DOLLY VARDEN
SILVER CORPORATION

DOLLY VARDEN SILVER CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

UNAUDITED –Prepared by Management

(Expressed in Canadian Dollars)

TO THE SHAREHOLDERS OF DOLLY VARDEN SILVER CORPORATION

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

The accompanying unaudited condensed interim financial statements of the Company as at and for the periods ended September 30, 2015 and 2014 have been prepared by management and have been reviewed and approved by the Company's Audit Committee and Board of Directors.

The Company's independent auditor, Davidson & Company LLP, has not performed a review of these condensed interim financial statements for the three and nine month periods ended September 30, 2015 and 2014.

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

		September 30, 2015		December 31, 2014
Assets				
Current				
Cash	$	174,770	$	1,559,040
Prepaid expenses (Note 3)		9,234		147,224
Receivables (Note 4)		36,290		134,342
		220,294		1,840,606
Non-Current				
Equipment (Note 5)		149,728		178,129
Exploration and evaluation advances (Note 6)		120,033		97,382
Deposits (Note 6)		91,000		91,000
Exploration and evaluation assets (Note 6)		19,153,283		18,171,972
	$	19,734,338	$	20,379,089
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable & accrued liabilities (Note 7 and 11)	$	716,605	$	497,850
		716,605		497,850
Shareholders' equity				
Share Capital (Note 9)		26,798,486		26,798,884
Reserves		3,357,544		2,961,213
Deficit		(11,138,297)		(9,878,858)
		19,017,733		19,881,239
	$	19,734,338	$	20,379,089

Nature of Operations and Going Concern - Note 1
Subsequent Events - Note 13

APPROVED ON BEHALF OF THE BOARD:

"Tom Wharton"
DIRECTOR

"Rosie Moore"
DIRECTOR

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

DOLLY VARDEN SILVER CORPORATION
Condensed Interim Statement of Loss and Comprehensive Loss
Unaudited –Prepared by Management
(Expressed in Canadian Dollars)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Expenses				
Adminstrative and consulting fees	$ 7,958	$ 31,900	$ 63,799	$ 92,575
Depreciation of office equipment	-	1,032	-	3,095
Directors' fees (Note 9)	47,282	(36,827)	7,192	21,279
Management fees	45,000	48,500	127,962	139,250
Marketing and communications	22,827	95,433	189,036	197,529
Office	10,746	18,565	33,711	48,536
Professional fees	52,723	28,364	179,393	96,254
Rent and maintenance	4,690	6,245	21,465	18,105
Salaries and benefits	7,168	20,129	44,137	52,070
Share-based compensation (Note 9)	-	5,436	84,653	69,920
Transfer agent and filing fees	16,315	4,432	41,894	22,982
Travel and Accommodation	4,261	31,344	13,072	156,607
Exchange (gain)/loss	8	79	(190)	286
Operating loss	(218,979)	(254,632)	(806,125)	(918,488)
Finance charges (Note 8 and 9)	(461,678)	-	(461,678)	-
Interest income	1,569	4,593	8,364	13,362
Other - flow through premium reversal	-	42,000	-	42,000
Total loss and comprehensive loss for period	$ (679,088)	$ (208,039)	$ (1,259,439)	$ (863,126)
Loss per common share, basic and diluted	$ (0.04)	$ (0.02)	$ (0.07)	$ (0.06)
Weighted average number of common shares outstanding	18,268,963	13,139,792	18,268,963	14,352,314

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

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

	Share Capital								
	Number		Amount		Reserves		Deficit		Total
Balance - December 31, 2013	**132,797,919**	**$**	**21,449,491**	**$**	**2,795,137**	**$**	**(8,749,280)**	**$**	**15,495,348**
Issuance of flow-through common shares for cash	46,441,711		5,573,005		-		-		5,573,005
Isuuance of common shares	750,000		90,000		-		-		90,000
Share issuance costs	-		(469,568)		-		-		(469,568)
Fair value assigned to issued finders' warrants	-		(114,044)		114,044		-		-
Exercise of warrants	2,700,000		270,000		-		-		270,000
Share-based compensation	-		-		69,920		-		69,920
Total loss and comprehensive loss for the period	-		-		-		(863,126)		(863,126)
Balance - September 30, 2014	**182,689,630**		**26,798,884**		**2,979,101**		**(9,612,406)**	**$**	**20,165,579**
Share-based compensation	-		-		(17,888)		-		(17,888)
Total loss and comprehensive loss for the period	-		-		-		(266,452)		(266,452)
Balance - December 31, 2014	**182,689,630**		**26,798,884**		**2,961,213**		**(9,878,858)**	**$**	**19,881,239**
Share issuance costs	-		(398)		-		-		(398)
Fair value assigned to warrants					311,678				311,678
Share-based compensation	-		-		84,653		-		84,653
Share consolidation 10:1 (Note 9)	(164,420,667)		-		-		-		-
Total loss and comprehensive loss for the period	-		-		-		(1,259,439)		(1,259,439)
Balance - September 30, 2015	**18,268,963**	**$**	**26,798,486**	**$**	**3,357,544**	**$**	**(11,138,297)**	**$**	**19,017,733**

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

	Nine months ended September 30, 2015	2014
Cash flows from operating activities		
Loss for the period	$ (1,259,439)	$ (863,126)
Items not affecting cash:		
Share-based compensation	84,653	69,920
Directors' fees (Note 9)	(37,805)	21,279
Finance charges	311,678	-
Depreciation of office equipment	-	3,095
Other income- flow through premium reserval	-	(42,000)
Changes in non-cash working capital items:		
Decrease in receivables	98,051	736,725
Decrease (increase) in prepaid expenses	137,990	(203,377)
Decrease in accounts payable & accrued liabilities	204,044	(105,813)
Net cash used in operating activities	(460,828)	(383,297)
Cash flows from investing activities		
Exploration and evaluation assets	(885,502)	(1,316,587)
Addition to deposit	-	(55,000)
Exploration and evaluation assets advances	(37,542)	(1,531,397)
Net cash used in investing activities	(923,044)	(2,902,984)
Cash flows from financing activities		
Issuance of common shares for cash	-	5,933,005
Share issuance costs	(398)	(469,568)
Net cash provided by financing activities	(398)	5,463,437
Net change in cash for the period	(1,384,270)	2,177,156
Cash - beginning of the period	1,559,040	358,619
Cash - end of the period	$ 174,770	$ 2,535,775

	2015	2014
Supplemental disclosure with respect to cash flows:		
Interest received in cash	$ 9,273	$ 11,126
Interest paid in cash	-	-
Income taxes paid in cash	-	-
Non-cash transactions:		
Accrual of exploration and evaluation asset expenditures	$ 290,544	$ 618,579
Accrual of BC METC	$ -	$ 6,050
Depreciation included in exploration and evaluation assets	$ 28,401	$ 38,203
Fair Value of finders warrant issued		$ 114,044
Allocation of exploration and evaluation advances	$ 14,891	$ 1,461,740

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

1 NATURE OF OPERATIONS AND GOING CONCERN

Dolly Varden Silver Corporation (the "Company") was incorporated under the Canada Business Corporation Act in the Province of British Columbia on March 4, 2011. The Company's primary business is the acquisition, exploration, evaluation and development of exploration and evaluation assets and it is considered to be in the exploration and evaluation stage. The Company's registered head office is suite 1500 – 409 Granville Street, Vancouver, BC, V6C 2T1.

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

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2015, the Company had incurred accumulated losses of $11, 138, 297 (December 31, 2014: accumulated loss of $9,878,858) since inception, and has a working capital deficiency of $496,311 (December 31, 2014: Working Capital $1,342,756). The Company expects to incur further losses in the development of its business and accordingly there is material uncertainty in the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to continue to raise adequate financing in the future to meet its obligations and repay its liabilities arising from normal business operations when they come due.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with IAS 1 "Presentation of Financial Statements' ("IAS 1") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements were approved by the board of directors of the Company on November 27, 2015.

b) Basis of Presentation

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

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

(Expressed in Canadian Dollars)

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

The significant accounting policies for the periods are consistent with those disclosed in the audited annual financial statements of the Company for the year ended December 31, 2014 except as specified below. The accompanying unaudited condensed interim financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2014.

For the comparative financial statements, the Company re-classified certain 2014 accounts in order to conform with the 2015 presentation.

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

The following new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these financial statements.

IAS 16 & IAS 38 – Classification of Acceptable Methods of Depreciation and Amortization clarifies that the use of a revenue-based depreciation and amortization method is not appropriated, and provides a rebuttable presumption for intangible assets. The effective date of IAS 16 & IAS 38 is January 1, 2016. The Company is assessing the impact of this new standard, if any, on the financial statements.

IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as well as derecognition of financial instruments. IFRS 9 will replace IAS 39. The effective date of IFRS 9 is January 1, 2018. The Company is assessing the impact of this new standard, if any, on the financial statements.

3 PREPAID EXPENSES

Prepaid expenses consist of:

	September 30, 2015	December 31, 2014
Trade show/Conference	$ -	$ 3,441
Insurance	7,000	3,666
Marketing services	-	138,750
Other	2,234	1,367
	$ 9,234	$ 147,224

4 RECEIVABLES

Receivables consist of:

	September 30, 2015	December 31, 2014
GST/HST	$ 26,318	$ 69,244
Accrued interest on GICs	-	4,991
BC METC	975	40,000
Other	8,998	20,107
	$ 36,291	$ 134,342

(Expressed in Canadian Dollars)

5 EQUIPMENT

	Boat	Dock	Tents & trailers	Equipment	Vehicles	Gas tank	Computer Hardware	Total
	$	$	$	$	$	$	$	$
Cost								
At December 31, 2014	43,095	15,571	138,521	51,879	129,136	40,000	10,346	428,548
Additions	-	-	-	-	-	-	-	-
At September 30, 2015	43,095	15,571	138,521	51,879	129,136	40,000	10,346	428,548
Accumulated depreciation								
At December 31, 2014	18,615	2,554	94,414	20,831	91,361	12,298	10,346	250,419
Depreciation for the period	2,754	488	9,924	4,657	8,499	2,078	-	28,401
At September 30, 2015	21,369	3,042	104,338	25,488	99,860	14,376	10,346	278,820
NET BOOK VALUE								
At December 31, 2014	24,480	13,017	44,107	31,048	37,775	27,702	-	178,129
At September 30, 2015	21,726	12,529	34,183	26,391	29,276	25,624	-	149,728

6 EXPLORATION AND EVALUATION ASSETS

Dolly Varden Property

During 2011, the Company purchased the Dolly Varden Property, consisting of fee simple titles, mineral claims and mineral tenures in respect of certain lands located in the Kitsault area of British Columbia. A finder's fee of $62,500 was paid through the issuance of shares to a shareholder of the Company. The property is subject to a 2% net smelter return royalty ("NSR") of which one half (or 1% NSR) can be repurchased by the Company for $1,000,000 at any time. A company in which a former director holds an indirect 20% interest holds the 2% NSR and held a License agreement for use of nearby staging area at a monthly cost to the Company of $2,500 through to June 30, 2014. Other directors no longer have any entitlement of interest in the company that holds the 2% NSR and License agreement. The License agreement for use of the nearby staging area was extended from July 1 to December 31, 2014 at a monthly cost of $3,000; and was extended again from January 1, 2015 to December 31, 2015 at a monthly cost of $3,500, which was paid in a single instalment of $42,000 on April 16, 2015.

The Company has provided deposits totalling $91,000 (December 31, 2014 - $91,000) as reclamation bonds for the property.

(Expressed in Canadian Dollars)

6 EXPLORATION AND EVALUATION ASSETS (cont'd)

Musketeer Property

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

The Company paid an aggregate option payment of $350,000 in fiscal 2013 and the second option payment of $233,333 in fiscal 2014. In early 2015, the remaining two payments were renegotiated for a fee of $10,000 included with the February 2015 payment of $183,333. The remaining option payments are due as follows:

February 12, 2016	$183,334
February 11, 2018	$100,000

(Expressed in Canadian Dollars)

6 EXPLORATION AND EVALUATION ASSETS (cont'd)

The following is a summary of acquisition costs and exploration expenditures in exploration and evaluation assets for the nine months ended September 30, 2015:

	Ending Balance as of December 31, 2014	Dolly Varden Property	Musketeer Property	Ending Balance as of September 30, 2015
Acquisition Costs				
Finders' fees	$ 62,500	$ -	$ -	$ 62,500
Legal fees	93,926	-	-	93,926
Property acquisition	3,130,134	-	193,333	3,323,467
Total Acquisition Costs	$ 3,286,560	$ -	$ 193,333	$ 3,479,893
Exploration Costs				
Assay	$ 457,620	$ 36,481	$ 1,044	$ 495,145
Camp, food, supplies and miscellaneous	1,520,400	31,547	4,686	1,556,633
Claim maintenance	167,447	31,914	7,137	206,497
Data and sampling analysis	395,462	-	-	395,462
Depreciation	240,073	23,421	4,980	268,474
Drilling	1,729,952	-	-	1,729,952
Equipment and warehouse rental	1,117,093	100,296	10,917	1,228,306
Field labour and support	808,064	16,163	-	824,226
Field project and management	2,527,243	38,057	6,268	2,571,568
Fuel	485,399	5,129	-	490,527
Geological and geoscience consulting	2,096,743	173,950	45,281	2,315,973
Geotechnical studies	629,157	45,909	-	675,066
Mapping and modelling	972,673	77,347	13,827	1,063,847
Road and drill pad preparation	754,549	-	-	754,549
Site preparation	156,318	19,397	-	175,715
Survey and assessment	385,973	-	-	385,973
Transport, travel and accommodations	2,685,722	92,055	2,175	2,779,952
Cost recovery - BC METC	(2,151,444)	-	-	$ (2,151,444)
Total Exploration Costs	$ 14,978,443	$ 691,665	$ 96,312	$ 15,766,421
Write down of Exploration and Evaluation Assets	$ (93,031)	$ -	$ -	$ (93,031)
Total Exploration and Evaluation Assets	$ 18,171,972	$ 691,665	$ 289,646	$ 19,153,283

At September 30, 2015, the Company had advanced $120,033 (December 31, 2014 - $97,382) for near term exploration work to various suppliers that will be deducted from final invoices when the work has been completed.

(Expressed in Canadian Dollars)

7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Consists of:

	September 30, 2015	December 31, 2014
Trade payables (1)	$ 280,656	$ 56,032
Exploration and evaluation asset payables and accruals (2)	290,544	238,027
Other accrual (3)	145,405	203,791
	$ 716,605	$ 497,850

(1) Includes $Nil (December 31, 2014 - $8,432) owed to directors and officers.

(2) Includes $158,141 (December 31, 2014 - $158,141) provisional amount owed to a Company owned by a former director and officer of the company.

(3) Includes $123,345 (December 31, 2014 - $161,151) payable to independent directors for directors' fees outstanding as deferred share units "DSU", described more fully in Note 8.

8 LOAN FACILITIES

On September 30, 2015, the Company entered into a definitive agreement with Hecla Canada Ltd. and Robert L. Gipson (each a "Lender", and together the "Lenders") for a $1,500,000 senior secured loan facility (the "Facility"). As of September 30, 2015 no amounts have been drawn down from the Facility.

The Facility bears interest at a rate of 5% per annum and will be repayable after one year, or repaid earlier with no penalty. An additional $500,000 may be made available to Company at the Lenders' discretion.

In connection with the Facility, the Company issued 1,250,000 warrants to each Lender, for a total of 2,500,000 warrants, each of which will entitle the holder to acquire one common share of the Company at a price of $0.30 for a period of three years from the date of issuance (See Note 9). The Company also incurred transaction costs of $150,000.

The net proceeds of the Facility, after deduction of certain expenses in connection with the transaction, are expected to be used to complete drilling on targets within the Dolly Varden project and for working capital purposes.

9 SHARE CAPITAL AND RESERVES

a) Authorized Share Capital:

The authorized share capital of the Company is an unlimited number of common shares, without par value. All issued shares, consisting only of common shares are fully paid.

b) Issued Share Capital:

During the year ended December 31, 2014, the Company issued the following common shares:

On February 14, 2014, the Company issued 2,700,000 common shares pursuant to the exercise of warrants for proceeds of $270,000.

(Expressed in Canadian Dollars)

9 SHARE CAPITAL AND RESERVES (cont'd)

On July 30, 2014, the Company completed its first tranche of a non-brokered private placement by issuing 750,000 common shares at $0.12 per share and 5,541,711 flow-through shares at $0.12 per share for total gross proceeds of $665,005 in cash and $90,000 in prepaid services. The Company issued 252,632 warrants as finders' fees, exercisable at $0.15 per share that expired unexercised on July 29, 2015. The warrants had a fair value of $9,852, measured using the Black-Scholes method.

On August 15, 2014, the Company completed the second and final tranche of the non-brokered private placement by issuing 40,900,000 flow-through shares at $0.12 per share for total gross proceeds of $4,832,400 in cash and $75,600 in prepaid services. The Company issued 3,256,000 warrants as finders' fees, exercisable at $0.15 per share that expired unexercised on August 14, 2015. The warrants had a fair value of $104,192, measured using the Black-Scholes method.

Additionally, the Company paid a total of $421,036 in finders' fees for both tranches.

During the nine months ended September 30, 2015, the Company issued the following common shares:

There were no common shares issued by the Company during the nine months ended September 30, 2015.

On June 19, 2015, the common shares of the Company were consolidated on a 10:1 basis. Comparative periods are presented as if the 10:1 consolidation had taken place prior to the earliest periods presented.

c) Warrants:

On June 19, 2015, the common shares of the Company were consolidated on a 10:1 basis, with an adjustment to outstanding options and warrants on the same basis with proportionate adjustments to exercise prices. Comparative periods are presented as if the 10:1 consolidation had taken place prior to the earliest periods presented.

Warrant transactions summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2014	682,655	$ 1.20
Issued for financing	350,863	$ 1.50
Expired	(251,280)	$ 1.10
Exercised	(270,000)	$ 1.00
Balance, December 31, 2014	512,238	$ 1.60
Issued for Facility (Note 8)	2,500,000	$ 0.30
Expired	(512,238)	$ 1.60
Balance, September 30, 2015	2,500,000	$ 0.30

(Expressed in Canadian Dollars)

9 SHARE CAPITAL AND RESERVES (cont'd)

At September 30, 2015, share purchase warrants were outstanding as follows:

Number of Warrants	Exercise Price		Expiry Date
2,500,000	$	0.30	September 30, 2018
2,500,000			

During the nine month period ended September 30, 2015, the Company issued 2,500,000 warrants with a fair value of $311,678 (2014 - $Nil) or $0.12 (2014 - $Nil) per warrant in connection with the Facility (Note 8). The fair value of the warrants was determined using the Black-Scholes option pricing model using the following assumptions: Risk-free interest rate of 0.54%, expected life of 3.0 years, expected volatility of 125% and a dividend rate of 0.00%.

d) Stock Options

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

On June 19, 2015, the common shares of the Company were consolidated on a 10:1 basis, with an adjustment to outstanding options and warrants on the same basis with proportionate adjustments to exercise prices. Comparative periods are presented as if the 10:1 consolidation had taken place prior to the earliest periods presented.

(Expressed in Canadian Dollars)

9 SHARE CAPITAL AND RESERVES (cont'd)

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price
Outstanding at - January 1, 2014	1,313,975	$ 2.18
Granted for services	46,025	$ 1.60
Forfeited	(190,000)	$ 2.14
Outstanding at - December 31, 2014	1,170,000	$ 2.16
Granted for services	215,000	$ 0.70
Forfeited	(265,000)	$ 2.17
Outstanding at -September 30, 2015	1,120,000	$ 1.88
Number of options exercisable at September 30, 2015	1,120,000	

At September 30, 2015, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Options	Exercise Price	Expiry Date
370,000	$ 2.50	July 30, 2017
50,000	$ 0.70	February 26, 2017
75,000	$ 3.50	March 1, 2017
50,000	$ 2.00	June 4, 2017
40,000	$ 1.80	March 18, 2018
323,975	$ 1.60	July 26, 2018
6,025	$ 1.60	February 14, 2019
40,000	$ 1.60	June 16, 2019
165,000	$ 0.70	February 26, 2020
1,120,000		

The weighted average remaining contractual life of the stock options outstanding as at September 30, 2015, was 2.76 years.

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

	Nine months ended September 30, 2015	2014
Risk free interest rate	0.71%	1.57% - 1.64%
Expected dividend yield	0%	0%
Annualized stock price volatility	113.37%	120.09% - 124.52%
Expected life of options	4.3 years	5 years
Expected forfeiture rate	0%	0%

9 SHARE CAPITAL AND RESERVES (cont'd)

e) Deferred Share Units ("DSU")

The Company has a DSU plan, which entitles non-executive directors and certain non-director employees to receive the cash equivalent of the DSUs after retirement from the Company. For the period ended September 30, 2015, the Company recognized the compensation cost for DSUs of $7192 (September 30, 2014 – $21,279) as directors' fees with a corresponding liability recorded as accrued liabilities. The amount represents $94,616 (September 30, 2014 - $110,778) as the dollar value of directors' fees for the period, less a reduction in the total liability for the DSU plan of $132,421 (September 30, 2014 - $89,499) arising as a result of the drop in common share market value. In addition to directors' fees from the DSU plan, a total of $44,997 (September 30, 2014 - $Nil) was paid to directors during the nine month period ended September 30, 2015.

10 CAPITAL DISCLOSURE

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

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

The Company is dependent on the capital markets as its main source of operating capital and the Company's capital resources are largely determined by the strength of the junior public markets, by the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. Other than the issuance of debt, there have been no further changes to the Company's approach to capital management during the nine month period ended September 30, 2015.

11 RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2015 and 2014, the Company incurred the following amounts charged by officers and directors (being key management personnel) and companies controlled and/or owned by officers and directors of the Company in addition to the related parties transactions disclosed elsewhere in these financial statements:

(Expressed in Canadian Dollars)

11 RELATED PARTY TRANSACTIONS (Cont'd)

	Nine months ended September 30, 2015	2014
Costs included in exploration and evaluation assets	$ 110,625	$ 106,875
Directors' fees (dollar value before share price adjustment)	139,613	110,778
Management & Consulting fees	169,552	182,975
Share-based compensation	70,950	-
	$ 490,740	$ 400,628

At September 30, 2015, included in accounts payable and accrued liabilities is $158,140 (December 31, 2014 - $327,724), provision for amounts owed to directors, an officer, and a company owned by a former director and officer of the Company.

12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

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

Financial instruments

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

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

Credit risk

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

12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Liquidity risk

The Company's ability to remain liquid over the long term depends on its ability to obtain additional financing through the issuance of additional securities, the entering into credit facilities or the entering into joint ventures, partnerships or other similar arrangements. The Company's ability to continue as a going concern is dependent upon its ability to continue to raise adequate financing in the future to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Interest rate risk

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

Price risk

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

13 SUBSEQUENT EVENTS

Subsequent to the period-end the Company granted 315,000 share purchase options with an exercise price of $0.30 per common share expiring five years from the date of grant.

In October 2015, the Company's board voted to terminate further accruals under the Deferred Share Unit Plan.

Subsequent to the period-end the Company has met its obligation to spend eligible flow-though expenditures by December 31, 2015.