,984
Illinois Creek	194,132	5,250	190,041	(12,636)	376,787
Pinchot	15,908	-	8,858	(4,628)	20,138
Cordero	2,224,161	9,002	10,326	9,505	2,252,994
Copper King	760,115	-	8,960	4,657	773,732
Cornucopia	159,577	22,398	13,436	6,603	202,014
Total USA Properties	7,708,741	941,019	1,041,620	(59,598)	9,631,782
Mexico					
Magistral	852,961	-	-	-	852,961
Total Mexico Property	852,961	-	-	-	852,961
Total Property Costs	17,824,204	$ 941,269	$ 1,241,042	$ (5,244,182)	14,762,333

2012	Balance May 31, 2011	Acquisition costs incurred in year	Exploration costs incurred in year	*Dispositions and other adjustments	Balance May 31, 2012
Canada					
Plata	$ 451,254	$ 536,849	$ 1,396,804	$ -	$ 2,384,907
Groundhog, Cyr, Grayling, Zap	1,810,000	2,286	141,835	-	1,954,121
Quarterback, Blue Heaven, Ranch	478,216	20,628	80,149	(578,993)	-
Touchdown, Pigskin, Shar	1,800,000	2,033	32,322	-	1,834,355
Rusty, Hy, and Flip	-	645,902	1,230,613	-	1,876,515
McBride	-	453,394	197	-	453,591
Staking and other	267,178	369,621	122,214	-	759,013
Total Canada Properties	4,806,648	2,030,713	3,004,134	(578,993)	9,262,502
USA					
Treasure Hill, Silver Bow	2,762,355	258,106	$ 13,776	$ (1,451,223)	$ 1,583,014
Taylor	1,229,062	1,016,782	509,080	16,910	2,771,834
Illinois Creek	-	96,525	97,607	-	194,132
Pinchot	7,498	7,308	644	458	15,908
Cordero	-	2,224,155	6	-	2,224,161
Copper King	-	760,092	23	-	760,115
Cornucopia	-	159,571	6	-	159,577
Total USA Properties	3,998,915	4,522,539	621,142	(1,433,855)	7,708,741
Mexico					
Magistral	852,961	-	-	-	852,961
Total Mexico Property	852,961	-	-	-	852,961
Total Property Costs	$ 9,658,524	$ 6,553,252	$ 3,625,276	$ (2,012,848)	17,824,204

**Includes the effect of foreign exchange differences*

9. MINERAL PROPERTIES *(Cont'd…)*

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its properties are in good standing.

Taylor, Plata, Rancheria and other Yukon Properties

In December, 2010, the Company signed definitive agreements with Americas Bullion Royalty Corp (Americas Bullion), Rockhaven Resources Ltd. ("Rockhaven") and Strategic Metals Ltd. ("Strategic") , to acquire certain predominantly silver exploration and development properties located in Yukon, Nevada, Mexico and British Columbia (the "Transactions") as contemplated by a Letter of Intent entered into in July 2010. The Transactions closed March 14, 2011. The details of the Transactions and mineral properties acquired are discussed further below.

Taylor Property

Americas Bullion has granted the Company an option to acquire a 100% interest in 261 unpatented mining claims and 4 patented mining claims located in White Pine County, Nevada, known as the Taylor Property. The option was structured as a purchase of the shares of Fury Explorations Ltd. by Silver Predator, which in turn owns all of the shares of Anglo Nevada Metals Corporation ("Anglo Nevada"). Anglo Nevada owns the Taylor Property. To exercise this option, the Company must issue, in stages, a minimum of 12,000,000 additional common shares ("Common Shares") having a minimum aggregate value of $8,214,000 (all dollar amounts are in Canadian currency) but subject to a maximum of 18,463,333 shares. 1,000,000 shares were issued on closing of the agreement with a fair value of $900,000 and an additional 2,533,333 shares were issued in February 2012 with a fair value of $988,000. In March 2013 6,240,000 shares were issued with a fair value of $862,140. Furthermore, the Company will issue up to 6,283,333 shares on February 28, 2014.

On exercise of this option the Company will grant to Americas Bullion a 2% NSR on all precious metals and 1% NSR on all other metals, except for metals extracted from claims subject to pre-existing royalties on which Americas Bullion will receive a 1% NSR on precious metals and 0.5% NSR on all other metals. The Company has accounted for the fair value of the shares issued as acquisition costs of the Taylor Property.

The Company has also acquired, through Anglo Nevada, a 10 year right to earn a 50% interest in the Taylor Mill Facility from Taylor Mining Corp. ("Taylor Mining"), a wholly-owned subsidiary of Americas Bullion. The Taylor Mill Facility comprises five mill site claims and the 1,320 ton per day mill complex located thereon. To earn its 50% interest Anglo Nevada must incur rehabilitation expenditures, invest operating capital or pay to Taylor Mining (or some combination of the foregoing) in an amount equal to the fair market value of the Taylor Mill Facility (or, to the extent that cash payments are made to Taylor Mining, in an amount equal to 50% of the fair market value). On Anglo Nevada acquiring a 50% interest in the Taylor Mill Facility, Anglo Nevada and Taylor Mining will enter into a joint venture agreement to operate the Taylor Mill facility.

Treasure Hill, Silver Bow, and Magistral Properties

The Company acquired, through its wholly-owned subsidiary Silver Predator US Holding Corp. ("SPUS"), the Treasure Hill and Silver Bow Properties located in White Pine & Nye Counties, Nevada from Americas Bullion US Mines Inc. (a wholly-owned subsidiary of Americas Bullion) ("GPUS") and, through the acquisition of Fury Exploration (Mexico) S. de R.L. de C.V. ("Fury Mexico"), the Magistral property located in Jalisco State, Mexico, for an aggregate of 4,000,000 Common Shares with a fair value of $3,600,000.

The Treasure Hill Property consists of certain patented and unpatented mining claims which are subject to existing NSR royalties of between 2% and 3%. GPUS will retain a 1% net profits interest ("NPI") in the Treasure Hill Property. Fury Mexico owns 100% of the Magistral Property, with Southern Silver Exploration Corp. ("Southern") holding an option to acquire a 65% interest in the Magistral Property. Provided that Southern exercises its option, Americas Bullion will retain a 1% NPI on Fury Mexico's interest in the Magistral Property. In the event that Southern drops its option, Fury Mexico will grant Americas Bullion a 2% NSR on all precious metals and 1% NSR on all other metals on the Magistral Property.

The Company relinquished the Silver Bow property in 2012 due to poor exploration results and recorded a writedown of $1,451,223.

Plata Property

Rockhaven has granted the Company's wholly-owned subsidiary Silver Predator Canada Corp. ("SPCC") an option to acquire a 100% interest in certain quartz mining claims located in the Mayo Mining District, Yukon and known as the Plata Property. As consideration for this option, the Company has delivered to Rockhaven 500,000 Common Shares with a fair value of $450,000. To exercise this option, the Company must deliver, in stages, a minimum of 5,500,000 additional Common Shares (1,266,667 delivered) having a minimum aggregate value of $3,627,000 but subject to a maximum of 8,731,667 shares. On exercise of this option, SPCC will grant to Rockhaven a 2% NSR on all precious metals and 1% NSR on all other metals extracted from the property.

The Company relinquished the Plata property in the year ended May 31, 2013 due to poor exploration results and recorded a write-down of $2,430,536.

9. MINERAL PROPERTIES *(Cont'd…)*

Groundhog, Cyr, Grayling, and Zap Properties

The Company acquired, through SPCC, a 100% interest in four separate prospective mineral properties represented by certain quartz mining claims located in the Watson Lake and Mayo Mining Districts, Yukon, including the Groundhog, Cyr and Grayling carbonate replacement deposit targets and the Zap Project located 16 km northwest of ATAC's Rau Project. As consideration, the Company has delivered to Rockhaven 2,000,000 Common Shares with a fair value of $1,800,000. Rockhaven will retain a 2% NSR on all precious metals and 1% NSR on all other metals extracted from the property.

Quarterback, Blue, Heaven, and Ranch Properties

The Company acquired, through SPCC, an option to acquire a 100% interest in certain quartz mining claims located in the Blue, Rancheria Silver-Lead-Zinc District which straddles the British Columbia/Yukon border individually known as the Quarterback, Blue, Heaven and Ranch Properties and collectively known as the Rancheria property. As consideration for this option, the Company has delivered to the vendor 500,000 Common Shares with a fair value of $450,000. To exercise this option, the Company must deliver, in stages, a minimum of 5,500,000 additional Common Shares having a minimum aggregate value of $3,627,000 but subject to a maximum of 8,731,667 shares. On exercise of this option, SPCC will grant to the vendor a 2% NSR on all precious metals and 1% NSR on all other metals extracted from the property.

The Company terminated the option in 2012 due to poor exploration results and recorded a write down of $578,993.

Touchdown, Pigskin, and Shar Properties

The Company acquired, through SPCC, a 100% interest in eight separate prospective mineral properties represented by certain quartz mining claims located in the Watson Lake and Mayo Mining Districts, Yukon and the Liard Mining Division, British Columbia, including the Touchdown, Pigskin, and Shar Properties. As consideration, the Company has delivered to Strategic 2,000,000 Common Shares with a fair value of $1,800,000. Strategic will retain a 2% NSR on all precious metals and 1% NSR on all other metals extracted from the property.

Hy, Flip, and Rusty Properties

The Company acquired, through SPCC, an option to acquire a 100% interest in the Hy, Flip and Rusty Silver Properties.

The Rusty Property is located 110 km northeast of Mayo, Yukon. As consideration for the grant of the Rusty option, the Company paid $100,000 and issued 200,000 common shares. To exercise the Rusty option and earn a 100% interest in the Rusty Property, the Company will pay an additional $1,450,000 and issue up to an additional 1,800,000 common shares, in stages over a 6 year period, with a value cap of $2.00 per share on the third year share issuance of 200,000 shares and a value cap of $2.50 per share on the fourth year share issuance of 300,000 shares.

The Hy Property is located 130 km north of the town of Watson Lake, Yukon. As consideration for the grant of the Hy option, the Company paid $25,000 and issued 50,000 common shares. To exercise the Hy option and earn a 100% interest in the Hy Property, the Company will pay an additional $775,000 and issue up to an additional 700,000 common shares, in stages over a 6 year period, with a value cap of $2.00 per share on the third year share issuance of 100,000 shares and a value cap of $2.50 per share on the fourth year share issuance of 150,000 shares.

The Flip Property is located 120 km north of Watson Lake, Yukon. As consideration for the grant of the Flip option, the Company is paid $15,000 and issued 50,000 common shares. To exercise the Flip option and earn a 100% interest in the Flip Property, the Company will pay an additional $305,000 and issue up to an additional 750,000 common shares, in stages over a 6 year period, with value caps of $2.00 and $2.50 per share, respectively, on the third and fourth year share issuances of 150,000 shares each.

The Company terminated the option in the period due to poor exploration results and recorded a write down of $1,805,955.

Claim Staking

As a result of the termination of some of the Yukon properties during the year, the Company recorded a write down of $762,430. The write down reflects the prior staking work that was done on the Yukon properties.

Illinois Creek Property

In June 2011, the Company entered into an option agreement to acquire a 100% interest in certain state of Alaska mining claims known as the Illinois Creek property. As consideration for the option, the Company paid US$25,000 and issued 25,000 common shares. To exercise the option, the Company is required to, in stages, pay an additional US$750,000 (paid $50,000) and issue 375,000 common shares (issued 25,000), and incur exploration expenditures of US$3,400,000 by December 13, 2015.

(Expressed in Canadian Dollars)

9. MINERAL PROPERTIES *(Cont'd…)*

The property will be subject to a 2% NSR on precious metals and a 1% NSR on base metals. 1% of the 2% NSR may be purchased by the Company for US$3,000,000.

Beginning in 2016, the Company will pay US$100,000 per year as an advance royalty until commercial production is reached. These payments will be credited against future royalty payments.

In August 2012 the option agreement was amended by the Company issuing 25,000 shares due December 31, 2012 on or before August 31, 2012 (issued), making the cash payment of $50,000 due December 31, 2012 a firm commitment, and extending the timelines for incurring the required exploration expenditures of US$3,400,000 by one year, to December 13, 2016.

On March 6, 2013 the Company entered into an Option Agreement with Plan B Minerals Corp. whereby Plan B Minerals Corp. can earn a 100% interest in the Illinois Creek Property that the Company currently holds. This agreement was executed on May 5, 2013.

The following properties having associated commitments were acquired as part of the Nevgold acquisition described in Note 4 above:

McDermitt (Cordero) Project, Nevada

The Company acquired the McDermitt Project in January 2008. As part of the agreement, the Company assumed two leases. The first lease is on a single patented claim which requires annual minimum advance royalty payments of US$5,000 on or before November 30 each year through 2026. In addition, a 1.5% NSR is payable on all minerals produced on these lands.

The second lease requires an annual minimum advance royalty payment of US$4,000 through 2016, for which the Company is expected to contribute 50% or US$2,000. In addition, a 1% NSR is payable on all minerals produced on the leased lands. The Company has $22,206 (April 30, 2011 - $13,954) on deposit with the Nevada Division of Minerals Bond Pool as a reclamation bond for this property.

Cornucopia Property, Nevada

In August 2007, the Company entered into a ten year lease to engage in pre-development exploration and drilling on seven lode mining claims, located in Elko County, Nevada. Production of valuable minerals from this property is subject to a 4% NSR. The Company must complete 2,000 feet of exploration drilling prior to December 31, 2015. To extend the lease beyond 10 years, the Company must be mining, developing or processing materials from the property or must have completed 5,000 feet of exploration drilling or must have performed reclamation and closure activities on the property prior to the ten year anniversary of the signing date. In order to maintain the lease on Cornucopia, the Company must pay US$20,000 on or before August 3, each year from 2012 to 2017.

McBride Property, Manitoba

The Company holds a 100% interest in the McBride Property, consisting of four mineral claims totaling 893 hectares located 15 km southwest of Lynn Lake, Manitoba. In September 2011 the Company completed an option agreement with Sypher Resources Limited ("Sypher"), whereby Sypher can earn a 100% interest in the project by issuing 500,000 common shares with a deemed value of at least $500,000 on or before May 30, 2014 and completing an aggregate $600,000 work commitment within a 4 year period. The Company retains a 3% NSR on any production from the property.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

		May 31, 2013		May 31, 2012
Trade payables	$	23,301	$	1,057
Accruals		32,500		206,263
	$	55,801	$	207,320

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common shares without par value.

On October 2, 2012, the Company completed a non-brokered private placement whereby the Company issued 5,858,891 units at a price of $0.18 per unit for gross proceeds of $1,054,600. Each Unit consisted of one common share of the Company and one half of one share purchase warrant with each full warrant exercisable at $0.28 for 1 year. The Company paid finder's fees of $9,925.

b) Stock options and warrants

The Company has a Stock Option Plan to provide an incentive to its directors, officers, employees and consultants. The maximum number of shares issuable under the Stock Option Plan may not exceed 15% of the shares outstanding and the maximum number of options granted to insiders of the Company may not exceed 10% of the shares outstanding. The exercise period of the options may not exceed five years from the date of grant. Vesting and the exercise price is as determined by the Company's Board of Directors and the exercise price cannot be less than the market price of the Company's shares on the date of grant.

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

	Warrants		Stock Options	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, May 31, 2011	2,816,250	0.54	3,743,000	0.89
Granted	502,500	0.70	232,500	0.72
Exercised	(1,640,250)	0.50	-	-
Expired	(1,026,000)	0.52	(1,326,625)	0.89
Outstanding, May 31, 2012	652,500	0.77	2,648,875	0.87
Granted	3,454,445	0.26	2,345,000	0.18
Expired	(652,500)	0.77	(365,625)	0.86
Outstanding, May 31, 2013	3,454,445	0.26	4,628,250	0.52
Exercisable	3,454,445	0.26	2,255,125	0.87

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES *(Cont'd…)*

As May 31, 2013, incentive stock options and share purchase warrants were outstanding as follows:

	Number of shares		Exercise price	Expiry Date
Options	275,000	$	0.50	September 14, 2015
	810,000		0.78	November 18, 2015
	1,085,750		1.05	April 4, 2016
	112,500		0.75	June 27, 2016
	2,345,000		0.18	December 12, 2017
	4,628,250			
Warrants	200,000		0.14	January ,28, 2018
	2,929,445	$	0.28	December 31, 2013
	25,000		0.14	December 31, 2013
	50,000		0.14	December 31, 2014
	250,000		0.14	December 31, 2015
	3,454,445			

During the year ended May 31, 2013, the Company recognized stock-based compensation of $227,003 (2012 - $751,244) that was recorded in the statement of operations. The weighted average fair value of options granted in the period was $0.18 per share.

The fair value of all compensatory options granted is estimated on grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	2013	2012
Risk-free interest rate	1.25%	2.02%
Expected life	5.00 years	5.00 years
Volatility	110.75%	109.21%
Dividend rate	-	-

12. DEFERRED INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		May 31, 2013		May 31, 2012
Loss before income taxes	$	(6,423,628)	$	(4,012,625)
Expected income tax recovery at statutory rates		(1,630,317)		(1,130,236)
Non deductible expenses		57,613		783,454
Other items		(7,735)		94,746
Tax benefits renounced in respect of flow-through shares		-		783,000
Unrecognized deferred tax asset		957,443		197,231
Income tax expense (recovery)	$	(622,996)	$	728,195

(Expressed in Canadian Dollars)

12. DEFERRED INCOME TAXES *(Cont'd…)*

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

		May 31, 2013	May 31, 2012
Deferred income tax assets			
Losses available for future periods	$	1,614,446	1,502,844
Mineral properties		1,499,489	515,031
Share issuance costs		44,147	67,240
		3,158,074	2,085,115
Deferred income tax liabilities:			
Marketable securities		-	(8,127)
Mineral properties		-	(783,000)
		-	(791,127)
Less: unrecognised deferred tax asset		(3,158,074)	(1,916,984)
Net deferred income tax liability	$	-	(622,996)

At May 31, 2013, the Company has Canadian non-capital loss carry forwards of approximately $1,614,446. The Canadian non-capital loss carry forwards expire at various dates from 2013 to 2032. The potential income tax benefits related to the Canadian loss carry forwards and certain of the Mexican and United States' operating losses have not been reflected in the accounts.

13. RELATED PARTY TRANSACTIONS

Amounts paid to related parties were incurred in the normal course of business and measured at the estimated fair values.

The Company expensed management and consulting fees of $132,990 for the year ended May 31, 2013 (2012 - $72,000) due to directors of the Company.

The amounts due to related parties, totaled $5,128 (2012 - $142,530), are non-interest bearing, due on demand, and were paid subsequent to the period end.

Key management personnel compensation

Key management personnel comprise the Chief Executive Officer, President, Chief Financial Officer, and Vice President, Exploration. Compensation of the Company's key management personnel is comprised of the following:

	May 31, 2013	May 31, 2012
Executive salaries and management fees	$246,390	$232,082
Share based payments	179,455	252,547
Total	$425,845	$484,629

(Expressed in Canadian Dollars)

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non cash transactions for the period ended May 31, 2013 include the following:

- The Company issued 6,240,000 common shares with a fair value of $862,140 for the acquisition of mineral properties.
- The Company received 2,000,000 common shares with a fair value of $20,000 for an Option Agreement between Plan B Minerals Corp and the Company.

Significant non cash transactions for the period ended May 31, 2012 include the following:

- The Company issued 2,016,667 common shares with a fair value of $881,250 for the acquisition of mineral properties.
- The Company issued 7,059,000 common shares with a fair value of $2,929,485 for the acquisition of Nevgold.
- The Company issued 2,533,333 common shares with a fair value of $988,000 to increase its holding of the Taylor property.

15. SEGMENTED INFORMATION

The Company's mineral properties are located in Canada, Mexico, and the United States as shown below:

May 31, 2013	Canada	Mexico	United States	Total
Mineral properties	4,277,590	852,961	9,631,782	14,762,333
Loss for the year	5,745,950	67	54,615	5,800,632

May 31, 2012	Canada	Mexico	United States	Total
Mineral properties	9,262,502	852,961	7,708,741	17,824,204
Loss for the year	4,441,721	(4)	229,095	4,740,820

16. MANAGEMENT OF FINANCIAL RISK

Financial instruments include cash and any contract that give rise to a financial asset to one party and a financial liability or equity instrument to another party. As at May 31, 2013 the Company's carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values due to their short term to maturity.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

At May 31, 2013, the Company's financial instruments measured at fair value on a recurring basis were available for sale marketable securities (classified as "Level 1"). Investment in private companies are classified as "Level 2"

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, receivables, promissory note, and reclamation bonds. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of banker's acceptances issued by major banks and corporations, for which management believes the risk of loss to be minimal. Receivables mainly consist of interest receivable from the banker's acceptances, loan receivables, and goods and services tax refunds due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to receivables is minimal. Reclamation bonds consist of term deposits and guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed share capital financings or proceeds from property sales or options.

At May 31, 2013, the Company had a working capital balance of $692,898. Additional information regarding liquidity risk is disclosed in note 1.

16. MANAGEMENT OF FINANCIAL RISK *(Cont'd…)*

Market risk

Market risk is the risk of loss that may arise from changes in market fluctuations such as those listed below. The fluctuations may be significant.

Interest rate risk

Management believes the interest rate risk is low given the current low global interest rate environment.

Foreign currency risk

The Company's raises funds in Canadian dollars and major purchases and expenditures are transacted in US dollars. The Company also funds certain operations and exploration and administrative expenses in US dollars. Management believes the foreign exchange risk derived from currency conversions and relative exchange rate between Canadian dollars and US dollars is negligible and therefore does not hedge its foreign exchange risk.

Sensitivity analysis

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by interest rate risk, foreign currency risk and price risk within the next three months. In particular, interest rate risk is remote as the interest rates on the Company's short-term investments are fixed with an interest rate range between 0.35% and 1.35% with maturity dates shorter than three months.

The Company's significant subsidiaries are located in United States and the parent company is in Canada. As a result a portion of the Company's accounts receivable, accounts payable and accruals are denominated in the US Dollar and are therefore subject to fluctuation in exchange rates.

As the Company's parent company functional currency is the Canadian dollar, a 100 basis point (one per cent) increase/ strengthening (decrease/ weakening) in the U.S. dollar at year end would have resulted in the net loss being $663 lower ($663 higher).

17. MANAGEMENT OF CAPITAL RISK

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity to be capital. 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. In order to maintain or adjust the capital structure, the Company may issue new shares through public and/or private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.
Additional information regarding management of capital risk is disclosed in note 1.